

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES
PLANNING COUNCIL**

Financial Statements

June 30, 2018



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL**

June 30, 2018

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**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL**

June 30, 2018

Official Roster

<u>Name</u>	<u>Executive Office</u>	<u>Title</u>
John Block, III		Executive Director
Kathleen Coates		Chief Financial Officer

Council Members - Self Advocates/Family Members

Amira Rasheed		Chair
Sergio Resendiz		Vice-Chair
C. Dianne Griego		Secretary/Treasurer
Sandy Skaar		Member
Theresa Apodaca		Member
Hoskie Benally		Member
Charlene Espinosa		Member
Dr. Tim Query		Member
Judy Ann Sena		Member

Council Members - Advocates/Providers/IHE

Marcia Moriarta		Executive Director
Jim Jackson		Director
John Grubestic		Legal Counsel

Council Members - State Agencies

Myles Copeland		Member
Kathleen Hardy		Member
Cynthia Shelton		Member
Roberta Duran		Member
Ellen Carpenter		Member
Deborah Dominguez-Clark		Member

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson
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 comparison for the general fund of the New Mexico Developmental Disabilities Planning Council (the "Council"), as of and for the year ended June 30, 2018, 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 of the Council, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the financial statements of New Mexico Developmental Disabilities Planning Council are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and the major fund that are attributable to the transactions of the Council. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018 and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the Council understated improperly recorded grants receivable and due from other state agencies during the fiscal year ended June 30, 2017. The beginning balance of net position and fund balance of the Council have been restated for the correction of this misstatement. Our opinion is not modified with respect to this matter.

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 financial statements that collectively comprise the Council's basic financial statements. 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 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 other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 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.

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

Albuquerque, New Mexico
October 29, 2018

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Statement of Net Position
June 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
<i>Current assets</i>	
Investment on deposit with state treasurer	\$ 2,887,569
Grants receivable	204,070
Other receivable	177
<i>Total current assets</i>	<u>3,091,816</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>3,091,816</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	470,124
Accrued payroll liabilities	55,872
Compensated absences	25,123
<i>Total current liabilities</i>	<u>551,119</u>
<i>Total Liabilities</i>	<u>551,119</u>
<i>Net position:</i>	
Net investment in capital assets	-
Restricted for guardianship program	2,565,820
Unrestricted	<u>(25,123)</u>
	<u>\$ 2,540,697</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Statement of Activities
For the Year Ended June 30, 2018

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 and administration	\$ 1,123,363	-	472,323	-	(651,040)
Office of guardianship	4,936,679	376,779	-	-	(4,559,900)
Total primary government	\$ 6,060,042	376,779	472,323	-	(5,210,940)
General Revenues and Transfers					
					5,137,400
					(87,145)
					1,462
Total general revenues and transfers					5,051,717
					(159,223)
					2,832,211
					(132,291)
					2,699,920
Ending net position					\$ 2,540,697

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Balance Sheet
Governmental Fund
June 30, 2018**

	<u>General Fund</u>
ASSETS	
<i>Current:</i>	
Investment on deposit with the state treasurer	\$ 2,887,569
Grants receivable	204,070
Other receivables	<u>177</u>
<i>Total assets</i>	<u>\$ 3,091,816</u>
LIABILITIES AND FUND BALANCE	
<i>Current liabilities:</i>	
Accounts payable	\$ 470,124
Accrued payroll liabilities	<u>55,872</u>
<i>Total liabilities</i>	<u>525,996</u>
<i>Fund Balance:</i>	
Restricted for Office of the Guardianship program	<u>2,565,820</u>
<i>Total fund balance</i>	<u>2,565,820</u>
<i>Total liabilities and fund balance</i>	<u>\$ 3,091,816</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 Governmental Fund
 Reconciliation of the Governmental Fund Balance Sheet
 to the Statement of Net Position
 For the Year Ended June 30, 2018**

Fund balances - total governmental fund \$ 2,565,820

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.

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

Current compensated absences are not payable in the current period and therefore are not reported in the fund:

Compensated absences	<u>(25,123)</u>
Total net position	\$ <u><u>2,540,697</u></u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018**

	General Fund
	<u> </u>
<i>Revenues:</i>	
Federal grants	\$ 472,323
Intra state federal-Medicaid	376,779
Miscellaneous	1,462
<i>Total revenues</i>	<u>850,564</u>
 <i>Expenditures:</i>	
Planning and administration	1,131,537
Office of guardianship	4,936,679
<i>Total expenditures</i>	<u>6,068,216</u>
 <i>Deficiency of revenues over expenditures</i>	<u>(5,217,652)</u>
 <i>Other financing sources</i>	
State appropriation - regular	5,137,400
Reversions to the state general fund	(87,145)
<i>Total other financing sources</i>	<u>5,050,255</u>
 <i>Net change in fund balance</i>	<u>(167,397)</u>
 <i>Fund balance - beginning of year, as previously reported</i>	2,865,508
<i>Restatement (Note 17)</i>	(132,291)
<i>Fund balance - beginning of year, as restated</i>	<u>2,733,217</u>
 <i>Fund balance - end of year</i>	\$ <u><u>2,565,820</u></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 Balance of Governmental
 Fund to the Statement of Activities
 For the Year Ended June 30, 2018**

Net change in fund balances - total governmental fund	\$ (167,397)
Amounts reported for governmental activities in the statement of activities are different because:	
Expenses recognized in the statement of activities. Not reported in governmental fund	
Decrease in accrued compensated absences	<u>8,174</u>
Change in net position	<u><u>\$ (159,223)</u></u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
General Fund
Statement of Revenues and Expenditures
Budget and Actual
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 5,330,700	5,330,700	5,137,400	(193,300)
Federal grants	783,900	783,900	472,323	(311,577)
Intra state federal-Medicaid	625,000	625,000	376,779	(248,221)
Miscellaneous revenue	-	-	1,462	1,462
<i>Total revenues</i>	<u>\$ 6,739,600</u>	<u>6,739,600</u>	<u>5,987,964</u>	<u>(751,636)</u>
<i>Expenditures:</i>				
Current				
Personal services and employee benefits	\$ 1,113,100	1,162,300	982,808	179,492
Contractual services	4,822,700	4,904,900	4,566,597	338,303
Contractual services- supplemental appropriation	119,900	149,900	155,570	(5,670)
Other costs	383,900	401,900	450,386	(48,486)
<i>Total expenditures</i>	<u>\$ 6,439,600</u>	<u>6,619,000</u>	<u>6,155,361</u>	<u>463,639</u>
Net change in fund balance			<u>(167,397)</u>	

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 1. NATURE OF ORGANIZATION

The State of New Mexico Developmental Disabilities Planning Council (the "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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of 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 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.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 61, and 80.

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.

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 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).

B. Government-wide and Fund Financial Statements

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*.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 is 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.

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 the governmental fund. Only the portion of current compensated absences related to payments due to retired or terminated employees as of June 30, 2018, 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.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 two programs:

- DDPC Planning and Administration (P727) – reverting
- Office of Guardianship (P737)-non reverting

D. Assets, Liabilities, and Net Position or Equity

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

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 payables 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

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Reversions: The portion of the Guardianship program appropriations and supplemental appropriations are non-reverting. All other appropriations including special and supplemental are reverting. In accordance with Section 6-5-10, NMSA 1978, "all unreserved fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30 to the general fund. The division may adjust the reversion within forty-five days of release of the audit report for that fiscal year". 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. Pursuant to the ADDENDA TO ACCOUNTING POLICY STATEMENT FOUR – CUSTODIAL FUNDS issued by the State Controller on July 14, 2017, the reversion to State General Fund was treated as a cash transaction as of June 30th, rather than recording the amount as a liability as of June 30th, which was the practice in prior years. Current year reversion amounted to \$87,145 transferred to SHARE Fund 85300.

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, 2018.

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, 2018.

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 a current liability in the government-wide statements. In the fund financial statements, governmental fund 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.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.
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.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (Continued)

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, 2018, 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, 2018, 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 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, 2018 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.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Compensated Absences (Continued)

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.

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

State law (Section 8-6-3 NMSA 1978) requires the Council's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Investments in the SGFIP and bank account balances are reported at carrying amount which reasonably estimates fair value. Interest in State General Fund Investment Pool at June 30, 2018 was \$2,887,569.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

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

Interest Rate Risk for Investments

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Custodial Credit Risk-Deposit

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Council. Therefore, collateralization of the Council's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Council is not permitted to have any investments other than what is held at the State Treasurer's Office and the Council did not have any other investments during the year ended June 30, 2018. There is no custodial risk at the Council's level since the Council's investments are under the contract of the Office of the State Treasurer.

For further information regarding the SGFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the SGFIP. This pool is managed by the STO. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfil those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfil those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2017. The results are encouraging and the following assertions can be made:

1. The calculated difference between resources maintained by the State Treasurer's Office and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last 12 months.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

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

2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
3. All claims will be honored at face value.

As part of the Council's cash controls, all incoming funds and outgoing disbursements are tracked to ensure transactions are properly entered into SHARE and posted to the general ledger. Additionally at year end, the Council performs a cash analysis on all funds to ensure the activity affecting the cash accounts properly reflect the ending balances at year-end. The Council also does not issue third party disbursements that may materially affect the Council's financial statements.

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 amount of \$204,070 has been accrued as a receivable at June 30, 2018 from Title I funds to cover accounts payable for applicable federal programs and amounts not previously drawn. The grant receivable amount is considered fully collectible.

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			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Equipment	\$ 17,737	-	-	17,737
Vehicle	49,928	-	-	49,928
Accumulated depreciation	(67,665)	-	-	(67,665)
Total capital assets	\$ -	-	-	-

Depreciation expense for the year ended June 30, 2018 was \$0.

NOTE 6. ACCOUNTS PAYABLE

Accounts payable in the amount of \$470,124 represents expenditures for goods and services received prior to June 30, 2018 and paid after June 30, 2018.

NOTE 7. ACCRUED LIABILITIES – SALARIES AND EMPLOYEE BENEFITS PAYABLE

A portion of payroll expenditures pertaining to the year ended June 30, 2018 was accrued. Disbursement occurred subsequent to June 30, 2018. Accrued payroll and benefits payable totaling \$55,872 have been reflected in the statement of net position.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 8. COMPENSATED ABSENCES PAYABLE

A summary of changes in Compensated Absences Payable follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 33,297	34,770	42,944	25,123	25,123

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

NOTE 9. FUND BALANCE

The New Mexico State Legislature, House Bill 2, 3, 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 2018 from appropriations made from the general fund and internal service fund/interagency transfers shall not revert. As of June 30, 2018 the guardianship program had \$2,565,820 in fund balance.

NOTE 10. COMMITMENTS – OPERATING LEASES

The Council entered into noncancellable operating leases for Council space. Rental expense under all operating lease agreements was approximately \$180,951 for the year ended June 30, 2018. The Council has future commitments under operating leases agreements as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2019	\$ 184,730
2020	182,174
2021	186,184
2022	189,607
2023	193,861
2024	32,429
Total	\$ 968,985

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Pension Plan – Public Employees Retirement Association

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the Council has implemented the standard for the fiscal year ending June 30, 2018. The Council, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, Total Pension Liability exceeds Plan Net Position resulting in a Net Pension Liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Plan – Public Employees Retirement Association (Continued)

Funding Policy. Plan members earning less than \$20,000 are required to contribute 7.42% and members earning greater than \$20,000 are required to contribute 8.92% (ranges from 6.28% to 18.15% 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 16.99% (ranges from 7.4% to 25% 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, 2018, 2017 and 2016 were \$110,439, \$125,034, and \$120,600, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. 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 13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Compliant with the requirement of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Notes to the Financial Statements
June 30, 2018**

NOTE 14. 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 15. DEFICIT NET POSITION

GASB statement No. 34 requires capitalized assets, net of accumulated depreciation and the inclusion of long term debt to be discretely presented in the statement of net position which has resulted in an unrestricted net position deficit of (\$25,123). This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.

NOTE 16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2018, the date which the financial statements were available to be issued.

NOTE 17. RESTATEMENT

During the fiscal year ended June 30, 2018, the Council discovered that it had improperly recorded grants receivable and due from other state agencies and the related revenue in the amounts of \$32,045 and \$123,771 during the fiscal year. In addition, the Council noted a due to other state agencies balance of \$23,525, improperly recorded.

To correct this, the beginning fund balance of the general fund and net position of governmental activities was decreased by \$132,291. This misstatement has no impact on the change in net position for the year ended June 30, 2017.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Planning and Administration
Statement of Revenues and Expenditures General Fund
Budget
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 704,000	704,000	769,000	65,000
Federal grants	783,900	783,900	472,323	(311,577)
Intra-state federal	75,000	75,000	37,361	(37,639)
Miscellaneous	-	-	714	714
<i>Total revenues</i>	<u>\$ 1,562,900</u>	<u>1,562,900</u>	<u>1,279,398</u>	<u>(283,502)</u>
<i>Expenditures:</i>				
Current				
Personal services & employee benefits	\$ 593,100	556,100	459,917	96,183
Contractual services	285,900	318,100	308,379	9,721
Other costs	383,900	401,900	450,386	(48,486)
<i>Total expenditures</i>	<u>\$ 1,262,900</u>	<u>1,276,100</u>	<u>1,218,682</u>	<u>57,418</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
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
General fund appropriation	\$ 4,626,700	4,626,700	4,368,400	(258,300)
Federal grants	-	-	-	-
Intra-state federal	550,000	550,000	339,418	(210,582)
Miscellaneous	-	-	748	748
<i>Total revenues</i>	<u>\$ 5,176,700</u>	<u>5,176,700</u>	<u>4,708,566</u>	<u>(468,134)</u>
<i>Expenditures:</i>				
Current				
Personal services & employee benefits	\$ 520,000	606,200	522,891	83,309
Contractual services	4,536,800	4,586,800	4,258,218	328,582
Contractual services - supplemental appropriation	119,900	149,900	155,570	(5,670)
<i>Total expenditures</i>	<u>\$ 5,176,700</u>	<u>5,342,900</u>	<u>4,936,679</u>	<u>406,221</u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
 DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
 Schedule of Transfers
 Year Ended June 30, 2018**

Share Fund	Title	Transfer	
		In	Out
(1) 85300	DFA - State General Fund	\$ 5,137,400	\$ -
		\$ 5,137,400	\$ -

(1) General Fund Appropriation-Laws of 2015, Chapter 101, Section 4

All of the above transfers were made to the Council's general fund SHARE Fund #07900

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Joint Powers Agreements and Memoranda of Understanding
Year Ended June 30, 2018**

Participant has operational and audit responsibilities for the following MOU

	<u>ENTITY</u>	<u>DESCRIPTION</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Total Project</u>	<u>DDPC Contribution</u>	<u>Participant Contribution</u>
1	University of New Mexico FY187-647-P727-20763	To ensure that all those eligible for birth to three services and supports/programs are aware of and accessing them and to support in accomplishing goals.	7/1/2017	6/30/2018	\$ 5,000	\$ 5,000	\$ -
2	University of New Mexico FY18-647-P727-20762	To provided effort to continue and build initial efforts to create systemic change that will result in increased access by individuals with intellectual/developmental disabilities in higher education opportunities and lead to a path of competitive and integrated employment for transitioning youth.	7/1/2017	6/30/2018	\$ 20,000	\$ 20,000	\$ -
3	University of New Mexico FY18-647-P727-20757	Provide financial support to the Partners in Policy Making Programs	7/1/2017	6/30/2018	\$ 62,000	\$ 5,000	\$ -
4	University of New Mexico FY18-647-P727-20933	Maintain the statewide Information Network (IN) in conjunction with the Center for Developmental Disability information services	7/1/2017	6/30/2018	\$ 160,000	\$ 160,000	\$ -
5	University of New Mexico Health Sciences	The goal of the seminar is to increase the capacity of self-advocates, family members, students and stakeholders to fully participate in the New Mexico Legislative process	7/1/2017	6/30/2018	\$ 2,500	\$ 2,500	\$ -
6	Corry Consulting, LLC FY18-647-P727-207845	The purpose of this project is to support in accomplishing four DDPC's Federal Five Year Goals.	7/1/2017	6/30/2018	\$ 10,700	\$ 10,700	\$ -

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

Wayne Johnson
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, the 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, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated October 29, 2018.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-003, 2017-004, 2017-005, and 2018-001 that we consider to be significant deficiencies.

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* as items 2018-002 and 2018-003 in the schedule of findings and responses.

New Mexico Developmental Disabilities Planning Council's Response to Findings

The Council's responses 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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico

October 29, 2018

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Schedule of Findings and Responses
June 30, 2018**

B. FINANCIAL STATEMENT FINDINGS

2017-003 Annual Leave and Overtime Discrepancies (Significant Deficiency)

CONDITION: For fiscal year 2017, we noted various annual leave and overtime discrepancies for few Council's employees. In response to the OSA referral letter dated July 3, 2018, we elected to review 100% of timesheets as well as compensated time accruals for the three employees in which we were advised of an elevated risk: Executive Director, Deputy Director, and Program Manager. Our review of timesheets and related leave and payroll forms, we noted the following:

- (a) 5 instances involving 35 hours where employees had an approved request forms that was not reflected in the corresponding time summary in SHARE.
- (b) 18 instances involving 184.5 hours where employees leave/overtime request forms were not completed or approved.
- (c) 2 instances involving 20 hours where employee leave/overtime request form was approved after the specified date.
- (d) 4 instances involving 54.5 hours where employees leave/overtime request form was approved for less hours than actually taken.
- (e) 6 instances involving 210 hours where employees worked schedules that did not meet the regular schedule requirements and flex schedule request forms were not submitted
- (f) 6 instances involving 42.75 hours where employees time summary per SHARE did not agree to the hours per the employees pay stub.
- (g) 5 instances involving 67 hours where employees request forms were substantially revised subsequent to approval.

In addition, when provided the finding detail, the employees in question attempted to rebut the exceptions by providing additional documentation. However, the documentation was not provided timely, and upon our review, we noted clear indications of manipulations and alterations to the request slips. We will not consider the subsequently provided documentation in regards to this finding.

During the year, the Council did not make progress in implementing its corrective action plan.

CRITERIA: Per Section 6-5-2 NMSA 1978, "State agencies shall implement internal accounting to prevent accounting errors and violation of state and federal law and rules related to financial matters. In addition, implement controls to prevent the submission of processing documents to the financial control division that contains errors or that are for a purpose no authorized by law".

EFFECT: Without proper controls surrounding time entry, and employee could take unapproved leave time or could be paid for time out, without reducing their compensated absence liability.

CAUSE: Time entry is not being properly recorded, monitored, or approved.

RECOMMENDATION: We recommend the Council strengthen controls surrounding payroll. Specifically, controls surrounding time entry and approvals over leave and overtime.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Schedule of Findings and Responses
June 30, 2018**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-003 Annual Leave and Overtime Discrepancies (Significant Deficiency) (Continued)

COUNCIL'S RESPONSE: The Council clarifies that the current time-reporting procedure includes the process of revising the forms to reflect actual leave usage to maintain time-reporting accuracy. This process results in some leave request forms containing revised information and original information crossed out with initials and approval dates of the revision.

The Council agrees to develop and implement a new time-reporting process that will significantly strength internal controls surrounding payroll, including time entry and approvals of all leave and overtime.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Executive Director

PROJECTED TIMELINE TO CORRECT: January 1, 2019

2017-004 Guardianship Compliance (Significant Deficiency)

CONDITION: In the fiscal year 2017, we reviewed five (5) guardianship contracts and noted lack of quarterly reporting in violation of the guardianship contracts. In fiscal year 2018, instead of monitoring the submission of the quarterly reports, the Council removed the requirements for the quarterly reporting on all the guardianship contracts in fiscal year 2018 in violation of NMSA 1978, Section 28-16B-5(g).

During the year, the Council did not make progress in implementing its corrective action plan.

CRITERIA: Per NMSA 1978, Section 28-16B-5, a contract for guardianship services shall include: (a) a requirement that contractors and their staff meet nationally recognized standards for guardianship services, (b) a requirement for adoption and compliance with a code of ethics for guardians, (c) the maximum caseload for guardians, (d) the fee schedule for services provided, (e) assurance that the civil rights of protected person served by the contractors shall be met, including the right to be served in the most integrated setting appropriate to the needs of the protected person; (f) provision for access by office of guardianship to records, protected persons and contractor staff as needed to monitor and enforce contract compliance and for quality assurance purposes, and (g) *minimum financial accounting and reporting requirements*.

EFFECT: By removing quarterly reporting requirement, the office of guardianship has failed to meet minimum contract requirements as outlined by New Mexico state statute.

CAUSE: The Council claimed that the information in the quarterly reports are already included in the monthly invoice provided by the guardianship contractors.

RECOMMENDATION: We recommend that the office of guardianship within the Council obtain assistance from legal counsel in order to draft an updated guardianship contract in order to satisfy all state statute requirements.

COUNCIL'S RESPONSE: The quarterly reporting that was removed from the contract did not contain "g" in NMSA 1978, Section 28-16B-5, therefore, this should not be considered a violation.

In addition, FY18 contracts were drafted by in-house legal counsel, prior to the FY17 external audit, which included the monthly reporting requirements being removed.

The Council disagrees that we are in violation of failing to meet the criteria set forth in NMSA 1978, Section 28-16B-5(g) by removing the quarterly reporting from the contract.

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DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Schedule of Findings and Responses
June 30, 2018**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-004 Guardianship Compliance (Significant Deficiency) (Continued)

The Council agrees to obtain assistance from legal counsel in order to draft an updated guardianship contract for FY20 in order to satisfy all state statute requirements.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Deputy Director

PROJECTED TIMELINE TO CORRECT: May 31, 2019

AUDITOR'S REBUTTAL: The Council's response above states that the quarterly reporting requirement removed from the fiscal year 2018 contract did not contain the requirement "g" as set forth in NMSA 1978, Section 28-16B-5(g). However, whether this contract requirement was included in the fiscal year 2017 quarterly reporting requirements or not, the fact remains that the Council has failed to meet this reporting requirement during fiscal year 2018. The Council also states that the redrafting of the fiscal year 2018 contract was completed prior to the fiscal year 2017 external audit. This indicates that the removal of the requirement was not in response to prior year finding 2017-004. Again, however, this does not alleviate the Council from this finding as the purpose of the finding is to identify the Council's failure to comply with guardianship contract requirements as set forth by New Mexico state statute, not merely the compliance with its own contracts.

2018-001 Guardianship Contractor Monitoring (Significant Deficiency)

CONDITION: In fiscal year 2018, the Council hired Disability Rights New Mexico (DRNM) to monitor guardianship contracts in order for the Council to comply with the requirement of NMSA 1978, Section 28-16B-4A. Our review of the monitoring and oversight revealed the following:

- (a) DRNM reviewed 5 out of 21 guardianship contractors. The Council could not provide evidence of monitoring performed for the guardianship contractors that were not covered by DRNM.
- (b) DRNM review focused on protected persons case files and complaint and does not include financial records and internal controls at entity level for DRNM. The fraud that occurred for one of the guardianship contractors in 2017 is due to lack of internal controls.
- (c) During our visit in September 2018, we noted a monitoring review report dated December 15, 2018 for CNRAG that had already been completed in the Office of Guardianship's fiscal year 2019 monitoring file. We consider this to be an indication that the Office of Guardianship is not truly completing monitoring procedures as documented per their policies.
- (d) As the Agency has not employed an in-house legal counsel since February of 2018, we consider this to be a deficiency of the agency as the Guardianship Program's primary objective is to assist in legal services for protected persons.

CRITERIA: Per NMSA 1978, Section 28-16B-4A, the office of guardianship shall monitor and enforce *all* guardianship contracts. In carrying out this duty, the office may: (1) have access to case records, copies and court filings and reports, financial records and other records maintained by contractors related to contract services provided unless specifically sequestered by the court, (2) petition the court of jurisdiction for access to records that have been sequestered, (3) arrange visits with protected persons who are served by contract guardians, and (4) pursue legal and other remedies against contractors for noncompliance with contract provisions.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
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B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-001 Guardianship Contractor Monitoring (Significant Deficiency) (Continued)

EFFECT: The Agency's lack of monitoring of contracts could result in non-compliance by the contractors.

CAUSE: The Agency does not have policies in place that require regular monitoring over financial reporting of guardianship contracts.

RECOMMENDATION: We recommend that policies be implemented to require regular monitoring of all guardianship contracts including the monitoring of financial records as well as hiring a full time in house legal counsel. In addition, the Council should consider hiring an outside auditor to review financial records and internal controls for selected guardianship contractors.

COUNCIL'S RESPONSE: The Council disagrees that this is a finding as stated in NMSA 1978, Section 28-16B-4A does not state nor require that all contractors shall be monitored on an annual basis.

The Council disagrees that that this is a finding as stated in NMSA 1978, Section 28-16B-4A does not state nor require that financial records nor internal controls be reviewed at an entity level.

The Council disagrees that we are not truly completing monitoring procedures as documented per policy.

The Council disputes the auditor's finding, as the document stated it was an "EXAMPLE" of a report to be used as a guideline for FY19 monitoring and was not an actual report for CNRAG.

The Council disagrees that the in-house legal counsel position was vacant in FY18. If additional information is needed, contact the Executive Director. This position was posted, and interviews are being conducted and will be filled with the best qualified candidate. DDPC contracts with 23 attorney contractors to assist in reaching our primary objective of assisting "alleged incapacitated persons" with legal services.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Deputy Director

PROJECTED TIMELINE TO CORRECT: N/A

AUDITOR'S REBUTTAL: The Council's response above states their disagreement with the finding over monitoring of guardianship contractors. The criteria sighted above is taken directly from NMSA 1978, Section 28-16B-4A, and clearly states the office of guardianship's responsibilities for the monitoring and enforcement of all guardianship contracts.

The Council disputes condition (b) of the finding above, stating that the report was an example monitoring report. However, upon our review of this report we noted that the report indicated specific determinations of findings, apparent interview responses, and was post-dated and filed in the Council's fiscal year 2019 monitoring binder. While we cannot say for certain whether the Council plans to use this specific report to meet fiscal year 2019 monitoring requirements, we do consider this to be misleading and concerning.

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DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
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June 30, 2018**

B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2018-002 Conflict of Interest (Other Non-Compliance)

CONDITION: We have identified a potential conflict of interest for Disability Rights New Mexico's (DRNM) contract to review guardianship contractors and their protected persons due to the Jackson lawsuit currently in litigation. This gives potential access to related parties of DRNM of protected persons' files in which the protected persons are currently being represented as plaintiffs in this lawsuit.

CRITERIA: In accordance with NMSA 1978, Section 28-16B-4 "the office shall protect and maintain the confidentiality of all client-specific information and records obtained to the same extent as required for the contractor and to any extent otherwise required by state or federal law."

EFFECT: Due to this litigation, there is a conflict of interest for DRNM by having access to these protected persons' files.

CAUSE: Related parties of DRNM are currently in litigation with protected persons and clients of office of guardianship contractors.

RECOMMENDATION: We recommend that the office of guardianship contract with another vendor for monitoring of guardianship contracts, at least until litigation is settled.

COUNCIL'S RESPONSE: The Council agrees to terminate Disability Rights New Mexico (DRNM)'s contract to review guardianship contractors and their protected persons until the Jackson litigation is settled. A 30-day written termination notice to DRNM is required in the contract.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Executive Director

PROJECTED TIMELINE TO CORRECT: December 15, 2018

2017-005 Restatement (Significant Deficiency)

CONDITION: During our review of the financial statements and SHARE trial balance, we noted the following: accounts receivable balance was overstated in the prior year due to a recognition of grants receivable that was budgeted for but not drawn down for an amount of \$123,771; a due from other state agencies that could not be substantiated for a total of \$32,045; a liability for a due to state agencies that could not be substantiated by DFA as a liability for a total of \$25,525. This led to a net restatement of \$132,291.

During the year, the Council did not make progress in implementing its corrective action plan.

CRITERIA: In accordance with generally accepted accounting principles, all transactions including liabilities should be recorded in the financial statements.

EFFECT: The Council reported an understatement of liabilities and overstatement of assets and resulted in an overstatement of fund balance in fiscal year 2017 financial statements.

CAUSE: The fiscal year 2017 account receivable and accounts payable accrual were not reconciled at year to reflect current year Accounts receivable and accounts payable.

RECOMMENDATION: We recommend that the Council perform a thorough review of the financial statements and audit adjustments, to ensure that all adjustments are reflected in the SHARE trial balance and the audited financial statements.

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
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B. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2017-005 Restatement (Significant Deficiency) (Continued)

COUNCIL'S RESPONSE: The agency, Department of Finance & Administration (DFA) and the IPA had differences from the trial balance and failed to work collaboratively regarding this issue thus causing confusion and having different information.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Chief Financial Officer

PROJECTED TIMELINE TO CORRECT: Corrections were made this fiscal year regarding the trial balances and agency, DFA and IPA worked together and communicated regarding the trial balances and any corrections that were required. All worked together on the reconciliation and thus avoiding confusion. There is no issue going forward.

2018-003 Other Non-Compliance (Other Non-Compliance)

CONDITION: We requested documentation from the Agency of the annual reports submitted to the State Legislative Health and Human Services Committee for the years in question of 2004 through 2017. The Council was unable to provide the annual reports for the years 2004 through 2011. Additionally, the Council was unable to provide proof of submission of any of the reports to the State Legislative Health and Human Services Committee by the deadline of December 1 of the subsequent year. We do consider this to be in violation of state law as outlined in the criteria below.

CRITERIA: NMSA 1978 Section 28-16A-11 states that "the developmental disabilities planning council shall submit reports on its preceding year's work to the governor and the legislative interim health and human services committee by December 1 of each year. The reports shall contain recommendations, if any, for legislation or other appropriate action".

EFFECT: The Council is not in compliance with state statutes NMSA 1978 Sections 28-16A-11.

CAUSE: The Council is not maintaining proof of submission of annual reports to the State Legislative Health and Human Services Committee by the required deadline.

RECOMMENDATION: We noted that the Council has since created a committee called the "Rule-making Committee", which is responsible for reviewing and recommending any necessary updates to the state legislation. However, we recommend that the Council implement policy in order to track and maintain records of the submission of these reports to the State Legislative Health and Human Services Committee by the required deadline of December 1 of the subsequent year.

COUNCIL'S RESPONSE: Council provided state plans 2012-2019. However, 2004-2011 require an archive retrieval request. The Council will review, approve and implement a policy to track and maintain records of the submission of the annual reports to the State Legislative Health and Human Services Committee by December 1 of the subsequent year.

RESPONSIBLE PARTY FOR CORRECTIVE ACTION: Executive Director

PROJECTED TIMELINE: November 30, 2018

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Status of Prior Year Findings
June 30, 2018**

STATUS OF PRIOR YEAR FINDINGS

2015-001	Reversion to State General Fund	Resolved
2017-001	Internal Control over Guardianship Services	Resolved
2017-002	Guardianship Services – Lack of Policies and Procedures	Resolved
2017-003	Annual Leave Discrepancies	Repeated & Modified
2017-004	Guardianship Compliance	Repeated & Modified
2017-005	Restatement	Repeated & Modified

**STATE OF NEW MEXICO
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL
Exit Conference
June 30, 2018**

EXIT CONFERENCE

The contents of this report were discussed at an exit conference on October 24, 2018. Those attending were as follows:

Representing NMDDPC:

Kathleen Coates, Chief Financial Officer
Barbara Ibañez, Deputy Director/Interim Executive Director
Maria Bourassa, Program Manager

Representing Axiom CPAs:

Jaime Rumbaoa, CPA, CITP, CFE, CISA, Partner

Financial Statement Presentation

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.