

**STATE OF NEW MEXICO AGING AND LONG TERM
SERVICES DEPARTMENT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2017**

Name	Title
KyKy Knowles	Acting Cabinet Secretary
Bryan Maestas, CGFM	Administrative Services Director / CFO
Carlos Moya	Consumer & Elder Rights Division Director
Peggy Lucero-Gutierrez	Adult Protective Services Division Director
Lynne Anker-Unnever	Aging Network Division Director

INDEPENDENT AUDITORS' REPORT

State of New Mexico Aging and Long Term Services Department
and Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supporting Schedules 1 through 6, required by Section 2.2.2 NMAC, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the Supporting Schedules 1 through 6 required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

State of New Mexico Aging and Long Term Services Department
and Mr. Timothy Keller, New Mexico State Auditor

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 20, 2017

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Introduction

The State of New Mexico Aging and Long Term Services Department (the Department) presents the following Management's Discussion and Analysis (MD&A) and is designed to introduce the basic financial statements, provides an analytical overview of the Department's financial activities, reports results of operations and identifies changes in financial position for the year ended June 30, 2017. The Department encourages readers to consider the information presented in the MD&A in conjunction with the basic financial statements and should not be taken as a replacement for the statements.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34*, issued in June 2001; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001. Other elements of the reporting model are described below.

Overview of the Basic Financial Statements

The basic financial statements consist of the Government-wide financial statements and the Fund financial statements. The statements are in compliance with requirements of accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements also include notes that explain the following:

Government-Wide Financial Statements – are designed to provide readers with a broad overview of the Department's finances, in a manner similar to private-sector business reporting. The government-wide financial statements consist of the statement of net position (deficit) and the statement of activities. The statement of net position (deficit) presents current and long-term assets and liabilities and the difference between the two reported as net position. The statement of activities presents changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Fund Financial Statements – consist of a series of statements that provide detailed information about the Department's most significant funds. Funds are accounting devices that the Department uses to track specific sources of funding and spending for explicit purposes, specific activities or objectives. Fund financial statements distinguish between governmental, proprietary and fiduciary funds, and report on each fund group separately. The Department has no proprietary or fiduciary funds to report. GASB Summary Statement No. 11 prescribes the flow of financial resources measurement focus for governmental fund financial statements – the operating results expressed using this measurement focus show the extent to which financial resources obtained during a period are sufficient to cover claims incurred during that period against financial resources. This measurement focus considers financial resources only and uses a modified accrual basis of accounting.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Governmental Funds

Governmental funds are used to account for the Department's services and governmental activities. The governmental fund financial statements focus on short-term inflows and outflows of current economic resources and balances of spendable resources available at year-end. Governmental funds are further segregated into general, major, and other nonmajor governmental funds. Nonmajor funds are summarized into a single column on the financial statements. The Department may designate additional major funds as it deems appropriate.

The Department uses three types of funds to account for its service activities:

- General fund – used to account for services funded by general revenue appropriations not accounted for in other funds.
- Special revenue fund – used to account for resources and expenditures legally restricted to the Conference on Aging and for the Senior Services Tax Contributions.
- Capital project funds – used to account for appropriations and expenditures related to capital outlay projects for the state's senior centers.

Budget Comparisons

GASB 34 requires budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present the original budget, the final appropriated budgets for the reporting period as well as actual inflows, outflows and balances, stated on the government's budgetary basis.

The Office of the State Auditor (the Office), as prescribed in 2.2.2 NMAC, requires that the statement of revenues and expenditures (budget and actual) or the budgetary comparisons shall include the amount of fund balance on the budgetary basis required to balance the budget. In addition, the Office requires that the statement of revenues, expenditures and changes in fund balances – governmental funds include intergovernmental revenue from federal sources and intergovernmental revenue from state sources, as applicable. 2.2.2 NMAC also requires that the differences between the budgetary basis and U.S. GAAP basis revenues and expenditures should be reconciled at the individual fund level.

Notes to the Financial Statements

The notes to the financial statements, supplementary information, and other supplementary information sections provide information that is essential to a user's understanding of the basic financial statements.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Financial Analysis of the Department as a Whole

The Department's condensed financial information, as derived from the Department-wide financial statements, is presented below and compares the current year to the prior year. The Department's net position for the fiscal year ended June 30, 2017 was \$64,639 and reflects a marked increase over the previous year. Restricted net assets, including capital assets were \$631,521, a 73% increase over fiscal year 2016.

Table A-1
Statement of Net Position (Deficit)

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Percent Change</u>
ASSETS			
Current Assets	\$ 10,324,402	\$ 11,787,781	-12%
Noncurrent Assets	<u>200,644</u>	<u>50,936</u>	294%
Total Assets	<u>10,525,046</u>	<u>11,838,717</u>	-11%
LIABILITIES			
Current Liabilities	10,460,407	11,627,441	-10%
Long-Term Liabilities	<u>-</u>	<u>222,881</u>	-100%
Total Liabilities	<u>10,460,407</u>	<u>11,850,322</u>	-12%
NET POSITION			
Net Investment in Capital Assets	200,644	50,936	294%
Restricted	430,877	313,677	37%
Unrestricted (Deficit)	<u>(566,882)</u>	<u>(376,218)</u>	51%
Total Net Position (Deficit)	<u>\$ 64,639</u>	<u>\$ (11,605)</u>	-657%

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Table A-2 summarizes the Department's change in net position for the fiscal year ended June 30, 2017. The Department's change in net position (deficit) for the fiscal year ended June 30, 2017, was \$64,639 increased by \$76,244 over the prior period.

Table A-2
Statement of Activities

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Percent Change</u>
REVENUES			
Federal Grants and Contracts	\$ 14,929,352	\$ 15,788,257	-5%
Other	88,826	100,324	-11%
Total Revenues	<u>15,018,178</u>	<u>15,888,581</u>	-5%
GENERAL REVENUES			
State General Fund Appropriations, Net of Reversion	44,409,000	46,678,617	-5%
Bond Proceeds Appropriations	10,013,534	10,188,952	-2%
Miscellaneous	113,914	-	100%
Tax Refund Contributions	9,790	-	100%
Total General Revenue	<u>54,546,238</u>	<u>56,867,569</u>	-4%
Total Revenues and General Revenues	69,564,416	72,756,150	-4%
EXPENDITURES	<u>(68,079,075)</u>	<u>(72,679,102)</u>	-6%
CHANGE IN NET POSITION	1,485,341	77,048	1828%
Net Position (Deficit) - Beginning of Year	<u>(11,605)</u>	<u>(88,653)</u>	-87%
NET POSITION (DEFICIT) - END OF YEAR	<u>\$ 1,473,736</u>	<u>\$ (11,605)</u>	-12799%

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Budgetary Highlights

The Department's fiscal year 2017 operating budget totaled \$61,198,718 from all funding sources, including a State General Fund appropriation of \$42,999,903, net of reversion to the state general fund, which includes a reversion amount dating back several years in the concentrated effort to properly reflect restricted amounts. The Department was imposed a 5.5% budget cut during fiscal year 2017 resulting in the reduction of \$2,584,648 general fund dollars. Per the budget instructions, the budget cut was reflected in the original budget rather than a budget adjustment. While the Department endured a challenging budget cut, the attempt was made not to affect services provided to the agency's population in which it serves.

Capital Assets

The Department's investment in capital assets, net of accumulated depreciation is \$200,644, a net increase of \$149,708 or 294%. This investment in capital assets includes furniture and fixtures, data processing equipment, and machinery. There is no debt related to these capital assets and the Department has no infrastructure assets.

Factors Affecting the Department's Future

The Department's goals remain focused on the need to protect seniors from abuse, neglect and exploitation. As indicators continue to point of increases in the needs of the Department's clients due to the increase in the aging population the Department expects to continue to see a flat budget in future general fund dollars resulting in continued challenges in serving the vulnerable population. The Department also expects to experience further uncertainty in federal funding as a result of the tightening of available federal spending across the federal agencies that provide funding to the Department.

Contacting the Department's Financial Management

The Department's financial statements are designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of the Department's finances and to demonstrate its accountability for the funding it receives. If you have any questions about the information presented in the report or need additional information, contact:

Aging and Long-Term Services Department
Toney Anaya Building
2550 Cerrillos Road
P.O. Box 27118
Santa Fe, New Mexico 87505-7118
505-476-4799

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Interest in State General Fund Investment Pool	\$ 6,808,762
Petty Cash	700
Receivables:	
Other, Net	131
Due from Federal Government	2,775,954
Due from Other State Agencies	738,855
Total Current Assets	<u>10,324,402</u>
NONCURRENT ASSETS	
Capital Assets	753,510
Accumulated Depreciation	(552,866)
Total Noncurrent Assets	<u>200,644</u>
Total Assets	<u><u>\$ 10,525,046</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	\$ 8,496,004
Accrued Payroll	566,381
Due to Local Governments	160,900
Due to Other State Agencies	17,933
Due to State General Fund	651,607
Compensated Absences Payable	567,582
Total Current Liabilities	<u>10,460,407</u>
NET POSITION	
Net Investment in Capital Assets	200,644
Restricted	430,877
Unrestricted (Deficit)	(566,882)
Total Net Position	<u>64,639</u>
Total Liabilities and Net Position	<u><u>\$ 10,525,046</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

		Program Revenues		Net Revenue (Expense) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Aging and Long-Term Services	\$ (68,079,075)	\$ 88,826	\$ 14,929,352	\$ (53,060,897)
Total Governmental Activities	\$ (68,079,075)	\$ 88,826	\$ 14,929,352	(53,060,897)
GENERAL REVENUES				
State General Fund Appropriation				44,409,000
Reversion - Fiscal Year 2017				(937,678)
Reversion - Fiscal Year 2016				(471,419)
Transfers from Other State Agencies				10,013,534
Miscellaneous				113,914
Tax Refund Contributions				9,790
Total General Revenues				53,137,141
CHANGE IN NET POSITION				
				76,244
Net Position (Deficit) - Beginning of Year				(11,605)
NET POSITION - END OF YEAR				\$ 64,639

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	04900 General Fund	<u>Major Fund</u> 89200 Capital Projects	Nonmajor Funds	<u>Total</u>
ASSETS				
Interest in State General Fund Investment Pool	\$ 3,325,497	\$ 3,159,046	\$ 324,219	\$ 6,808,762
Petty Cash	-	-	700	700
Receivables:				
Other, Net	131	-	-	131
Due from Federal Government	2,775,954	-	-	2,775,954
Due from Other State Agencies	568,255	170,600	-	738,855
Due from Other Funds	-	-	3,749	3,749
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,669,837</u>	<u>\$ 3,329,646</u>	<u>\$ 328,668</u>	<u>\$ 10,328,151</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 5,344,936	\$ 3,150,918	\$ 150	\$ 8,496,004
Accrued Payroll	564,750	-	1,631	566,381
Due to Local Governments	-	160,900	-	160,900
Due to Other Funds	3,749	-	-	3,749
Due to Other State Agencies	105	17,828	-	17,933
Due to State General Fund	651,607	-	-	651,607
Total Liabilities	<u>6,565,147</u>	<u>3,329,646</u>	<u>1,781</u>	<u>9,896,574</u>
FUND BALANCES				
Assigned	-	-	700	700
Restricted	104,690	-	326,187	430,877
Total Fund Balances	<u>104,690</u>	<u> </u>	<u>326,887</u>	<u>431,577</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 6,669,837</u>	<u>\$ 3,329,646</u>	<u>\$ 328,668</u>	<u>\$ 10,328,151</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$ 431,577
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Amounts reported for governmental activities in the statement of net position (deficit) 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:

Capital Assets	753,510
Accumulated Depreciation	(552,866)
Total Capital Assets	200,644

Certain other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Liabilities at year-end consist of:

Compensated Absences Payable	(567,582)
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Net Position (Deficit) of Governmental Activities (Statement of Net Position (Deficit))	\$ 64,639
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**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	04900 General Fund	89200 Capital Projects	Nonmajor Funds	Total
REVENUES				
Fees and Services	\$ -	\$ -	\$ 88,826	\$ 88,826
Federal Grants and Contracts	11,757,638	-	-	11,757,638
Federal Grants - Pass Through	3,171,714	-	-	3,171,714
Miscellaneous	113,914	-	-	113,914
Tax Refund Contributions	-	-	9,790	9,790
Total Revenues	<u>15,043,266</u>	<u>-</u>	<u>98,616</u>	<u>15,141,882</u>
EXPENDITURES				
Current:				
Personnel Services and Employee Benefits	14,887,934	-	38,901	14,926,835
Contractual Services	4,253,121	-	2,641	4,255,762
Other Operating Costs	38,989,542	10,013,534	51,776	49,054,852
Capital Outlay	166,687	-	-	166,687
Total Expenditures	<u>58,297,284</u>	<u>10,013,534</u>	<u>93,318</u>	<u>68,404,136</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(43,254,018)	(10,013,534)	5,298	(53,262,254)
OTHER FINANCING SOURCES (USES)				
State General Fund Appropriations	44,409,000	0	-	44,409,000
Reversion - Fiscal Year 2017	(937,678)	-	-	(937,678)
Reversion - Fiscal Year 2016	(471,419)	-	-	(471,419)
Transfers from Other State Agencies	-	10,013,534	-	10,013,534
Net Other Financing Sources	<u>42,999,903</u>	<u>10,013,534</u>	<u>-</u>	<u>53,013,437</u>
NET CHANGE IN FUND BALANCES	(254,115)	-	5,298	(248,817)
Fund Balances - Beginning of Year	<u>358,805</u>	<u>-</u>	<u>321,589</u>	<u>680,394</u>
FUND BALANCES - END OF YEAR	<u>\$ 104,690</u>	<u>\$ -</u>	<u>\$ 326,887</u>	<u>\$ 431,577</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (248,817)
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Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net decrease in the liabilities for the year was:	175,353
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Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital Outlay	166,687
Depreciation Expense	<u>(16,979)</u>

Change in Net Position (Deficit) of Governmental Activities (Statement of Activities)	<u>\$ 76,244</u>
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**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND – FUND 04900
MAJOR GOVERNMENTAL FUND – GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State General Fund Appropriations	\$ 44,409,000	\$ 44,409,000	\$ 44,409,000	\$ -
Federal Grants	12,551,900	13,391,118	11,757,638	(1,633,480)
Intra-State Transfers	3,191,300	3,398,600	3,171,714	(226,886)
Miscellaneous	-	-	113,914	113,914
Total Revenues	\$ 60,152,200	\$ 61,198,718	59,452,266	\$ (1,746,452)
EXPENDITURES				
Current:				
Personnel Services and Employee Benefits	\$ 15,250,400	\$ 15,612,774	14,887,934	\$ 724,840
Contractual Services	3,970,800	4,489,418	4,253,121	236,297
Other Operating Costs	40,931,000	41,096,526	39,156,229	1,940,297
Total Expenditures	\$ 60,152,200	\$ 61,198,718	58,297,284	\$ 2,901,434
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			1,154,982	
GAAP BASIS RECONCILIATION				
Reversion to State General Fund			(1,050,292)	
Reversion to State General Fund - Prior Year Restricted Fund Balance			(358,805)	
NET CHANGE IN GENERAL FUND BALANCE (FUND 04900)			\$ (254,115)	

See accompanying Notes to Financial Statements.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 HISTORY AND ORGANIZATION

The New Mexico State Agency on Aging (Department) was created by Chapter 203, Laws of 1979 and was administratively attached to the New Mexico Human Services Department. During the 2003 Legislative session, the Legislature enacted House Bill 585, which was subsequently signed by the governor of the state of New Mexico. This legislation became law effective June 20, 2003. The law makes the Department a cabinet level department and renamed it the State of New Mexico Aging and Long Term Services Department (ALTSD or the Department). The Department administrative head is the secretary, who is appointed by and serves at the pleasure of the governor. The statutory duties of the ALTSD are to establish and maintain a comprehensive statewide program designed to meet the social service needs of the state's aged population including but not limited to the following:

- Strengthen and coordinate services of state and local public bodies for the benefit of the aged;
- Promote the utilization of older persons in all phases of employment;
- Disseminate information to the aged relative to federal, state, and local services;
- Encourage training programs, retraining programs, and opportunities for older workers;
- Develop new methods of job placement for older workers;
- Promote public recognition of the advantage of hiring and retaining older workers; and
- Promote and develop programs of community resources and facilities designed to meet the social needs of older persons.

Additionally, statutes provide for a Policy Advisory Committee to the Aging and Long-Term Services Department, which is composed of 11 members appointed by the governor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard- setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has prepared required supplementary information titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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 part 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*, but would be included in a statewide Comprehensive Annual Financial Report (CAFR). Even though the Department secretary is appointed by the governor, the Department Secretary 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 39 and GASB 61 for determining component units, the Department does not have any component units.

Basic Financial Statements

The basic financial statements include both government-wide (based on the Aging and Long-Term Service Department as a whole) and fund financial statements. The reporting model focus is on either the Aging and Long-Term Service 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 governmental activities. In the government-wide statement of net position, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligations. The net position of the Department consists of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the residual is net position. There were no deferred outflows or inflows of resources for the year ended June 30, 2017.

This government-wide focus is more on the sustainability of the Aging and Long-Term Service Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Program revenues include: (1) charges to applicants for provision of healthcare services, financial assistance, and government services and (2) operating grants and contributions. Program revenues included in the statement of activities reduce the cost of the function to be financed from general revenues. Items not properly identified as program revenues are reported instead as general revenues. The Department reports all direct expenses by program in the statement of activities. Direct expenses are those clearly identifiable with a function.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basic Financial Statements (Continued)

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the ALTSD'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 government-wide presentation.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the ALTSD's policy to use restricted resources first, then unrestricted resources, as they are needed.

Basis of Presentation – Governmental Fund Accounting

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 by Program of the governmental funds utilized by the Aging and Long-Term Service Department.

General Fund - The General Fund (SHARE Fund #04900) is the general operating fund of the ALTSD and is used to account for all financial resources except those required to be accounted for in another fund. Because of the nature of the ALTSD, the General Fund accounts for the resources available and used in the administration of the aging programs. The General Fund is a reverting fund.

Special Revenue Funds - Special Revenue Funds (SHARE Fund #62200 and #40210) are utilized to account for those proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (nonreverting funds). SHARE Fund #62200 is used to account for the proceeds from the annual Conference on Aging. SHARE Fund #40210 is used to account for the Senior Services Tax Contributions. Both funds are nonmajor.

State Capital Outlay Funds – The Capital Outlay Fund (SHARE Fund #89200), is a major fund and is used to account for capital projects. The New Mexico Legislature annually appropriates general or bond funds to the ALTSD for the purpose of altering or renovating senior center centers that are not owned by the Department for purchasing equipment and furnishings for these centers; and for purchasing new vehicles that are not owned by the Department to replace obsolete vehicles owned and used by the centers.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide financial statements follow the full accrual basis of accounting and are reported using the economic resources measurement focus. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities or obligations are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, including grants, and appropriations. Revenue from appropriations is recognized in the fiscal year for which the appropriations are collected. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. All significant interfund transactions have been eliminated when applicable. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduced the term "net position" for reporting the residual of all elements in a statement of financial position.

Governmental fund financial statements follow the modified accrual basis of accounting and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures, other than vacation, compensatory and with pay, are recorded when they are incurred. Expenditures related to compensated absences are recorded only when payment is due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 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 inflows of resources by the recipient.

The Department follows the Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62) which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

The Department engages in federal grant agreement programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the Department) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the Department simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

Interest in the State General Fund Investment Pool

The Department has an interest in State General Fund Investment Pool on deposit with the State treasurer.

Federal Grants Receivable

Various reimbursement procedures are used for federal awards received by ALTSD. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Generally, receivable balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed. During fiscal year 2017, there were no estimated unallowable costs allowed for or charged to any federal grants.

Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Position at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition in accordance with 12-6-10 NMSA 1978. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Data Processing Equipment	3 Years
Equipment and Machinery	7 Years
Furniture and Fixtures	7 Years

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Compensated Absences

The Department's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

The Department accounts for the accumulated vacation leave on the accrual basis. Accrued vacation up to 240 hours is recorded in the Statement of Net Assets at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 and up to 720 hours less the amount classified as current is recorded in the Statement of Net Assets at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2017, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

Fund Balances and Net Position

Reservations and Designations

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

The Department's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. The fund balances of the Department for the current year are represented only as Restricted and Unrestricted. A summary of the nature and purpose of these reserves by fund type at June 30, 2017, follows:

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances and Net Position (Continued)

Restricted

This reserve consists of restrictions related to federal grant programs.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, restricted fund balance must be spent first. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets

Intended to reflect the portion of net position which is 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. The Department does not have any related debt.

Restricted Net Position

Liquid assets (generated from fee revenues and bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Such restrictions are legally enforceable.

Unrestricted Net Position

Represent unrestricted liquid assets.

It is the policy of the Department that restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheets of the fund financial statements. Internal activity is eliminated at the government-wide statement of activities.

Transfers Between Other State Agencies

Transfers in from (out to) other state agencies and governmental units are recorded as other financing sources (uses).

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to State General Fund (Reversions)

Unexpended and unencumbered balances are generally reverted to the State General Fund. Annual appropriations state that unexpended or unencumbered balances of the State General Fund appropriation to the ALTSD shall revert. Accordingly, reversions have been recorded in the current year for General Fund appropriations. Also, the unexpended and unencumbered balance of special and other appropriations are reverted when required by law.

Reverting Funds

Reverting funds are all funds that are not identified by law as nonreverting.

Nonreverting 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, are nonreverting funds.

- i) Nongeneral Fund sources must be reverted to the State General Fund upon completion of the Project. (Section 6-5-10 NMSA 1978).
- ii) 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 overdrawn grant funds must be reverted to the granting agency.

Amounts due to the State General Fund for the year ending June 30, 2017 should be paid on or before September 30, 2017. Reversions are not budgeted.

Budgetary Data

The Department prepares budgets for its governmental funds, which are subject to approval by the New Mexico Department of Finance and Administration (DFA), based upon the appropriations made by the state legislature. Budgets are controlled at the appropriation unit level (personal services, employee benefits, etc.), and amendments affecting a category are approved by DFA and the Legislative Finance Committee (LFC). Expenditures may not exceed appropriations at this level.

The unexpended balances of the State General Fund appropriation to the Department are to be reverted to the State General Fund at the end of each fiscal year. The language of a particular appropriation determines when it lapses and whether or not unexpended balances revert to the State General Fund. The capital projects funds are multi-year appropriations that do not lapse at year-end and have not been budgeted for on an annual basis.

Appropriation periods are sometimes for periods in excess of 12 months (multi-year appropriations). When multi-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed in the notes to financial statements. Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data (Continued)

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

- a. The Department submits a proposed budget to the New Mexico State Legislature for the fiscal year commencing the following July 1. The state legislature must approve the budget prior to the legal enactment.
- b. The expenditures and encumbrances of each appropriation unit may not legally exceed the budget for that category. Budgets are controlled at the "appropriation unit" program level within activities (personal services and benefits, contractual services, etc.)
- c. Any adjustment to the budget must be submitted to and approved by the state of New Mexico Department of Finance and Administration State Budget Division in the form of a budget adjustment request,
- d. Beginning in fiscal year 2006, the annual budget, per the General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O, was adopted on a modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) must be paid out of the next year's budget. The modified accrual basis of accounting is consistent with accounting principles generally accepted in the United States of America (U.S. GAAP). Budgeted revenues may be less than budgeted expenditures as the ending fund balance may, in certain instances, be re-budgeted for expenditures in the next fiscal year. Budgetary comparisons presented in the financial statements are on a modified accrual basis of accounting.
- e. The budget for the General Fund and Special Revenue Funds are adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) must be paid out of next year's budget. A reconciliation of budgetary basis to U.S. GAAP basis will be necessary if all accounts payable at the end of the fiscal year are not paid by the statutory deadline. In addition, these funds are budgeted by program code and a reconciliation of fund financial statements to the budgetary comparison schedules is presented.

Revenues and Expenses

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

Expenses are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America:

- Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.
- When an expense is incurred that meets the requirements of both restricted and unrestricted resources, the Department will first apply it to available restricted net position.

Program Revenues

Program revenues are revenues that originate from the program or from parties other than the government's taxpayers or citizens as a whole, and 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.

Severance Tax Bond Proceeds

Severance tax bond proceeds were allocated by the state legislature to the Department to administer disbursements to the project recipients, and the Department is not obligated in any manner for the related indebtedness. The Department recognizes severance tax bond proceeds as revenue when draw requests are issued for reimbursement from severance tax bond proceeds of project expenditures made by the Department. The capital assets associated with the project funded by the severance tax bonds are excluded from the Department's capital assets list; upon project completion, the Department does not retain titles to these assets, but rather passes them through to the beneficiaries (other New Mexico state agencies and local governments) of these projects.

Cost Allocation

The Department does not employ indirect cost allocation in the financial statements.

Pensions

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

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Subsequent Events

Subsequent events have been evaluated through October 20, 2017, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2017. Management believes no other material subsequent events have arisen that would require adjustment or disclosure.

NOTE 3 STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED

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

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

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED (CONTINUED)

The State Controller indicated on August 11, 2017 that as of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

NOTE 4 INTEREST IN STATE TREASURER GENERAL FUND INVESTMENT POOL

Investment balances at June 30, 2017, consisted of the following:

Deposits with State Treasurer - Governmental Activities	\$ 6,808,762
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Interest Rate Risk – The New Mexico State treasurer’s office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk – The New Mexico State treasurer pools are not rated.

For a detailed listing of all agency bank accounts and State treasurer SHARE accounts, see Schedule 6.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the treasurer’s office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State treasurer, the reader should see the separate audit report for the New Mexico State treasurer’s office for the fiscal year ended June 30, 2017.

NOTE 5 DUE TO AND DUE FROM OTHER FUNDS

Due to and due from other funds represent interfund receivables and payables arising from interdepartmental transactions related to administrative costs allocated and are expected to be repaid within one year. These amounts have been eliminated on the government wide statements. There were no amounts recorded as due to and due from interfund balances.

NOTE 6 DUE FROM AND DUE TO OTHER STATE AGENCIES AND STATE GENERAL FUND

Transactions that occur among state agencies under legislative mandate, exchange transactions, and other situations are accounted for in the financial statements which make up the due from other state agencies. The due from and due to other state agencies balances at June 30, 2017 consist of the following:

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 DUE FROM AND DUE TO OTHER STATE AGENCIES (CONTINUED)

Due from other state agencies:

Transfer Fund	Transfer Department	Due From	Receiving Fund	Amount
05200	63000	NM HSD	04900	\$ 70,083
06700	69000	NM CYFD	04900	498,172
35160	34103	Board of Finance	89200	170,600
				<u>\$ 738,855</u>

Due to other state agencies:

Transfer Fund	Transfer Department	Due To	Receiving Fund	Amount
04900	79000	NM DPS	12805	\$ 105
35160	34103	Board of Finance	89200	17,828
				<u>\$ 17,933</u>

Due to State General Fund:

Transfer Fund	Transfer Department	Due To	Receiving Fund	Amount
04900	34101	State General Fund	85300	\$ 651,607
				<u>\$ 651,607</u>

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets:				
Data Processing Equipment	\$ 503,529	\$ 166,687	\$ (40,513)	\$ 629,703
Furniture and Fixtures	79,233	-	-	79,233
Equipment and Machinery	44,574	-	-	44,574
Total Capital Assets	<u>627,336</u>	<u>166,687</u>	<u>(40,513)</u>	<u>753,510</u>
Less Accumulated Depreciation:				
Data Processing Equipment	(457,605)	(15,308)	40,513	(432,400)
Furniture and Fixtures	(74,221)	(1,671)	-	(75,892)
Equipment and Machinery	(44,574)	-	-	(44,574)
Total Accumulated Depreciation	<u>(576,400)</u>	<u>(16,979)</u>	<u>40,513</u>	<u>(552,866)</u>
Capital Assets, Net	<u>\$ 50,936</u>	<u>\$ 149,708</u>	<u>\$ -</u>	<u>\$ 200,644</u>

Current year depreciation expense of \$16,679 was allocated entirely to the Aging and Long-Term Services function in the government-wide statement of activities.

NOTE 8 COMPENSATED ABSENCES

A summary of changes in long-term debt is as follows:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Amount Due Within One Year
Compensated Absences					
Payable	\$ 742,935	\$ 723,384	\$ (898,737)	\$ 567,582	\$ 567,582

The Department's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. The general fund liquidates all compensated absence balances.

NOTE 9 OPERATING LEASES

The ALTSD leases office space in Albuquerque and Las Cruces for the direct service programs. The ALTSD also leases several copy machines on a year-to-year basis that are considered operating leases. All leases may be canceled at the end of any fiscal year with no penalty since all have an early termination clause. Accordingly, there are no future minimum lease payments.

Total office space and equipment rent expense for the year ended June 30, 2017 was \$797,981.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 CONTINGENCIES – GRANTOR AGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which have been disallowed by the grantor agencies cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

NOTE 11 REVERSIONS TO STATE GENERAL FUND

Current year reversions for the State General Fund as of June 30, 2017 were as follows:

Appropriation Year	Fund Type	SHARE System Fund	Reversion
Laws of 2016	General Fund	04900	\$ 937,678
Prior Year Restricted Fund Balance	General Fund	04900	358,805
Resolution of Aged Balances	General Fund	04900	112,614
Total			<u>\$ 1,409,097</u>

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor. The Department will pay the remainder of the reversions payable listed at Note 6 during fiscal year 2018.

NOTE 12 INTER-AGENCY TRANSFERS

The following is a summary of transfers between the ALTSD and other state agencies:

Transfers in		ALTSD Fund	Amount	Description
Agency	Fund			
34101	85300	04900	\$ 44,409,000	Appropriation Allotment
34103	11350	89200	250,000	Capital Outlay Transfer
34103	11720	89200	234,560	Capital Outlay Transfer
34103	20610	89200	16,103	
34103	35160	89200	5,032,966	Capital Outlay Transfer
34103	50120	89200	2,536,960	Capital Outlay Transfer
34103	50230	89200	1,942,945	Capital Outlay Transfer
Total Transfers in			<u>\$ 54,422,534</u>	
Transfers Out		ALTSD Fund	Amount	Description
Agency	Fund			
34101	85300	04900	\$ 1,409,097	Reversion to State General Fund
Net Transfers			<u>\$ 53,013,437</u>	

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 13 SCHEDULE OF CAPITAL OUTLAY APPROPRIATIONS

Each year the Legislature approves multi-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.

NOTE 14 PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the 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 benefits, 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. 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.

GASB 68 - Financial Reporting and Disclosure for Multiple Employer Cost Sharing Pension Plans by Employers

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the state of New Mexico.

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

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 PENSION PLAN-PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Department are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2017, 2016, and 2015 were \$1,731,360, \$1,835,282, and \$1,802,811, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 15 POSTEMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

Plan Description

Aging and Long-Term Services 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 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, New Mexico 87107.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 15 POSTEMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% of their salary.

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 Department's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$203,807, \$216,096, and \$212,293, respectively, which equal the required contributions for each year.

NOTE 16 RISK MANAGEMENT AND LITIGATION

The Department is exposed to various risks of losses and related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD), to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Department are accounted for in the general fund. Any claims are processed through RMD.

There are no pending or threatened legal proceedings involving material matters to which the ALTSD is a party.

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (fiscal year 2018).

The GASB has also issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 82 is effective for reporting periods beginning after June 15, 2016, except for the requirements of Paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of Paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Department has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

NOTE 18 SUBSEQUENT EVENTS

On September 13-15, 2017 the Aging Network Division (AND), Senior Services Bureau (SSB) conducted a program assessment on the City of Albuquerque/Bernalillo County Area Agency on Aging (AAA). During September 18-20, 2017 the Aging Network Division Senior Services Bureau conducted a program assessment on the Non-Metro Area Agency on Aging (AAA). The results of both assessments were provided to both AAA's with either findings or required actions. The expectation of both AAA's is to respond to the SSB with corrective actions or further supporting documentation. Based on the corrective actions and/or supporting documentation, the SSB will determine if the corrective actions are satisfactory or additional inquiry is necessary.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
FUND DESCRIPTIONS
JUNE 30, 2017**

Share

Fund #

Departments/Programs Description

62200

The Conference on Aging (nonreverting fund) is an educational event with an annual registration of approximately 1,000 individuals. Senior citizens receive current information on financial planning, legal protection, health care options, and benefits. Funds are self-generated through registration fees, sponsorships, exhibitor fees, and fees for advertisement.

40210

The Special Revenue Fund was established from the Laws of 2015, Chapter 50 to transfer tax refunds collected to ALTSD for Senior Services.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>40210 Tax Refund Contributions Senior</u>	<u>62200 Conference On Aging</u>	<u>Total Nonmajor Funds</u>
ASSETS			
Interest in State General Fund			
Investment Pool	\$ 17,702	\$ 306,517	\$ 324,219
Petty Cash	-	700	700
Due from Other Funds	-	3,749	3,749
Total Assets	<u>\$ 17,702</u>	<u>\$ 310,966</u>	<u>\$ 328,668</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ 150	\$ 150
Accrued Payroll	-	1,631	1,631
Total Liabilities	<u>-</u>	<u>1,781</u>	<u>1,781</u>
FUND BALANCES			
Assigned	-	700	700
Restricted	17,702	308,485	326,187
Total Fund Balances (Deficit)	<u>17,702</u>	<u>309,185</u>	<u>326,887</u>
 Total Liabilities and Fund Balances	 <u>\$ 17,702</u>	 <u>\$ 310,966</u>	 <u>\$ 328,668</u>

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE – NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2017**

	40210 Tax Refund Contributions Senior	62200 Conference On Aging	Total Nonmajor Funds
REVENUES			
Fees and Services	\$ -	\$ 88,826	\$ 88,826
Tax Refund Contributions	9,790	-	9,790
Total Revenues	<u>9,790</u>	<u>88,826</u>	<u>98,616</u>
EXPENDITURES			
Current:			
Personnel Services and Benefits	-	38,901	38,901
Contractual Services	-	2,641	2,641
Other Operating Costs	-	51,776	51,776
Total Expenditures	<u>-</u>	<u>93,318</u>	<u>93,318</u>
NET CHANGE IN FUND BALANCES	9,790	(4,492)	5,298
Fund Balances - Beginning of Year	<u>7,912</u>	<u>313,677</u>	<u>321,589</u>
FUND BALANCES - END OF YEAR	<u>\$ 17,702</u>	<u>\$ 309,185</u>	<u>\$ 326,887</u>

SCHEDULE 1

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – PROGRAM SUPPORT (P-591)
 MAJOR GOVERNMENTAL FUND – GENERAL FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	From Final Budget Positive (Negative)
REVENUES				
State General Fund Appropriations	\$ 3,544,700	\$ 3,640,200	\$ 3,640,200	\$ -
Federal Grants	624,000	624,000	610,544	(13,456)
Miscellaneous Revenues	-	-	43,794	43,794
	<u>\$ 4,168,700</u>	<u>\$ 4,264,200</u>	4,294,538	<u>\$ 30,338</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	\$ 3,883,500	\$ 3,907,850	3,627,316	\$ 280,534
Contractual Services	102,700	89,992	89,987	5
Other Operating Costs	182,500	266,358	241,821	24,537
	<u>\$ 4,168,700</u>	<u>\$ 4,264,200</u>	3,959,124	<u>\$ 305,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			335,414	
U.S. GAAP BASIS RECONCILIATION				
Reversion to State General Fund			(335,414)	
NET CHANGE IN FUND BALANCE GAAP			\$ -	

SCHEDULE 2

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – CONSUMER AND ELDER RIGHTS (P-592)
 MAJOR GOVERNMENTAL FUND – GENERAL FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance From Final Budget Positive (Negative)
	Original	Final	Amounts	(Negative)
REVENUES				
State General Fund Appropriations	\$ 1,809,800	\$ 1,761,900	\$ 1,761,900	\$ -
Federal Grants	1,370,300	1,691,168	1,497,432	(193,736)
Intra-State Transfers	692,700	900,000	853,219	(46,781)
Total Revenues	<u>\$ 3,872,800</u>	<u>\$ 4,353,068</u>	4,112,551	<u>\$ (240,517)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	\$ 3,212,600	\$ 3,500,624	3,266,618	\$ 234,006
Contractual Services	141,700	255,183	199,033	56,150
Other Operating Costs	518,500	597,261	524,578	72,683
Total Expenditures	<u>\$ 3,872,800</u>	<u>\$ 4,353,068</u>	<u>3,990,229</u>	<u>\$ 362,839</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			122,322	
U.S. GAAP BASIS RECONCILIATION				
Reversion to State General Fund			(17,632)	
NET CHANGE IN FUND BALANCE			<u>\$ 104,690</u>	

SCHEDULE 3

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – ADULT PROTECTIVE SERVICES (P-593)
 MAJOR GOVERNMENTAL FUND – GENERAL FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance From Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
State General Fund Appropriations	\$ 10,525,300	\$ 10,607,400	\$ 10,607,400	\$ -
Intra-State Transfers	2,498,600	2,498,600	2,318,495	(180,105)
Total Revenues	\$ 13,023,900	\$ 13,106,000	12,925,895	\$ (180,105)
EXPENDITURES				
Current:				
Personnel Services and Benefits	\$ 8,088,600	\$ 8,138,600	7,933,387	\$ 205,213
Contractual Services	3,650,200	3,523,043	3,342,905	180,138
Other Operating Costs	1,285,100	1,444,357	1,423,123	21,234
Total Expenditures	\$ 13,023,900	\$ 13,106,000	12,699,415	\$ 406,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			226,480	
U.S. GAAP BASIS RECONCILIATION				
Reversion to State General Fund			(226,480)	
NET CHANGE IN FUND BALANCE			\$ -	

SCHEDULE 4

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – AGING NETWORK (P-594) – MAJOR GOVERNMENTAL FUND –
 GENERAL FUND
 YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance From Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
State General Fund Appropriations	\$ 28,529,200	\$ 28,399,500	\$ 28,399,500	\$ -
Federal Grants	10,557,600	11,075,950	9,649,662	(1,426,288)
Miscellaneous	-	-	70,120	70,120
	<u>\$ 39,086,800</u>	<u>\$ 39,475,450</u>	<u>38,119,282</u>	<u>\$ (1,356,168)</u>
EXPENDITURES				
Current:				
Personnel Services and Benefits	\$ 65,700	\$ 65,700	60,613	\$ 5,087
Contractual Services	76,200	621,200	621,196	4
Other Operating Costs	38,944,900	38,788,550	36,966,707	1,821,843
	<u>\$ 39,086,800</u>	<u>\$ 39,475,450</u>	<u>37,648,516</u>	<u>\$ 1,826,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			470,766	
U.S. GAAP BASIS RECONCILIATION				
Reversion to State General Fund			(470,766)	
NET CHANGE IN FUND BALANCE			\$ -	

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF MULTI-YEAR CAPITAL PROJECTS FUNDED BY SPECIAL AND
SEVERANCE TAX CAPITAL OUTLAY APPROPRIATIONS FROM THE STATE
JUNE 30, 2017**

<u>Project Description</u>	<u>Authority/Chapter</u>	<u>Laws</u>	<u>Appropriation Period</u>	<u>Expiration</u>	<u>SHARE Fund</u>
General Obligation Bonds (GOB)	Chapter 65, Section 10A (GOB17)	Laws of 2016	FY2018 - FY2020	6/30/2021	89200
	Chapter 65, Section 10A (GOB15)	Laws of 2014	FY2015 - FY2018	6/30/2018	89200
Total General Obligation Bonds					
Severance Tax Bonds (STB)	Chapter 105, Section 18A (STB07SD)	Laws of 2010	FY2007 - FY2016	6/30/2018	89200
	Chapter 105, Section 18A (STB08SA)	Laws of 2010	FY2008 - FY2016	6/30/2018	89200
	Chapter 226, Section 5 (STB13A)	Laws of 2013	FY2013 - FY2017	6/30/2017	89200
	Chapter 66, Section 4 (STB14A)	Laws of 2014	FY2013 - FY2018	6/30/2018	89200
	Chapter 66, Section 4 (STB14SC)	Laws of 2014	FY2013 - FY2018	6/30/2018	89200
	Chapter 147, Section 147 (STB11A-1)	Laws of 2015	FY2012 - FY2017	6/30/2017	89200
	Chapter 3, Section 3 (STB15A)	Laws of 2015	FY2014 - FY2019	6/30/2019	89200
	Chapter 3, Section 3 (STB15SA)	Laws of 2015	FY2014 - FY2019	6/30/2019	89200
	Chapter 3, Section 3 (STB15SC)	Laws of 2015	FY2014 - FY2019	6/30/2019	89200
Chapter 81, Section 4 (STB16A)	Laws of 2016	FY2015 - FY2020	6/30/2020	89200	
Total Severance Tax Bonds					
Total Capital Appropriations					

<u>Total Appropriation</u>	<u>Bonds Unsold</u>	<u>Amount Available</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Art in Public Places</u>	<u>Reversion Amount</u>	<u>Unencumbered Balance</u>
\$ 15,243,300	\$ -	\$ 15,243,300	\$ -	\$ -	\$ 77,826	\$ -	\$ 15,165,474
16,433,440	-	16,433,440	2,352,040	5,032,965	30,073	-	9,018,362
<u>\$ 31,676,740</u>	<u>\$ -</u>	<u>\$ 31,676,740</u>	<u>\$ 2,352,040</u>	<u>\$ 5,032,965</u>	<u>\$ 107,899</u>	<u>\$ -</u>	<u>\$ 24,183,836</u>
\$ 680,018	\$ -	\$ 680,018	\$ -	\$ -	\$ -	\$ -	\$ 680,018
361,675	-	361,675	-	-	-	-	361,675
3,932,292	-	3,932,292	3,146,203	234,560	9,950	541,579	-
277,500	-	277,500	114,068	16,104	2,275	-	145,053
200,000	-	200,000	-	-	-	-	200,000
250,000	-	250,000	-	250,000	-	-	-
8,084,850	-	8,084,850	35,645	1,942,945	31,508	-	6,074,752
2,929,000	-	2,929,000	35,931	2,536,960	27,240	-	328,869
101,100	-	101,100	-	-	-	-	101,100
204,000	-	204,000	-	-	1,240	-	202,760
<u>\$ 17,020,435</u>	<u>\$ -</u>	<u>\$ 17,020,435</u>	<u>\$ 3,331,847</u>	<u>\$ 4,980,569</u>	<u>\$ 72,213</u>	<u>\$ 541,579</u>	<u>\$ 8,094,227</u>

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INTEREST IN STATE GENERAL FUND INVESTMENT POOL
JUNE 30, 2017**

Name of Depository	Account Name	Fund Type	Type of Account	Interest Bearing	Reconciled Balance at June 30, 2017
<u>Interest in State General Fund Investment Pool</u>					
General Fund:					
State Treasurer	General Operating Account (Fund 04900)	General	State Treasurer	No	\$ 3,325,497
State Treasurer	Capital Projects, Laws of 2013 (Fund 89200)	General	State Treasurer	No	<u>3,159,046</u>
					6,484,543
Special Revenue Fund:					
State Treasurer	Conference on Aging (Fund 62200)	Special Revenue	State Treasurer	No	306,517
State Treasurer	Supplemental Senior Services (Fund 40210)	Special Revenue	State Treasurer	No	<u>17,702</u>
					324,219
Total Interest in State General Fund Investment Pool					<u><u>\$ 6,808,762</u></u>

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

Federal Agency	Pass-Through Award Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures as of June 30, 2017
U.S. Department of Health and Human Services (HHS)				
Pass-Through Awards:				
CYFD:				
Social Services Block Grant HSD	11-690-3000-0029	93.667	\$ -	\$ 2,318,495
HSD:				
Medical Assistance Program	12-630-8000-0014	93.778	-	<u>853,218</u>
Total HHS Pass-Through Awards				3,171,713
Direct Awards:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		93.044	1,798,411	2,123,618
Special Programs for the Aging - Title III, Part C - Nutrition Services		93.045	4,019,816	4,398,700
Nutrition Services Incentive Program		93.053	2,701,670	<u>2,701,670</u>
Total Aging Cluster				9,223,988
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services		93.043	115,446	115,446
National Family Caregiver Support - Title III, Part E		93.052	649,673	759,789
Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation		93.041	-	15,187
Special Programs for the Aging - Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals		93.042	-	59,258
Special Programs for the Aging - Title IV and Title II - Discretionary Projects - Recovery		93.048	-	249,827
Medicare Enrollment Assistance Program		93.071	-	327,244
State Health Insurance Assistance Program		93.324	-	<u>416,020</u>
Total HHS Direct Awards				11,166,759
U.S. Department of Labor (DOL)				
Senior Community Services Employment Program		17.235	-	<u>486,189</u>
U.S. Department of Veterans Affairs				
Veteran Directed Home and Community Based Services Program		64.Unknown	-	<u>104,691</u>
Total Federal Awards				<u>\$ 14,929,352</u>

STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the State of New Mexico Aging and Long Term Services Department (the Department) under program of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards. Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where in certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Department elected not to use the 10% de minimis indirect cost rate.

**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***

State of New Mexico Aging and Long Term Services Department
and Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds, the budgetary comparisons for the general fund, and the aggregate remaining fund information of the State of New Mexico Aging and Long Term Services Department (the Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 through 2017-006.

Department’s Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 20, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

State of New Mexico Aging and Long Term Services Department
and Mr. Timothy Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Aging and Long Term Services Department's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclose an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

State of New Mexico Aging and Long Term Services Department
and Mr. Timothy Keller, New Mexico State Auditor

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 20, 2017

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs:

CFDA Number(s)

93.667
93.778

Name of Federal Program or Cluster

Social Services Block Grant
Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:

 \$750,000

- Auditee qualified as low-risk auditee? X yes no

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 Reversion to State General Fund (Material Weakness)

Condition: During our testwork over management's reversion calculation, we noted the calculation excluded consideration of restricted fund balance from fiscal year 2016 and prior years. Current management determined that previous management had no support for the restriction; thus there were no valid restrictions and the entire amount of beginning fund balance of \$358,805 should be reverted. Current management also resolved aged asset and liability accounts relating to fiscal year 2016 and prior years which resulted in \$112,614 of additional reversions. In total, \$471,419 were not properly included in the initial reversion calculation.

Criteria: 6-5-10.A NMSA 1978 states "all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year."

Effect: Noncompliance with New Mexico Statutes.

Cause: Lack of documentation over fund balance restrictions and other balance sheet accounts related to prior fiscal years.

Recommendation: We recommend the Department establish procedures to properly calculate reversions and maintain a list of fund balance restrictions.

Management's Response: The Department agrees with the finding. Upon reconciling the restricted fund balance it was found that funds classified as restricted fund balance had actually been misclassified. The misclassified funds dated back several years. There was a change in management and supporting documentation was not found as to why previous management classified the funds as restricted and were not reverted to the State General Fund in previous fiscal years. Future annual general fund reversions will be calculated in accordance with the required timelines and any necessary adjustments after the audit will be completed in a timely manner as required by Department of Finance and Administration. In an effort to minimize any future errors, the Department will maintain a detailed explanation of all restricted fund balances. The Accountant who oversees the reversion analysis will be responsible to oversee the corrective action. The corrective action implementation has begun.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Federal Award Findings and Questioned Costs

2017-002 Federal Program Reporting (Instance of Noncompliance)

Federal Program: CFDA 93.778 - Medical Assistance Program (Medicaid Title XIX)

Federal Agency: Department of Health and Human Services

Federal Award Number/Year: None/2017

Pass Through Entity: New Mexico Human Services Department

Questioned Costs: \$0

Condition: During our single audit testwork over reporting, we noted the following exceptions.

- One out of two programmatic reports tested was submitted after the 15th of the month following the end of the applicable quarter.
- One instance where we were unable to trace data reported to underlying or subsidiary records.

Criteria: General Services Agreement (GSA) 17-630-8000-0001 required programmatic reports to be submitted 15 days after the quarter ended. The Department is required to maintain records specified by the Federal agency.

Cause: Management Oversight.

Effect: Noncompliance with federal regulations and the GSA.

Auditors' Recommendation: We recommend management establish procedures to ensure timely report submission and accurately reported data.

Management's Response: The Consumer & Elder Rights Division- Care Transition Program Bureau Chief will update its program procedures to include the Governmental Service Agreement reporting requirements reporting requirements, deadlines and step by step instructions on how to produce the data reports with appropriate subsidiary documentation. The Program Bureau Chief will be responsible for ensuring the data extracted from the proprietary data base is correctly documented in the quarterly report and sent to the Division Director by the 10th of each month to allow the Director time to review and submit to Human Services Department.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other

2017-003 Petty Cash (Compliance and Other Matters)

Condition: During our testwork over the Department’s petty cash, we noted that petty cash was not reconciled during fiscal year 2017, nor was petty cash reconciled as of June 30, 2017.

Criteria: 6-10-2 NMSA 1978 states that, “it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day’s business...”

Effect: Noncompliance with New Mexico Statutes.

Cause: Lack of established policies and procedures over the reconciliation and recordkeeping related to petty cash.

Recommendation: We recommend the Department establish policies and procedures over the reconciliation and recordkeeping related to petty cash.

Management’s Response: The Aging Network Division (AND) has determined the petty cash account will be discontinued and will be closed. The Administrative Services Division will assist the AND to properly close the account. A reconciliation will be conducted prior to closure to ensure all funds are present and there are no outstanding amounts to be replenished prior to closing the account.

2017-004 Travel and Per Diem (Compliance and Other Matters)

Condition: During our testing of travel and per diem disbursements, we noted two instances in which proper notification was not sent to the department head for accumulated travel in excess of \$1,500.

Criteria: 10-8-5 NMSA 1978 states that any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council, an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel.

Effect: Noncompliance with New Mexico Statutes.

Cause: Management oversight.

Recommendation: We recommend management establish procedures to ensure compliance.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-004 Travel and Per Diem (Compliance and Other Matters) (Continued)

Management's Response: The Department concurs with the finding and recommendation and is aware of the importance in complying with all provisions set forth within Statutes affecting mileage and per diem when travel is being conducted by state employees. To strengthen its controls over travel, the ALTSD will implement a data base consisting of all travel conducted by ALTSD employees. When the travel exceeds the \$1,500 threshold singly or in aggregate, the reimbursement request will be approved by the Department Secretary or designee prior to disbursement. The Accountant who oversees travel is responsible to oversee the corrective action. The corrective action implementation has begun.

2017-005 Use of State Issued Gas Credit Cards (Noncompliance)

Condition: During our testwork over gas credit cards, we identified 21 instances out 3,194 where a fuel type other than regular unleaded was purchased; these unallowable purchases amounted to approximately \$56.

Criteria: NMAC 1.5.3.19 NMSA 1978 states that all fuel purchases must be for unleaded fuel and exception reports are to be reviewed on a monthly basis.

Effect: Noncompliance with New Mexico Statutes.

Cause: Lack of adherence to the Department policies and procedures by Department employees who use the WEX fuel cards.

Recommendation: We recommend the Department remind their employees of their policies and procedures pertaining to WEX fuel card usage and modify their internal controls to include follow up to instances of unallowable purchases.

Management's Response: The Department recognizes the significance and importance of monitoring all purchases pertaining to State issued gasoline credit cards. The Department has notified all ALTSD employees that all fuel purchases made with gas credit cards must contain regular unleaded fuel only. The Department will implement controls by conducting monthly audits on all fuel receipts to ensure compliance to regulations and will remind all staff they all must adhere to policies and procedures in relation to fuel card purchases. The Department Fleet Coordinator will be responsible to oversee the corrective action and will report any exceptions to their supervisor. The corrective action implementation has begun.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-006 Capital Asset Inventory Certification (Noncompliance)

Condition: During our testwork over capital assets, we noted that a year-end inventory over capital assets was attempted by management, but not completed.

Criteria: 12-6-10 NMSA 1978 states that each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000).

Effect: Noncompliance with New Mexico Statutes.

Cause: Lack of full participation from Department staff.

Recommendation: We recommend the Department establish procedures over capital asset recordkeeping and year-end inventory.

Management's Response: The Department concurs with the finding and recommendation and did attempt to obtain certification of department owned capital assets. Going forward the ALTSD will implement procedures to ensure all divisions comply and maintain a complete capital asset listing containing required elements and relevant identifying information and will work with division directors to assign a specific staff member to ensure a physical inventory count of capital assets exceeding \$5,000 is conducted affecting their areas of responsibility. Further, the Accountant who will maintain the entire department's capital asset listing will report any discrepancies or non-compliance.

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
SUMMARY OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017**

Prior Year Findings Description		Status
2014-008	Eligibility (Significant Deficiency)	Resolved
2016-001	Segregation of Duties (Significant Deficiency)	Resolved
2016-002	Subrecipient Monitoring (Other Noncompliance)	Resolved
2016-003	Earmarking (Control Deficiency)	Resolved

**STATE OF NEW MEXICO AGING AND LONG TERM SERVICES DEPARTMENT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

An exit conference was held on October 24, 2017. The following individuals were present:

Ageing and Long-Term Services Department

KyKy Knowles	Acting Cabinet Secretary
Bryan Maestas, CGFM	ASD Director/Chief Financial Officer
Sherry Stephens	ASD Deputy Director
Brandi Harrison	Grant Accountant
Carlos Moya	Consumer & Elder Rights Division Director
Karen Etcitty	General Counsel

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Raul Anaya, CPA, CFE, CGFM	Engagement Principal
Victor Kraft, CPA, CFE, CGFM	Engagement Manager

Preparation of Financial Statements

Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are correct and in balance. The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Department. Management has reviewed and approved the financial statements.