

STATE OF NEW MEXICO

DEVELOPMENTAL DISABILITIES
PLANNING COUNCIL

JUNE 30, 2013



STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
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STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 OFFICIAL ROSTER
 JUNE 30, 2013

<u>Name</u>	<u>Executive Office</u>	<u>Title</u>
Agnes Maldonado		Executive Director
Cynthia Martinez		Chief Financial Officer

Council Members - Self Advocates/Family Members

Vickie Galindo	Member
C. Dianne Griego	Member
Katie A. Klauschie	Member
Andrea N. MacRae	Member
Doris Roberts	Member
Judy Ann Sena	Member
Phyllis Shingle	Member
Rose Mary Silversmith	Member
Sandy Skaar	Member

Council Members - Advocates/Providers/IHE

Denise Weaver	Chair
James Alarid	Member
Jim Jackson	Member
Cate McClain	Member

Council Members - State Agencies

Kathleen Hardy	Member
Jane McGuigan	Member
Sandra Schwarz	Member
Cathy Stevenson	Member
Gail Trotter	Member
Ralph Vigil	Member

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Council of New Mexico Developmental Disabilities Planning Council
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund of the New Mexico Developmental Disabilities Planning Council (the "Council"), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Council'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Council, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Council's financial statements and budgetary comparison. The schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by 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 themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and other schedules requires by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The individual program budget-to-actual comparisons (pages 34-36) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2014 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
July 14, 2014

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 STATEMENT OF NET POSITION
 JUNE 30, 2013

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
<i>Current:</i>	
Investment on deposit with state treasurer	\$ 615,209
Due from other state agencies	85,044
Grants receivable	<u>236,009</u>
<i>Total current assets</i>	<u>936,262</u>
<i>Noncurrent assets:</i>	
Capital assets	67,665
Less: accumulated depreciation	<u>(67,665)</u>
<i>Total noncurrent assets</i>	<u>-</u>
<i>Total assets</i>	<u>936,262</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	674,615
Accrued payroll liabilities	16,989
Due to state general fund-reversion	100,358
Current portion of compensated absences	<u>34,648</u>
<i>Total current liabilities</i>	<u>826,610</u>
<i>Total Liabilities</i>	<u>826,610</u>
<i>Net position:</i>	
Restricted for special appropriation	-
Restricted for supplemental appropriation	-
Restricted for guardianship program	144,300
Unrestricted	<u>(34,648)</u>
<i>Total net position</i>	<u>\$ 109,652</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
Planning & administration	\$ 1,262,869	\$ -	\$ 576,701	\$ -	\$ (686,168)
Brain injury advisory council	105,457	-	-	-	(105,457)
Office of guardianship	4,201,836	475,000	-	-	(3,726,836)
Office of guardianship- supplemental appropriations	165,857	-	-	-	(165,857)
Depreciation expenses	-	-	-	-	-
Total primary government	\$ 5,736,019	\$ 475,000	\$ 576,701	\$ -	(4,684,318)

General Revenues and Transfers

State general fund appropriation	4,554,000
Supplemental appropriation	112,000
Special appropriation	-
Miscellaneous revenue	2,128
Transfers	-
Reversion to state general fund	(71,090)
Total general revenues and transfers	4,597,038
Change in net position	(87,280)
Beginning net position	196,932
Ending net position	<u>\$ 109,652</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-1
 (Page 1 of 2)

	General Fund
ASSETS	
<i>Current:</i>	
Investment on deposit with the state treasurer	\$ 615,209
Due from other state agencies	85,044
Grants receivable	<u>236,009</u>
<i>Total current assets</i>	<u>\$ 936,262</u>
LIABILITIES AND FUND BALANCE	
<i>Current liabilities:</i>	
Accounts payable	\$ 674,615
Accrued payroll liabilities	16,989
Due to state general fund-reversion	<u>100,358</u>
<i>Total current liabilities</i>	<u>791,962</u>
<i>Fund Balance:</i>	
Restricted for Office of the Guardianship program	144,300
Restricted - special appropriation	-
Restricted - supplemental appropriation	<u>-</u>
<i>Total fund balance</i>	<u>144,300</u>
<i>Total liabilities and fund balance</i>	<u>\$ 936,262</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 GOVERNMENTAL FUNDS

Exhibit B-1
 (Page 2 of 2)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2013

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

Fund balances - total governmental funds	\$ 144,300
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets	67,665
Accumulated depreciation	<u>(67,665)</u>
Total capital assets	<u>-</u>

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:

Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences	<u>(34,648)</u>
Total net position	<u><u>\$ 109,652</u></u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2
 (Page 1 of 2)

	General Fund
<i>Revenues:</i>	
Federal grants	\$ 576,701
Intra state federal-Medicaid	475,000
Miscellaneous	2,128
<i>Total revenues</i>	<u>1,053,829</u>
<i>Expenditures:</i>	
Current	
Planning and administration	1,270,553
Brain injury advisory council	105,457
Office of guardianship	4,201,836
Office of guardianship - supplemental appropriation	165,857
<i>Total expenditures</i>	<u>5,743,703</u>
<i>Deficiency of revenues over expenditures</i>	<u>(4,689,874)</u>
<i>Other financing sources (uses):</i>	
<i>Operating transfers in</i>	
State appropriation - regular	4,554,000
Supplemental appropriation	112,000
Reversions to the state general fund	(71,090)
<i>Total other financing sources (uses)</i>	<u>4,594,910</u>
<i>Net change in fund balances</i>	(94,964)
<i>Fund balances - beginning of year</i>	<u>239,264</u>
<i>Fund balances - end of year</i>	<u>\$ 144,300</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B-2
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$ (94,964)
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Governmental fund 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:

Assets disposed of during current fiscal year	(3,814)
Accumulated depreciation removed on asset dispositions	3,814

Expenses recognized in the statement of activities.
 Not reported in governmental funds

Decrease in accrued compensated absences	<u>7,684</u>
Change in net position	<u>\$ (87,280)</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 4,554,000	\$ 4,554,000	\$ 4,554,000	\$ -
Federal grants	511,600	511,600	576,701	65,101
Intra state federal-Medicaid	475,000	475,000	475,000	-
Supplemental appropriation	-	112,000	112,000	-
Special appropriation	10,000	-	-	-
Miscellaneous revenue	-	-	2,128	2,128
<i>Total revenues</i>	<u>5,550,600</u>	<u>5,652,600</u>	<u>\$ 5,719,829</u>	<u>\$ 67,229</u>
<i>Fund Balance:</i>				
Prior year non-revertig fund balance	<u>229,264</u>	<u>239,264</u>		
<i>Total budgeted revenues and fund balance</i>	<u>\$ 5,779,864</u>	<u>\$ 5,891,864</u>		
<i>Expenditures:</i>				
Current				
Personal services & employee benefits	\$ 1,091,300	\$ 976,800	\$ 947,424	\$ 29,376
Contractual services	3,986,500	4,216,764	3,913,393	303,371
Contractual services- supplemental appropriation	-	112,000	89,888	22,112
Contractual services-special appropriation	10,000	10,000	9,995	5
Other costs	462,800	576,300	551,926	24,374
<i>Total expenditures</i>	<u>\$ 5,550,600</u>	<u>\$ 5,891,864</u>	<u>\$ 5,512,626</u>	<u>\$ 379,238</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. NATURE OF ORGANIZATION

The State of New Mexico Developmental Disabilities Planning Council was created by the Thirty-ninth Legislature, First Session Laws of 1989 Chapter 92.

The purpose of the Council is to:

- Act as a planning and coordinating body for persons with developmental disabilities;
- Provide statewide systems advocacy for populations with developmental disabilities;
- Work with appropriate state agencies to develop the developmental disabilities three-year plan as required by the Federal Developmental Disabilities Assistance and Bill of Rights Act;
- Monitor and evaluate the implementation of the state developmental disabilities plan;
- To the maximum extent feasible, review and comment on all state plans which relate to programs affecting persons with developmental disabilities;
- Submit to the Secretary of the United States Department of Health and Human Services through the Developmental Disabilities Planning Council such periodic reports as the Secretary may request;
- Advise the Governor and the Legislature about the needs of the developmentally disabled; and
- Any other activities authorized or required by the provisions of the Federal Developmental Disabilities Assistance and Bill of Rights Acts.

The Council is authorized to:

- Award grants and enter into contracts to carry out duties; and
- Seek funding from sources other than the State.

The thirty members of the Council are appointed by the Governor of the State of New Mexico and serve one, two, and three year terms.

The Council has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and is primarily accountable for fiscal matters.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

During the year ended June 30, 2013, the Council adopted Governmental Accounting Standards Board (GASB) Statements No. 60 through 63. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The Council does not have any Service Concession Arrangements and therefore this implementation had no effect on the Council's financial statements.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement, which is effective for financial statements for periods beginning after June 15, 2013, provides, among other things, additional guidance to primary governments that are business-type activities reporting financial information in a single column. New guidance, which includes reporting a blended component unit, allows users to better distinguish between the primary government and its component unit by requiring condensed combining information in the notes to the financial statements. The Council adopted GASB Statement No. 61 during fiscal year 2013, with no effect to the Council's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement, which is effective for financial statements for periods beginning after December 15, 2011, supersedes GASB Statement No. 20. The Council adopted GASB Statement No. 62 during fiscal year 2013, and its provisions were applied retroactively for all periods presented. Adoption of GASB Statement No. 62 did not materially affect the Council's financial statements.

In June 2012, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes standards for reporting deferred outflows and deferred inflows of resources and net position. The statement requires reporting of deferred outflows of resources (consumption of net position applicable to future periods) and deferred inflows of resources (acquisition of net position applicable to future periods) in separate sections of the balance sheet following assets and liabilities. The difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources equals net position and net position should be displayed in three components as: net investment in capital assets, restricted, and unrestricted. GASB Statement No. 63 is effective for financial statement periods beginning after December 15, 2011. The Council adopted the provisions of the statement in fiscal year 2013. The adoption of GASB Statement No. 63 did not materially affect the Council's financial statements. At June 30, 2013, the Council had no items meeting the criteria of "deferred outflows" or "deferred inflows".

The financial statements of the Developmental Disabilities Planning Council (the "Council") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. A summary of the Council's more significant accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the Council, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, 39, and 61.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

The Council is a department of the primary government, the State of New Mexico. These financial statements present the financial position and results of operations of only those Statewide Human Resources Accounting and Management Reporting System (SHARE) funds for which the Developmental Disabilities Planning Council has oversight responsibility.

Based upon the application of these criteria, the Council has no component units, and is a component unit of the State of New Mexico.

The Council has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

B. Government-wide and Fund Financial Statements

In the government-wide financial statements, the statement of net position, and the statement of activities, report information on all of the non-fiduciary activities of an agency. The Council does not have any fiduciary activities. As the Council is comprised of only one fund, there are no Interfund

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

transactions that need to be eliminated from the statement of net position. The Council does not have any business-type activities, therefore, only governmental activities are shown. Governmental activities are normally supported by taxes and intergovernmental revenues (including appropriations).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, appropriations and other items not properly included among *program revenues* are reported instead as *general revenues*.

The Fund financial statements, the balance sheet and the statements of revenues, expenditures, and changes in fund balances, are presented to report additional and detailed information about the Council. The Council has only one type of fund financial statement, a governmental fund; and it has only one type of governmental fund, the general fund, which is presented as a major fund. The general fund is the Council operating fund. It includes all the financial transactions conducted to fulfill the general government function of assisting those persons with Developmental Disabilities. It accounts for all financial resources of the Council.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. In exchange transactions, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In non-exchange transactions, revenues and expenses are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange* transactions, as amended. Program revenues consist of fees charged for services provided to the State of New Mexico Department of Health and Human Services by the Council. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities. Grant revenue is recorded when all applicable eligibility or reimbursement requirements are met.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental fund. Only the portion of current compensated absences related to payments due to retired or terminated employees as of June 30, 2013, but not paid until after the end of the fiscal year, is included in the fund financial statements.

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

The accounts of the Council are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Council:

General Funds (SHARE Fund 07900): The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is composed of three programs:

- DDPC Planning and Administration (P727) – reverting
- Brain Injury Advisory Council (P728) –reverting
- Office of Guardianship (P737)-non reverting (see note 10 page 28)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity

Investments: Council investments are deposited in the New Mexico State Treasurer's General Fund Investment Pool (GFIP).

Receivables and Payables Between SHARE Accounts: Any amounts "due to/from other state agencies" shown in the general fund reflect outstanding balances of receivables and payable between the Council and other departments of the State of New Mexico. Amounts shown as "Due to the State General Fund" generally reflect reversions for unexpended unencumbered appropriations that must be paid to the State General Fund.

Capital Assets: Capital assets of the Council include furniture and fixtures, information technology equipment (computers and peripherals, all equipment related to electronic communications), and vehicles. General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as capital outlay expenditures in governmental funds. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets with a value exceeding \$5,000 are capitalized in accordance with Section 12-6-10 NMSA 1978 and depreciated. Under this law, items in the capital assets inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Council has no public domain or infrastructure assets. The Council does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the Council's capital assets.

Depreciation is provided over assets' estimated useful lives using the straight-line method of depreciation and zero salvage value. The range of estimated useful lives by type of asset is as follows:

Equipment, furniture and Fixtures	5-10 years
Vehicles	5 years

Reversions: The portion of the Guardianship program appropriations and supplemental appropriations are non-reverting. All other appropriations including special and supplemental are reverting as of June 30, 2013 and reverts to the State General Fund by September 30, 2013, in accordance with Section 6-5-10, NMSA 1978. The reversion amount for the current fiscal year is show as an "Other Financing Use" in the Statement of Revenues, Expenditures, and Changes in Fund Balance, and as a reduction of the State General Fund appropriation in the Statement of Activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Deferred Outflow/Inflows of Resources: In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Council did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the State of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Council did not have any items that were required to be reported in this category as of June 30, 2013.

Compensated Absences: The Council's policy regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Net Position or Fund Equity: In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net Investment in Capital Assets: Consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Council has no outstanding debt relating to capital assets.

Restricted Net Position: Consists of assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". The deficit reflected in the statement is caused primarily by federal grants receivable and accrued compensated absences at year end that have not been funded.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned depending on the constraints that control how the Council can spend the amounts.

In the fund financial statements, governmental funds can report fund balances as:

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position or Equity (Continued)

Nonspendable: Amounts that are not in spendable form (such as inventory) or are required to be maintained intact;

Restricted: Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed: Amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;

Assigned: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned: Amounts that are available for any purpose; positive amounts are reported only in the general fund.

E. Budgetary Procedures and Budgetary Accounting

The State Legislature makes annual appropriations to the Council. Legal compliance is monitored through the establishment of a budget and a financial control system which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the category level.

Budgeted category amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. According to subsection M of Section 3 of the General Appropriation Act of 2012 "for the purpose of administering the General Appropriation Act of 2012, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." Pursuant to Section 2.2.2.12(A)(3) NMAC, the only exception would be an amount payable at June 30, 2013, that did not get paid by the statutory deadline after the end of the fiscal year. The cash to pay such a payable is reverted to the State General Fund on September 30, 2013, creating a negative fund balance. Such payables must be paid out of the following year's budget after a request to pay prior year bills out of the current year budget has been approved by the DFA.
5. The Council submits, not later than May 1, to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the opening budget which becomes effective on July 1. All subsequent budgetary adjustment must be approved by the Director of the DFA-Budget Division and the LFC.
6. The legal level of budgetary control is at the appropriation program level (P-Code level). Subsection C of Section 9 of the General Appropriations Act of 2012, allows all agencies to request category transfers among personnel services and employees benefits, contractual services and other. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
8. Single-year appropriations lapse at the end of the fiscal year. Accounts payable amounts related to good and services received by June 30th that were paid within the 31 day statutory period are accrued as accounts payable in the budget basis expenditures. Accounts payable that were not paid within the 31 day statutory time period that require a request for approval to pay prior

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (Continued)

year bills with current year funds, are paid out of the next year's budget. Appropriations lapse at the end of the fiscal year except for those amounts designated for multi-year use.

9. The Council's budget for the fiscal year ending June 30, 2013 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) NMAC, *Requirements for Contracting and Conducting Audits of Agencies*, and the allowance made by GASB Statement No. 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

F. Compensated Absences

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period.

Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay expected to be liquidated with current financial resources, if any, is recorded as a liability and as expenditure in the General Fund.

Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned per Pay Period</u>
Less than 3 years	3.08 hours
3 but less than 7 years	3.69 hours
7 but less than 11 years	4.61 hours
11 but less than 15 years	5.54 hours
15 years or more	6.15 hours

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employment terminates, employees are compensated for accumulated unpaid annual leave as of the date of termination up to the maximum of 240 hours.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates.

H. Program Revenues

Program revenue includes federal grants and Medicaid referral fees generated by the call center. Medicaid also reimburses certain administrative costs related to the Guardianship services. Grant revenues are recognized when all applicable eligibility requirements are met.

I. Expenditures

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Council first uses restricted resources then unrestricted resources.

NOTE 3. INVESTMENT DEPOSITED WITH THE STATE TREASURER

The State of New Mexico deployed the Statewide Human Resources, Accounting and Management Reporting System (SHARE) on July 1, 2006. The goal of the SHARE implementation was to provide the State of New Mexico with a single integrated system to streamline, enhance, and provide data integrity for financial reporting. In June 2012, the New Mexico State Controller commissioned a Diagnostic report with the purpose of assessing the state of cash reconciliations and determining recommendations for remediating the remaining system and business process issues pertaining to the book to bank process. This Diagnostic report indicates that the SHARE book to bank reconciliation contains a significant number of un-recorded items. The Diagnostic report is available in the Resource section of the Cash Control page of the New Mexico Department of Finance & Administration's website at http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is "Current State Diagnostic of Cash Control – June 2012." The General Fund Investment Pool (GFIP) is the State Treasurer fund where the Council cash is invested pursuant to Section 8-6-3 NMSA 1978.

The Department of Finance Administration (DFA), in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert, conducted a Cash Management Remediation Project (Remediation Project) with a goal of achieving "a point forward" reconciliation of cash, in February 2013. A DFA representative verbally indicated to the Council that the SHARE cash reconciliation process from February 2013 forward, is working for agencies like the Council that issue warrants through DFA. As of June 30, 2013, the old unreconciled items that occurred from July 1, 2006 through February 2013, remain unreconciled.

NOTE 3. INVESTMENT DEPOSITED WITH THE STATE TREASURER (CONTINUED)

On March 15, 2013, the third party PeopleSoft Treasury expert provided DFA with an additional report title "Approach to the Historical Reconciliation of Bank Transactions." This report describes three possible approaches to addressing the remaining reconciliation issue: (1) adjust balances only; (2) fully reconcile only the differences created from 2010 through the present that were created while Wells Fargo was the fiscal agent; or (3) fully reconcile the differences created: from 2002 through 2006 while Wells Fargo was the fiscal agent, from 2006 through 2010 while Bank of America was the fiscal agent and from 2010 through the present while Wells Fargo was again the fiscal agent. DFA is currently requesting a 3.2 million dollar supplemental appropriation to address the remaining reconciliation issues.

The Council adheres to the standards established in the Cash Management Function section of the Manual of Model Accounting Practice which was issued by the New Mexico Department of Finance and Administration - Financial Control Division. As part of this process, the Council for the most part performs a monthly reconciliation between the data collected in the field with monies deposited into the bank and the amounts posted into SHARE. The Council has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct. The Diagnostic report referred to above is not anticipated to have an impact on the SHARE cash balances of the Council. The Council's cash balances in SHARE appear to be fairly stated as of June 30, 2013.

All cash of the Council is on deposit with the New Mexico State Treasurer. These monies are held on deposit with the State Treasurer and are pooled and invested by the State Investment Council. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. Cash on deposit with the State Treasurer at year end is as follows:

	<u>SHARES Fund #</u>	<u>Book Balance</u>
Operating Account	07900	\$ 615,209

The Council has cash on deposit with the State Treasurer in the General fund Investment Pool (GFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10.I through Section 6-10-10.O NMSA 1978 as amended. The State Treasurer, with the advice and consent of the State Board of Finance can invest money held in demand deposits and not immediately needed for the operations of state government in:

- Securities issued by the United States (U.S.) government or by its departments or agencies that are either direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government.

NOTE 3. INVESTMENT DEPOSITED WITH THE STATE TREASURER (CONTINUED)

- Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or its agencies or by other securities backed by the United States or its agencies or instrumentalities having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- Contracts for the temporary exchange of state owned securities for the use of broker- dealers, banks or other recognized institutional investors in securities for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or cash equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required shall be delivered to the fiscal agent of New Mexico or the designee simultaneously with the transfer of funds, no later than the same day the state-owned securities are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service.
- Shares of an open-ended diversified investment company that is registered with the United States Securities and Exchange Commission, complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, or the United States Securities and Exchange Commission applicable to money market mutual funds; and assesses no fees pursuant to Rule 12b-1, or any successor rule, on sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, provided that the state shall not, at any time, own more than five percent of a money market mutual fund's assets.

NOTE 3. INVESTMENT DEPOSITED WITH THE STATE TREASURER (CONTINUED)

- Individual common or collective trust funds of banks or trust companies that invest in U.S, fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional disclosures information regarding the investment in the State Treasurer's GFIP, the reader should see the separate audit report for the State Treasurer for the fiscal year ended June 30, 2013, review the State Treasurer's Investment Policy at http://www.nmsto.gov/investment_policy_1 and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

NOTE 4. GRANTS RECEIVABLE

The Council receives Federal Financial Assistance in the form of Title 1 Funds - Programs for Persons with Developmental Disabilities. The terms of the grant require that the State of New Mexico provide a match of at least 25 percent of the total expenditures from the program. The Council was in compliance with this requirement. Expenditures for federal programs are reimbursed upon request by the U. S. Department of Health and Human Services. The Council expended \$633,334 during the fiscal year. The amount of \$85,044 has been accrued as a receivable at June 30, 2013 from Title I funds to cover accounts payable for applicable federal programs and amounts not previously drawn. This amount is included in the due from other state agencies. Additionally, the Council has \$236,009 receivable from other granting agencies included as grants receivable. The due from other state agencies and grants receivable amounts are considered fully collectible.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5. CAPITAL ASSETS

Substantially all capital assets have been acquired through State General Fund appropriations. A summary of changes in capital assets are as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Equipment	\$ 21,551	\$ -	\$ (3,814)	\$ 17,737
Vehicle	49,928	-	-	49,928
Accumulated depreciation	(71,479)	-	3,814	(67,665)
Total capital assets	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Depreciation expense for the year ended June 30, 2013 was \$0.

NOTE 6. ACCOUNTS PAYABLE

Accounts payable represent expenditures for goods and services received prior to June 30, 2013 and paid after June 30.

NOTE 7. ACCRUED LIABILITIES – SALARES AND EMPLOYEE BENEFITS PAYABLE

A portion of payroll expenditures pertaining to the year ended June 30, 2013 was accrued. Disbursement occurred subsequent to June 30, 2013. Accrued payroll and benefits payable totaling \$16,989 have been reflected in the balance sheet.

NOTE 8. DUE TO THE STATE GENERAL FUND

Due to the State General Fund consists of the following:

Fiscal year 2013	\$ 71,090
Fiscal year 2012	10,372
Fiscal year 2011	<u>18,896</u>
Total	\$ <u>100,358</u>

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 9. COMPENSATED ABSENCES PAYABLE

A summary of changes in Compensated Absences Payable follows:

	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013	Due Within One Year
Compensated Absences	\$ 42,332	\$ 31,130	\$ 38,814	\$ 34,648	\$ 34,648

The Council's general fund is used to pay compensated absences.

NOTE 10. FUND BALANCE

The New Mexico State Legislature, House Bill 2, 2, 4, 5, and 6 under special appropriations allowed that any unexpended balance in the Office of the Guardianship program remaining at the end of fiscal year 2013 from appropriations made from the general fund and internal service fund/interagency transfers shall not revert. As of June 30, 2013 the guardianship program had \$144,300 in fund balance.

NOTE 11. COMMITMENTS – OPERATING LEASES

The Council entered into noncancellable operating leases for Council space. Rental expense under all operating lease agreements was approximately \$142,254 for the year ended June 30, 2013. The Council has future commitments under operating leases agreements as follows:

Year ending June 30,	Amount
2014	\$ 220,869
2015	198,633
2016	196,264
2017	170,172
2018	173,794
2019-2023	927,986
2024	32,429
Total	\$ <u>1,920,147</u>

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 12. BUDGETARY/GAAP FINANCIAL STATEMENT RECONCILIATION

The Council generally reports budgetary information on the modified accrual basis of accounting. However, there is a difference in revenues and expenditures between the budget statement and the statement of Revenue and Expenditures. The following presentation reconciles the differences:

	General Fund
Revenues - budgetary statement - Exhibit C-1	<u>\$ 5,719,830</u>
Revenues - GAAP basis statement - Exhibit B-2	<u>\$ 5,719,830</u>
Expenditures - budgetary statement - Exhibit C-1	\$ 5,512,626
Accounts payable approved by DFA to be paid in 2014 and charged to the 2013 budget	260,869
Prior year accounts payable approved by DFA to be paid in 2013 and charged to the 2012 budget	<u>(29,792)</u>
Expenditures - GAAP basis statement – Exhibit B-2	<u>\$ 5,743,703</u>

NOTE 13. PERA RETIREMENT PLAN

Plan Description. Substantially all of the Council'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, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Council is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Council are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Council's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$97,480, \$94,264, and \$109,915, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 14. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan, and permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Council nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Council have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

NOTE 15. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The Council 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, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate

**NOTE 15. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-5C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Council's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$12,928, \$12,888, and \$12,064, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013**

NOTE 16. RISK MANAGEMENT AND LITIGATION

The Developmental Disabilities Planning Council is exposed to various risks of losses related to 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. Any claims are processed through RMD. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation. There are no pending or known threatened legal proceedings involving material matters to which the Council is a party.

NOTE 17. DUE TO/DUE FROM

	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
Due from other state agencies	Medicaid reimbursement due from Department of Human Services SHARE Fund #97600	\$ 85,044	
Due to State General Fund	Reversion - Department of Finance and Administration SHARE Fund #85300		\$ 100,358

NOTE 18. DEFICIT NET ASSETS

GASB #34 requires capitalized assets, net of accumulated depreciation and the inclusion of long term debt, resulting in an unrestricted net asset deficit of \$34,648. This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.

NOTE 19. SUPPLEMENTAL APPROPRIATION

The Council received a supplemental appropriation in fiscal years 2012 and fiscal years 2013 of \$112,000 in each year from the State General Fund to fund corporate guardianship services. Any unexpended balances remaining at the end of fiscal year 2012 shall not revert but may be expended in fiscal year 2013. The remaining appropriation from fiscal years 2012 in the amount of \$53,857 was spent during fiscal year 2013. The Council received \$112,000 from the fiscal year 2013 appropriation had expended all of this amount as of June 30, 2013, however these supplemental appropriation is non-reverting at June 30, 2013 and the Council has until June 30, 2014 to spend the remaining balance of this supplemental appropriation.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20. SPECIAL APPROPRIATION

The Council received in fiscal year 2012 a special appropriation of \$10,000 from the State General Fund for children's safety helmets to be equitably distributed statewide. The appropriation may be expended in fiscal years 2012 and 2013. Any unexpended balances remaining at the end of fiscal year 2013 shall revert to the State General Fund. As of June 30, 2013, the Council received the \$10,000 and had expended \$9,995 and \$5 was included as part of the reversions to the State General Fund.

NOTE 21. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2011, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65, which is effective for financial statements for period beginning after December 15, 2012, amends or supersedes accounting and financial reporting guidance for certain items previously reported as assets or liabilities. The Council will adopt GASB Statement No. 65 in fiscal year 2014 by retroactively restating financial statements for all periods presented.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 PLANNING AND ADMINISTRATION
 STATEMENT OF REVENUES AND EXPENDITURES GENERAL FUND
 BUDGET (UNAUDITED NON-GAAP BUDGETARY BASIS) AND ACTUAL BY PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 689,100	\$ 689,100	\$ 689,100	\$ -
Federal grants	511,600	511,600	576,701	65,101
Intra-state federal	75,000	75,000	75,000	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>\$ 1,275,700</u>	<u>\$ 1,275,700</u>	<u>\$ 1,340,801</u>	<u>\$ 65,101</u>
<i>Expenditures:</i>				
Current				
Personal services & employee benefits	\$ 589,100	\$ 489,100	\$ 461,758	\$ 27,342
Contractual services	316,200	321,200	284,419	36,781
Other costs	370,400	465,400	444,774	20,626
<i>Total expenditures</i>	<u>\$ 1,275,700</u>	<u>\$ 1,275,700</u>	<u>\$ 1,190,951</u>	<u>\$ 84,749</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
BRAIN INJURY
STATEMENT OF REVENUES AND EXPENDITURES GENERAL FUND
BUDGET (UNAUDITED NON-GAAP BUDGETARY BASIS) AND ACTUAL BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 96,300	\$ 96,300	\$ 96,300	\$ -
Special appropriation	10,000	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>106,300</u>	<u>96,300</u>	<u>96,300</u>	<u>-</u>
<i>Fund Balance:</i>				
Prior year non-revertig fund balance	-	10,000	10,000	-
Total budgeted revenues and fund balance	<u>\$ 106,300</u>	<u>\$ 106,300</u>	<u>\$ 106,300</u>	<u>\$ -</u>
<i>Expenditures:</i>				
Personal services & employee benefits	\$ 66,500	\$ 67,000	\$ 66,722	\$ 278
Contractual services	8,800	4,800	4,482	318
Contractual services - special appropriation	10,000	10,000	9,995	5
Other costs	21,000	24,500	24,258	242
<i>Total expenditures</i>	<u>\$ 106,300</u>	<u>\$ 106,300</u>	<u>\$ 105,457</u>	<u>\$ 843</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
OFFICE OF GUARDIANSHIP
STATEMENT OF REVENUES AND EXPENDITURES GENERAL FUND
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General Fund Appropriation	\$ 3,768,600	\$ 3,768,600	\$ 3,768,600	\$ -
Intra-state federal grants	400,000	400,000	400,000	-
Supplemental appropriation	-	112,000	112,000	-
Miscellaneous	-	-	2,129	2,129
<i>Total revenues</i>	<u>4,168,600</u>	<u>4,280,600</u>	<u>4,282,729</u>	<u>2,129</u>
<i>Fund Balance:</i>				
Prior year non-revertig fund balance	<u>229,264</u>	<u>229,264</u>	<u>229,264</u>	<u>-</u>
Total budgeted revenues and fund balance	<u>\$ 4,397,864</u>	<u>\$ 4,509,864</u>	<u>\$ 4,511,993</u>	<u>\$ 2,129</u>
<i>Expenditures:</i>				
Current				
Personal services & employee benefits	\$ 435,700	\$ 420,700	\$ 418,944	\$ 1,756
Contractual services	3,661,500	3,890,764	3,624,492	266,272
Contractual services - supplemental appropriation	-	112,000	89,888	22,112
Other costs	71,400	86,400	82,894	3,506
<i>Total expenditures</i>	<u>\$ 4,168,600</u>	<u>\$ 4,509,864</u>	<u>\$ 4,216,218</u>	<u>\$ 293,646</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 SCHEDULE OF TRANSFERS
 YEAR ENDED JUNE 30, 2013

SHARE FUND	TITLE	TRANSFER	
		IN	OUT
(1) 85300	Department of Finance and Administration	\$ 4,554,000	\$ -
(2) 85300	Department of Finance and Administration	-	71,090
(3) 97600	Department of Human Services	75,000	-
(4) 05200	Department of Human Services	400,000	-
(5) 7900	Department of Finance and Administration	112,000	-
		<u>\$ 5,141,000</u>	<u>\$ 71,090</u>

- (1) General Fund Appropriation-Laws of 2012, Chapter 6, Section 4
- (2) Reversion to State General Fund
- (3) Transfer of medicaid reimbursement for Information Center
- (4) Transfer of medicaid reimbursement of Office of Guardianship
- (5) General Fund supplemental appropriation-Laws 2013, Chapter 227 Section 6 Item 9

All of the above transfers were made to the Council's general fund SHARE Fund #07900 except for the reversion out to the State General Fund.

See Notes to Financial Statements

STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
JOINT POWERS AGREEMENTS AND MEMORANDA OF UNDERSTANDING
YEAR ENDED JUNE 30, 2013

Participant has operational and audit responsibilities for the following JPA/MOU

	ENTITY	DESCRIPTION	Beginning Date	Ending Date	Total Project	DDPC Contribution	Participant Contribution
1	University of New Mexico 647-P727-0200	13- Maintain Statewide Information Network & Babynet (INB)	7/1/2012	6/30/2013	\$ 80,000	\$ 80,000	\$ -
2	University of New Mexico 647-P727-0203	13- Maintain Statewide Information Network & Babynet (INB)	7/1/2012	6/30/2013	38,000	38,000	-
3	University of New Mexico 647-P727-0205	13- Provide Scholarships to Individuals with developmental disabilities and family members	7/1/2012	3/31/2013	12,500	12,500	-
4	University of New Mexico 647-P727-0209	13- Provide Post-secondary alliance agendas/minutes, seek legislation to establish Statewide Interagency Transitioning Youth Council	7/1/2012	6/30/2013	15,000	15,000	-
5	University of New Mexico 647-P727-0211	13- Coordinate advisory committee to provide guidance to CDD, maintain curriculum with objectives that reflect National Curriculum of Partners in Policy Making	7/1/2012	6/30/2013	37,500	37,500	-
6	University of New Mexico 647-P727-0206	13- Stipends - 2 day seminar for Legislative Advocacy Seminar	7/1/2012	11/30/2013	2,500	2,500	-
7	University of New Mexico 647-P727-0210	13- Develop Best Practices Brief in priority areas for individuals with developmental disabilities	7/1/2012	6/30/2013	5,000	5,000	-
8	University of New Mexico 647-P727-0208	13- Billboard project to advertise awareness of Developmental Disabilities awareness month	7/1/2012	4/30/2013	500	500	-
9	In Your Home 13-647-P727-0220	Collaborative effort to assess, plan, implement and evaluate support group meeting materials	7/1/2012	6/30/2013	3,000	3,000	-
10	Nat Dean	Education materials	11/15/2012	6/30/2013	485	485	-
11	Parents of Indian Children (EPICS) 13-647-P727-0207	Sponsorship for 2013 Family Leadership Conference	1/7/2012	4/30/2013	2,500	2,500	-
12	Desert Elements 13-647-P727-0221	Website launch, HTML buildout, staff training	6/26/2012	9/30/2012	5,000	5,000	-
13	Desert Elements 13-647-P727-0219	Design and layout of Council Annual Report	11/15/2012	1/30/2013	9,900	9,900	-
14	Desert Elements 13-647-P727-0217	Update print material, files and design and print program pamphlets	10/4/2012	9/30/2013	5,000	5,000	-
15	Desert Elements 13-647-P727-0215	Design and print presentation folders	9/26/2012	10/31/2012	4,000	4,000	-
16	Direct Caregivers 13-647-P727-0228	Provide information to Consumers, caregivers, advocates and reaffirm coalitions program activities	3/4/2013	6/30/2013	2,500	2,500	-
17	Direct Caregivers 13-647-P727-0227	Statewide summit	9/6/2012	11/30/2012	2,500	2,500	-

See Notes to Financial Statements

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND RELATED NOTES
 YEAR ENDED JUNE 30, 2013

Federal Grantor or Pass-Through Grantor/Program Title	Passthrough Grant Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health & Human Services			
Federal Assistance to State Developmental Disability Councils (1)		93.630	\$ 576,701
Total U.S. Department of Health & Human Services			<u>576,701</u>
Total Federal Financial Assistance			<u>\$ 576,701</u>

(1) Denotes major federal assistance program

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of New Mexico Developmental Disabilities Planning Council (the "Council") under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Council.

2. Summary of Significant Accounting Policies

- a) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements.
- b) Pass-through entity identifying numbers are presented where available

3. Subrecipients

The Council did not provide any federal awards to subrecipients during the year.

4. Loan Balances Outstanding

There were no loans outstanding as of June 30, 2013.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 576,701
Total expenditures funded by other sources	<u>5,167,002</u>
Total expenditures	<u>\$ 5,743,703</u>

See Notes to Financial Statements

COMPLIANCE SECTION

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

Hector H. Balderas
New Mexico State Auditor
The Council of New Mexico Developmental Disabilities Planning Council
Albuquerque, 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, each major fund, and the budgetary comparison of the general fund of the New Mexico Developmental Disabilities Planning Council (the "Council"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated July 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-009.

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

governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2004-001; 2010-002; 2013-006; 2013-007; 2013-008; 2013-010; 2013-011; and 2013-012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: 2011-001; 2013-001; 2013-002; 2013-003; and 2013-004.

New Mexico Developmental Disabilities Planning Council's Response to Findings

The Council's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Council's response was 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 results 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.

The logo for Axiom, featuring the word "Axiom" in a blue, cursive script font.

Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
July 14, 2014

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

Hector H. Balderas
New Mexico State Auditor
The Council of New Mexico Developmental Disabilities Planning Council
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited New Mexico Developmental Disabilities Planning Council's (the "Council")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2013. The Council's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council'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 Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council, 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-005. Our opinion on each major federal program is not modified with respect to these matters.

The Council's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's responses were not subjected to the auditing 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 Council, 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 Council'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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

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

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

we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-005, that we consider to be significant deficiencies.

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

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



Axiom CPAs and Business Advisors, LLC
Albuquerque, New Mexico
July 14, 2014

STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2013

A. 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 deficiencies identified X Yes None Reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified X Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X Yes No

Identification of Major Program

CFDA Number
93.630

Name of Federal Program or Cluster
Developmental Disabilities Act Subtitle B –
Federal Assistance to State Developmental
Disabilities Councils

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

B. FINANCIAL STATEMENT FINDINGS

2004-001 Segregation of Duties (Significant Deficiency) – Repeated

CONDITION: The CFO approves purchase requests, approves vouchers, and posts transactions and adjustments to the accounting system and reconciles the information on the accounting system.

CRITERIA: The Manual of Model Accounting Practices issued by the Financial Control Division of the Department of Finance and Administration Volume 1 Section 09.1 through 09.5 requires that state agencies have proper segregation of duties. Also, good internal control procedures require the segregation of duties in the authorization of transactions and the reconciliation and review of financial data.

EFFECT: Errors and irregularities may occur and not be detected in a timely manner. It is possible for an employee to misappropriate assets and alter the records to cover the fact that an irregularity has occurred without proper segregation of duties.

CAUSE: The Council has only two employees that are involved in accounting for financial transactions. Therefore, it is difficult to separate the authorization and reconciliation of financial transactions.

RECOMMENDATION: Recommend the Council review its internal control procedures in the preparation, recording, reconciliation and review of its financial transactions and implement procedures to strengthen controls over its financial records.

COUNCIL'S RESPONSE: This is a problem that plagues small agencies. In fiscal year 2013 the financial support had vacancies and short staffed which added to this problem. The agency has hired a new Chief Financial Officer and financial specialist. The Executive Director has State budget and financial background. This will allow more segregation in preparing and approving purchases and payment of invoices, and other financial documents.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-002 Timely Reconciliation of Financial Records (Significant Deficiency) - Repeated

CONDITION: Some of the financial accounts of the Council such as the federal accounts receivable, fund balance, and due to the State General Fund as of June 30, 2013 were not reconciled.

CRITERIA: The Manual of Model Accounting Practices issued by the Financial Control Division of the Department of Finance and Administration requires that state agencies perform monthly reconciliations of balances and accounts. Also, good internal control and accounting practice require that financial information be reviewed and reconciled on a timely basis.

EFFECT: Financial records are inaccurate and not fairly stated if not reconciled and corrected on a timely basis.

CAUSE: The Council's Chief Financial Officer was out on family medical leave for twelve weeks which delayed the reconciliation of its financial records.

RECOMMENDATION: Recommend that the Council reconcile and adjust its financial records on the SHARE system to the amounts that the Council has supporting documentation for on a timely basis.

COUNCIL'S RESPONSE: The Agency had a full-time Chief Financial Officer (CFO) for only a couple of months during the fiscal year. A full-time CFO has been hired. The financial specialist during this period was preparing purchase orders and payment vouchers and did not have the reconciliations skills. The financial specialist has since left the agency. The financial specialist position has been reclassified to a financial specialist advanced and the agency was able to recruit an employee with higher skills. The Agency now has the resources to perform reconciliations on a timelier basis.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-006 Reconciliation to SHARE (Significant Deficiency)

CONDITION: The Council does not reconcile their records to the balance maintained by the State Treasurer in the SHARE system.

CRITERIA: The Manual of Model Accounting Practices issued by the Financial Control Division of the Department of Finance and Administration requires that state agencies perform monthly reconciliations of balances and accounts. Also, good internal control and accounting practice require that financial information be reviewed and reconciled on a timely basis.

EFFECT: Financial records are inaccurate and not fairly stated if not reconciled and corrected on a timely basis.

CAUSE: The entity had a high degree of turnover during the period and were missing key personnel, and they do not have a process in place for this reconciliations.

RECOMMENDATION: Recommend that the Council reconcile and adjust its financial records on the SHARE system to the amounts that the Council has supporting documentation for on a timely basis.

COUNCIL'S RESPONSE: The agency had a full-time Chief Financial Officer (CFO) for only a couple of months during the fiscal year. A full-time CFO has been hired. The financial specialist during this periods was preparing purchase orders and payment vouchers and did not have the reconciliation skills. The financial specialist has since left the agency. The financial specialist position has been reclassified to a financial specialist advanced and the agency was able to recruit an employee with higher skills. The agency now has the resources to perform reconciliations to SHARE.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-007 Journal Entry Approval (Significant Deficiency)

CONDITION: The Council does not have a formal process in place by which the manual journal entries are approved by anyone within the Council.

CRITERIA: Good accounting practices dictate that each entity should have a segregation of duties including a review process to ensure that all manual journal entries are for an appropriate transaction and to be made involves more than one person.

EFFECT: There is the potential that financial records could be misstated and there is also the potential to circumvent process without this review process.

CAUSE: The entity has no formal process for review of manual journal entries.

RECOMMENDATION: Recommend that the Council establish a process and require the review of someone other than the person preparing and posting the manual journal entries.

COUNCIL'S RESPONSE: The agency, in rectifying segregation of duties, is developing a policy that prescribes for Chief Financial Officer or financial specialist to create the document and approval provided by the Executive Director. The Journal Entry will then be submitted to the Department of Finance and Administration (DFA) for approval. The approved document and supporting documentation will be filed for review.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-008 Pay Rates not Agreeing (Significant Deficiency)

CONDITION: During our payroll testing it was noted that 4 individuals pay rates were not properly documented and/or approved in their personnel file.

CRITERIA: Good accounting practices dictate that each entity should have a documented accurate pay rate to ensure employees are accurately paid and their wages are appropriately documented.

EFFECT: There is the potential that financial records could be misstated and there is also the potential for employees to be paid the wrong amount.

CAUSE: The entity had a high degree of turnover during the period under audit and subsequent to that time period the SPO took over maintenance of the Council's personnel files.

RECOMMENDATION: Recommend that the Council establish a process and require that each person's pay rate and any subsequent changes be documented in their personnel file.

COUNCIL'S RESPONSE: The personnel files are housed at the State Personnel Office (SPO). The agency will print payroll reports from the SHARE system and request that SPO staff compare the pay rates on the reports to the personnel file documents and provide the agency with a certification that the rates reconcile.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-009 Missing Personnel Files (Material Weakness)

CONDITION: During our payroll testing it was noted that a file for an individual could not be located.

CRITERIA: Good accounting practices require that the entity maintain their personnel files and keep track of all pertinent information needed to support payments they make to their personnel.

EFFECT: There is the potential that financial records could be misstated and there is also the potential for employees to be paid the wrong amount and other payroll liability issues.

CAUSE: The entity had a high degree of turnover during the period under audit and subsequent to that time period the SPO took over maintenance of the Council's personnel files and the person was in charge of their own personnel file without any oversight prior to SPO taking over the files.

RECOMMENDATION: It is recommended that the Council ensure no one person has complete access to their own personnel file without anyone else involved and maintain accurate personnel files for all employees.

COUNCIL'S RESPONSE: When the Personnel Files were transferred to the State Personnel Office (SPO), one file was missing. A letter was delivered to the former employee whose file was missing in the event the file was taken. There was no response and the file has not been located in the DDPC offices. The agency is assured by SPO that the Personnel Files are in a secure location.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-010 Use of Unlicensed Professionals (Significant Deficiency)

CONDITION: During our payroll testing it was noted that an individual was hired to perform legal services was not licensed to perform the professional services they were performing.

CRITERIA: For individuals in certain professions, it is required that they be licensed to practice their services.

EFFECT: There is the potential that any work this person did or does on behalf of the Council could be disallowed and also lead to other complaints and litigation.

CAUSE: The entity employed an individual and there is no documentation that this person was licensed to practice the professional position they were in.

RECOMMENDATION: It is recommended that the Council ensure anyone they hire in a professional capacity that is required to be licensed to practice such services in the state they are located be licensed as such and they maintain a copy of their license when they are an actual employee of the Council.

COUNCIL'S RESPONSE: The attorney hired during the fiscal year is no longer employed by the agency. Proof of licensure was provided by the Supervising Attorney prior to employment. The Staff Attorney position was advertised by the State Personnel Office and the candidates are pre-screened for licensure prior to providing the names to the agency. During the interviews of candidates, each are asked if they are licensed to practice law in New Mexico. Verification will be requested prior to hiring.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-011 Cash Disbursement Testing (Significant Deficiency)

CONDITION: During our cash disbursement testing it was noted that in 5 items totaling \$548 out of a sample of 40 items tested the invoice date was prior to the PO date; in 2 items totaling \$436 out of a sample 40 items the invoice was not initialed for approval by an authorized signer; in 2 items totaling \$280 out of a sample of 40 items there was no approval on the schedule of travel expenses; and in 1 item totaling \$254 out of a sample of 40 items tested there was no supporting receipts for the travel attached.

CRITERIA: Per New Mexico State Statute it is required that all expended funds be appropriately approved and supported and follow the procurement process.

EFFECT: The Council is not in compliance with the State Procurement standards and also out of compliance with their own purchasing requirements and controls.

CAUSE: The entity did not follow their control processes and procedures to ensure they were in compliance with State procurement standards and their own requirements.

RECOMMENDATION: It is recommended that the Council follow state procurement standards along with their own policies and procedures.

COUNCIL'S RESPONSE: The agency had a full-time Chief Financial Officer (CFO) for only a couple of months during the fiscal year. A full-time CFO has been hired. The financial specialist during this period was preparing purchase orders and payment vouchers and did not have the reconciliations skills. The financial specialist has since left the agency. The financial specialist position has been reclassified to a financial specialist advanced and the agency was able to recruit an employee with higher skills. The agency now has the resources to test cash disbursements on a regular basis.

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-012 Unlocated Records (Significant Deficiency)

CONDITION: During our audit procedures, the Council was unable to locate 5 invoices totaling approximately \$85,000 which were selected by us for testing.

CRITERIA: : Per Section 6-6-3 NMSA 1978 every local public body shall: keep all the books, records and accounts in their respective offices in the form prescribed by the local government division; make all reports as may be required by the local government division; and conform to the rules and regulations adopted by the local government division. Also, good internal controls and sound business practice requires that the Council develop policies and procedures for internal controls over disbursements.

EFFECT: The Council is not in compliance with the State Procurement standards and also out of compliance with their own purchasing requirements and controls.

CAUSE: The entity did not follow their control processes and procedures to ensure they were in compliance with State procurement standards and their own requirements.

RECOMMENDATION: It is recommended that the Council follow state procurement standards along with their own policies and procedures including the retention of documentation.

COUNCIL'S RESPONSE: The agency had a full-time Chief Financial Officer (CFO) for only a couple of months during the fiscal year. A full-time CFO has been hired. The financial specialist during this period was preparing purchase orders and payment vouchers and did not have the reconciliations skills. The financial specialist has since left the agency. The financial specialist position has been reclassified to a financial specialist advanced and the agency was able to recruit an employee with higher skills. The agency now has the resources to test cash disbursements on a regular basis.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-005 Timely Filing of Data Collection Form (Significant Deficiency)

APPLICABLE FEDERAL PROGRAMS: All Programs

QUESTIONED COSTS: None

CONDITION: The Council did not file its Data Collection Form to the Federal Audit Clearinghouse by the required due date of March 31, 2014.

CRITERIA: Per OMB Circular A-133 the entity expending more than \$500,000 during a given year is to file electronically their data collection form by nine months after their year-end (June 30, 2013).

EFFECT: The Council is not in compliance with the requirements of OMB Circular A-133, which can result in the loss of federal funding.

CAUSE: The Council experienced significant turnover during the current year along with two changes in location, causing a delay in the completion of the audit and the filing of the Data Collection Form.

RECOMMENDATION: We recommend the Council ensure that all records are complete and ready for audit to allow for the audit and the related Data Collection Form to be completed within the required deadlines.

COUNCIL'S RESPONSE: The Council did not have key personnel for part of the year and also subsequent to the year. Due to various location changes, it made locating information more time consuming. This is expected to be a rare occurrence and should not happen in the future, we currently have hired a CFO, financial specialist, and have settled into the new location and unpacked information that was previously stored in boxes during the move.

**D. OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION
12-6-5, NMSA 1978**

2011-001 Reversion to State General Fund (Other Matter)

CONDITION: Amount due to the State General Fund for \$100,358 has not been reverted as required by State Statute. The reversions relate to the following fiscal years: 2013 - \$71,090, 2012- \$10,372 and 2011 - \$18,896.

CRITERIA: New Mexico State Statute Section 6-5-10 requires that all unreserved, undesignated fund balance in reverting funds and accounts at year end shall revert to the State General Fund. The Council may adjust the reversion within 45 days of release of the audit report for the fiscal year

EFFECT: The Council is not in compliance with state statute.

CAUSE: The Council not reconciling its financial data on a timely basis caused the Council to not revert monies on a timely basis.

RECOMMENDATION: Recommend the Council comply with state statute requirements concerning reversions of monies to the State General Fund.

COUNCIL'S RESPONSE: The agency's Chief Financial Officer (CFO) left the agency days prior to the submittal date of reversions. The agency was short staffed and this requirement was not performed for only a couple of months during the fiscal year. A full-time CFO has been hired. The financial specialist during this period was preparing purchase orders and payment vouchers and did not have the reconciliation skills. The financial specialist has since left the agency. The financial specialist position has been reclassified to a financial specialist advanced and the agency was able to recruit an employee with higher skills. The agency now has the resources to perform reconciliations to SHARE.

**D. OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION
12-6-5, NMSA 1978**

2013-001 Per Diem and Mileage Act (Other Matter)

CONDITION: Through the course of the current year audit pertaining to Travel and Per Diem, we noted the following instances of non-compliance:

- Three amounts totaling \$620 out of a sample of 10 travel and per diem reimbursements did not have adequate supporting documentation.
- One amount for \$82 out of a sample of 10 travel and per diem reimbursements was not approved by the Executive Director.

CRITERIA: Per NMAC Regulations governing the Per Diem and Mileage Act 2.42.2.9, "The public officer or employee must submit receipts for the actual meal and lodging expenses incurred."

EFFECT: The Agency is not compliant with New Mexico State Audit Rule 2.2.2.10.G.2.

CAUSE: The Agency lacks controls surrounding the review process for travel and per diem disbursements.

RECOMMENDATION: It is recommended that the Agency evaluate its current review process for travel and per diem reimbursements and ensure that it is compliant with all applicable laws, regulations, and internal Agency policy.

COUNCIL'S RESPONSE: The agency has developed a travel form to be used by staff and council members. This will document the approvals for travel. In addition the financial staff are developing a travel policy which will include what supporting documentation is needed for reimbursement of travel expenses. In addition, the policy will require submission of the travel form and approval prior to the employee traveling. The form and policy will be scheduled for reviewed and approved by the DDPC council.

D. OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION 12-6-5, NMSA 1978

2013-002 Procurement Cards (Other Matter)

CONDITION: Through the course of the current year audit pertaining to Procurement Cards, we noted the following:

- In six out of six transactions tested totaling \$1,383, there was no purchase order or purchase requisition approving the item purchased.
- One item for \$80 out of six transactions tested did not have adequate supporting documentation.

CRITERIA: All purchase vouchers for goods and services, other than personnel, shall be accompanied by supporting invoices and documentation required by the division (Section 6-5-8 NMSA 1978).

EFFECT: Lack of documentation related to procurement card purchases raises the risk for improper use of public monies.

CAUSE: The Agency lacks controls surrounding purchases made with procurement cards.

RECOMMENDATION: It is recommended that the Agency develop adequate controls for purchases made with procurement cards; specifically that someone other than the person making the purchase reviews the purchase for reasonableness and approves the purchase.

COUNCIL'S RESPONSE: Proper controls were not enacted during this fiscal year. An internal requisition was not approved prior to the use of the card. The procurement card policies and procedures are being reviewed to place adequate controls on the procurement card used. The policy will include providing the required supporting documentation (bids, receipts, etc.) needed to place on file at DDPC. In addition, the Department of Finance and Administration (DFA) is implementing the *Works System* where an electronic requisition is processed and approved prior to the use of the card. The card will not process payment for the vendor unless the approval is complete on the *Works System*.

**D. OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION
12-6-5, NMSA 1978**

2013-003 Procurement Code (Other Matter)

CONDITION: Through the course of the current year audit pertaining to the Procurement Code, the Agency was unable to produce supporting documentation evidencing that the procurement was properly advertised.

CRITERIA: The advertisement of proposal must be published not less than ten calendar days prior to the date set forth for the opening of the proposals. Furthermore, the invitation or notice shall be published at least once in a newspaper of general circulation in the area where the central purchasing office is located (Section 13-1-113 NMSA 1978).

EFFECT: The Agency is not compliant with New Mexico State Audit Rule 2.2.2.10G(1)

CAUSE: Turnover at the Agency has contributed to inadequate recordkeeping practices.

RECOMMENDATION: It is recommended that the Agency evaluate its current procedures related to documentation retention and ensure that it is compliant with all applicable laws, regulations, and internal Agency policy.

COUNCIL'S RESPONSE: The employees who staffed the request for proposal (RFP) process are no longer employed at the agency and not available to provide information. There were two office moves in the summer of 2013 and documents may have been misplaced. IN future RFPs, the agency will work closely with the State Purchasing Agency and State Purchasing Division (SPD) staff to have the SPD advertise and oversee the RFP process.

**D. OTHER FINDINGS AS REQUIRED BY NEW MEXICO STATE STATUTE, SECTION
12-6-5, NMSA 1978**

2013-004 Late Audit Report (Other Matter)

CONDITION: The annual audited financial report for the fiscal year 2013 was not submitted to the State Auditor's Office by December 15, 2013 deadline.

CRITERIA: New Mexico State Audit Rule Section 2.2.2.9 and audit contract require that the Council's audit report be submitted to the State Auditor's Office no later than December 15, 2013.

EFFECT: The lateness of the audit report creates a crease in relevance and usefulness of financial information and noncompliance with State Auditor's Office audit requirements.

CAUSE: There was a high degree of turnover in the Council during the current year coupled with several relocations of the office location during the current year resulted in records taking more time to locate and more time to reconcile the financial records.

RECOMMENDATION: It is recommended that the Council comply with the State Auditor Rule requirement and audit contract of completing and submitting the audit report by the due date.

COUNCIL'S RESPONSE: The agency was short staffed when the field work was performed by the auditor. This coupled with high degree of turnover and the two moves of the office, records were difficult to locate and thus delayed in submitting to the audit staff. This is possibly the first year where the agency has been subject to the Single Audit Act. This event required additional documentation and review by the auditors and thus the agency was not able to provide the documents in sufficient time for the auditor to submit the audit report before the December 15th due date. The agency now has a full-time CFO and financial specialist and supporting documents remain in one location, thus the agency has the resources and ability to provide documents timely to the audit staff so the audit report may be submitted to the State Auditor by the due date.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

STATUS OF PRIOR YEAR FINDINGS

2004-001	[04-1]	Segregation of Duties	Repeated
2010-002	[10-2]	Timely Reconciliation of Financial Records	Repeated
2011-001	[11-1]	Reversion to State General Fund	Repeated

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
EXIT CONFERENCE
JUNE 30, 2013**

The contents of this report were discussed at an exit conference on April 16, 2014. Those attending were as follows:

Representing NMDDPC:

Sandy Skaar	Council President
Catherine McClain	Council Treasurer
John Block III	Executive Director
Dianne Rivera	Deputy Director
Kathleen Coates	Chief Financial Officer

Representing Axiom CPAs:

Chris Garner, CPA	Partner
Christopher J. Schmitz, CPA	Manager

The financial statements, notes to the financial statements and schedules were prepared by the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. The Council's chief financial officer has knowledge and experience in the preparation, review and approval of financial statements. Management has reviewed and approved the financial statements, notes to the financial statements and schedules.