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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2019**

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

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## **INTRODUCTORY SECTION**

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

**FY19 OFFICIAL ROSTER**

<u>Appointed Members:</u>	<u>Title:</u>
<b><i>Executive Office</i></b>	
Barbara Ibanez	Interim 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
Hoskie Benally	Member
Charlene Espinoza	Member
Elisheva Levin	Member
Judy Ann Sena	Self-Advocate

***Council Members – Advocates/Providers JIHE***

Pat Osbourn - Designee	Executive Director
Berna Chavez - Alternate	Director
John Grubestic	Legal Counsel

***Council Members – State Agencies***

Esperanza Lucero - Proxy	Member
Kathleen Hardy - Designee	Member
Melanie D. Buenviaje	Member
Jason Cornwell	Member
Reyes Gonzales – Permanent Proxy	Member
Jolene Catron - Proxy	Member
Deborah Dominguez-Clark	Member

## **FINANCIAL SECTION**



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## **Independent Auditors' Report**

Brian S. Colón, Esq.  
New Mexico State Auditor  
and  
The New Mexico Developmental Disabilities Planning Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the New Mexico Developmental Disabilities Planning Council (the Council) as of and for the year ended June 30, 2019, 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 misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the New Mexico Developmental Disabilities Planning Council as of June 30, 2019, and the respective changes in financial position and respective budgetary comparisons of 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, 2019 and the changes in financial position and budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not modify our opinion for this matter.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 28-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2019 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.

*Ricci & Company LLC*

Albuquerque, New Mexico  
October 29, 2019



## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATEMENT OF NET POSITION  
June 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Investment on deposit with state treasurer	\$ 1,461,113
Grants receivable - Federal Government	247,168
Due from State general fund	29,948
Other receivable	2,401
Total current assets	<u>1,740,630</u>
Noncurrent assets	
Capital assets	67,665
Less: accumulated depreciation	<u>(67,665)</u>
Total noncurrent assets	<u>-</u>
<b>Total Assets</b>	<u>1,740,630</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	549,943
Accrued payroll liabilities	45,131
Compensated absences	52,383
Total current liabilities	<u>647,457</u>
<b>Total Liabilities</b>	<u>647,457</u>
<b>NET POSITION</b>	
Net investment in capital assets	
Restricted for guardianship program	1,145,556
Unrestricted (Deficit)	<u>(52,383)</u>
Total net position	1,093,173
<b>Total Liabilities and net position</b>	<u>\$ 1,740,630</u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Planning and administration	\$ 1,115,638	-	576,536	-	\$ (539,102)
Office of guardianship	<u>5,229,292</u>	<u>389,427</u>	<u>-</u>	<u>-</u>	<u>(4,839,865)</u>
<b>Total primary government</b>	<u>\$ 6,344,930</u>	<u>389,427</u>	<u>576,536</u>	<u>-</u>	<u>\$ (5,378,967)</u>
General revenue and transfers					
State general fund appropriation					\$ 5,117,700
Reversions to the state general fund					(160,091)
Transfers out					(1,055,457)
Other financing sources					15,300
Miscellaneous revenue					<u>13,991</u>
<b>Total general revenues and transfers</b>					<u>3,931,443</u>
Change in net position					(1,447,524)
Net position, beginning of year					<u>2,540,697</u>
<b>Net position, end of year</b>					<u>\$ 1,093,173</u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
BALANCE SHEET - GOVERNMENTAL FUND  
June 30, 2019**

	<u>General Fund</u>
<b>ASSETS</b>	
Current Assets	
Investment on deposit with state treasurer	\$ 1,461,113
Grants receivable - Federal Government	247,168
Due from State general fund	29,948
Other receivable	2,401
Total current assets	<u>\$ 1,740,630</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Current liabilities	
Accounts payable	\$ 549,943
Accrued payroll liabilities	45,131
Total current liabilities	<u>595,074</u>
<b>Total Liabilities</b>	<u>595,074</u>
Fund Balance	
Restricted for office of the guardianship program	<u>1,145,556</u>
Total fund balance	<u>1,145,556</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,740,630</u>

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2019**

Fund balances - total governmental fund	\$ 1,145,556
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.</p>	
Capital assets	67,665
Accumulated depreciation	<u>(67,665)</u>
<b>Total capital assets</b>	-
<p>Current compensated absences are not payable in the current period and therefore are not reported in the fund:</p>	
Compensated absences	<u>(52,383)</u>
<b>Total net position</b>	<u><u>\$ 1,093,173</u></u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – GOVERNMENTAL FUND  
Year Ended June 30, 2019**

	<u>General Fund</u>
<b>REVENUES</b>	
Federal grants	\$ 576,536
Intra state federal-Medicaid	389,427
Miscellaneous	<u>13,991</u>
Total revenues	<u>979,954</u>
<b>EXPENDITURES</b>	
Planning and administration	1,088,378
Office of guardianship	5,229,292
Capital Outlay	<u>55,457</u>
Total expenditures	<u>6,373,127</u>
Deficiency of revenues over expenditures	<u>(5,393,173)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State appropriation - regular	5,117,700
Reversions to the state general fund	(160,091)
Transfers out	(1,000,000)
Other financing sources	<u>15,300</u>
Total other financing sources	<u>3,972,909</u>
Net change in fund balance	(1,420,264)
Fund balance - beginning of year	2,565,820
<b>Fund balance - end of year</b>	<u><u>\$ 1,145,556</u></u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019**

Net change in fund balances - total governmental fund	\$ (1,420,264)
Amounts reported for governmental activities in the statement of net position are different because:	
Expenses recognized in the statement of activities. Not reported in governmental fund	
Net increase in accrued compensated absences	<u>(27,260)</u>
<b>Change in net position</b>	<b><u><u>\$ (1,447,524)</u></u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

***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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Financial Reporting Entity (Continued)***

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).

***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.

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.

***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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

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:

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

*Assets, Liabilities, and Net Position or Equity Investments*

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

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, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Assets, Liabilities, and Net Position or Equity Investments (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 \$160,091 transferred to SHARE Fund 85300.

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, the governmental fund reports 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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Assets, Liabilities, and Net Position or Equity Investments (Continued)*

Net Position or Fund Equity (Continued)

*Unrestricted Net Position (Deficit)*

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. The amount of net position restricted by enabling legislation is \$1,145,556.

Governmental Fund Equity

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:

*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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 appropriation program level (P-Code 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:

- 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.
- 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.
- 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.
- 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.
- 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, 2019, 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, 2019, 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.



**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Budgetary Procedures and Budgetary Accounting (Continued)***

- 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.
- 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.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
- 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.
- The Council's budget for the fiscal year ending June 30, 2019 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.

***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, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

*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.

*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.

*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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 3. INVESTMENT DEPOSITED WITH THE STATE TREASURER**

***Expenditures (Continued)***

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, 2019 was \$1,461,113.

***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 a 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, 2019

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.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

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

*State General Fund Investment Pool (Continued)*

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 2019.

The results are encouraging and the following assertions can be made:

- 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.
- Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
- 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 \$247,168 has been accrued as a receivable at June 30, 2019 from Title I funds to cover accounts payable for applicable federal and state programs and amounts not previously drawn. The grant receivable amount is considered fully collectible.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**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

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Equipment	\$ 17,737	-	-	\$ 17,737
Vehicle	49,928	55,547	(55,547)	49,928
Accumulated depreciation	<u>(67,665)</u>	<u>-</u>	<u>-</u>	<u>(67,665)</u>
<b>Total capital assets</b>	<u>\$ -</u>	<u>55,547</u>	<u>(55,547)</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2019 was \$0.

During the year, the Council purchased and transferred certain assets totaling \$55,457 to the General Services Department (GSD). Because the purchases passed through the Council, it created a variance between capital asset additions per the schedule above and capital outlay per the statement of revenues, expenditures and changes in fund balance.

**NOTE 6. ACCRUED LIABILITIES – SALARIES AND EMPLOYEE BENEFITS PAYABLE**

A portion of payroll expenditures pertaining to the year ended June 30, 2019 was accrued. Disbursement occurred subsequent to June 30, 2019. Accrued payroll and benefits payable totaling \$45,131 have been reflected in the statement of net position.

**NOTE 7. COMPENSATED ABSENCES PAYABLE**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 25,123	120,136	92,876	<u>52,383</u>	<u>\$ 52,383</u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 8. 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, 2019, the guardianship program had \$1,145,556 in fund balance.

**NOTE 9. COMMITMENTS – OPERATING LEASES**

The Council entered into non-cancellable operating leases for Council space. Rental expense under all operating lease agreements was approximately \$188,120 for the year ended June 30, 2019. The Council has future commitments under operating leases agreements as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2020	\$ 193,432
2021	191,706
2022	200,090
2023	204,472
2024	206,371
2025	207,404
Total	<u>\$ 1,203,475</u>

**NOTE 10. 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, 2019. 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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

***Pension Plan — Public Employees Retirement Association (Continued)***

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.

***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, 2019, 2018 and 2017 were \$129,876, \$110,468, and \$125,034, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 11. 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 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH 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, 2019.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH PLAN (CONTINUED)**

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.

The Council's contributions to RHCA for the years ended June 30, 2019, 2018 and 2017 were \$15,289, \$13,005 and \$11,867, respectively, which equal the required contributions for each year.

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

**NOTE 13. 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 14. 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 \$52,383. This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.



**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019**

**NOTE 15. DUE TO / FROM OTHER STATE AGENCIES**

The Council reports \$29,948 as due from the Department of Finance & Administration share fund 34101-85300. The receivable was caused by an over reversion.

**NOTE 16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 29, 2019, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL -P727  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND - BY DEPARTMENT  
Year ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General fund appropriation	\$ 683,700	683,700	683,700	\$ -
Federal grants	497,000	497,000	576,536	79,536
Intra-state Medicaid	75,000	75,000	32,165	(42,835)
Other financing source	6,700	6,700	11,000	4,300
Miscellaneous	-	-	525	525
<b>Total revenues</b>	<u>\$ 1,262,400</u>	<u>1,262,400</u>	<u>1,303,926</u>	<u>41,526</u>
<b>EXPENDITURES</b>				
Personnel services and employee benefits	580,700	550,700	384,576	166,124
Contractual services	305,600	335,600	331,030	4,570
Other costs	376,100	376,100	372,772	3,328
<b>Total expenditures</b>	<u>\$ 1,262,400</u>	<u>1,262,400</u>	<u>1,088,378</u>	<u>\$ 174,022</u>

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

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL -P737  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND - BY DEPARTMENT  
Year ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General fund appropriation	\$ 4,434,000	4,434,000	4,434,000	\$ -
Intra-state Medicaid	550,000	550,000	357,262	(192,738)
Other financing sources	8,600	8,600	4,300	(4,300)
Miscellaneous	-	-	13,466	13,466
<b>Total revenues</b>	<u>4,992,600</u>	<u>4,992,600</u>	<u>4,809,028</u>	<u>(183,572)</u>
Budgeted Fund balance	<u>263,300</u>	<u>290,800</u>	-	-
<b>Total budgeted revenues</b>	<u>\$ 5,255,900</u>	<u>5,283,400</u>	<u>4,809,028</u>	<u>\$ (183,572)</u>
<b>EXPENDITURES</b>				
Personal services and employee benefits	598,800	720,800	730,766	(9,966)
Contractual services	4,531,400	4,436,900	4,380,424	56,476
Contractual services - supplemental appropriation	<u>125,700</u>	<u>125,700</u>	<u>118,102</u>	<u>7,598</u>
<b>Total expenditures</b>	<u>\$ 5,255,900</u>	<u>5,283,400</u>	<u>5,229,292</u>	<u>\$ 54,108</u>

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

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SCHEDULE OF TRANSFERS  
Year Ended June 30, 2019**

	Share Fund	Title	Transfer	
			In	Out
(1)	34101-85300	Department of Finance & Administration	\$ 5,117,700	\$ -
(2)	34100-62000	Department of Finance & Administration	15,300	-
(3)	21800-13900	Administrative Office of the Courts	-	1,000,000
(4)	35000-11900	General Services Department	-	55,457
(5)	34101-85300	Department of Finance & Administration	-	160,091
			<u>\$ 5,133,000</u>	<u>\$ 1,215,548</u>

- (1) General Fund Appropriation - Laws of 2018, Second Session
- (2) General Fund Supplemental - Laws of 2019, First Session
- (3) Transfer of Fund Balance Office of Guardianship to AOC; Laws of 2018, 2nd Session
- (4) Transfer van ramp to GSD
- (5) Reversion to the State General Fund

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
JOINT POWERS AGREEMENTS AND MEMORANDA OF UNDERSTANDING  
Year Ended June 30, 2019**

<b>ENTITY</b>	<b>DESCRIPTION</b>	<b>Beginning Date</b>	<b>Ending Date</b>	<b>Total Project</b>	<b>DDPC Contribution</b>
University of New Mexico Health Science 19-647-P727-21745	Purpose of project is to support in accomplishing two of DDPC's five year goals	7/1/2018	6/30/2019	\$ 10,000	\$ 10,000
University of New Mexico Health Science 19-647-P727-21580	To maintain Statewide Information Network in conjunction with Center for Developmental Disabilities Information Services.	7/1/2018	6/30/2019	\$ 160,000	\$ 160,000
University of New Mexico Health Science 19-647-P727-21579	Provide financial support to the partners in policy making programs.	7/1/2018	6/30/2019	\$ 67,000	\$ 67,000
University of New Mexico LEND 19-647-P727-21669	Fiscal year 19 Legislative Advocacy (Lend)	7/1/2018	6/30/2019	\$ 2,500	\$ 2,500
Corry Consulting 19-647-P727-21700	Purpose of project is to support in accomplishing two of DDPC's Federal five year goals.	7/1/2018	6/30/2019	\$ 10,000	\$ 10,000

## **COMPLIANCE SECTION**





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

**Independent Auditors' Report**

Brian S. Colón, Esq.  
New Mexico State Auditor  
and  
The New Mexico Developmental Disabilities Planning Council

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, 2019, 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, 2019.

**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. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2017-003 that we consider to be a significant deficiency.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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. 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.

*Ricci & Company, LLC*

Albuquerque, New Mexico  
October 29, 2019

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SUMMARY OF AUDIT RESULTS  
June 30, 2019**

**SUMMARY OF AUDIT RESULTS**

Type of Report Issued:	Unmodified
Internal Controls over Financial Reporting	
Material weaknesses reported?	Yes
Significant deficiencies reported?	Yes
Noncompliance material to the financial statements noted?	No

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**2017-003 – ANNUAL LEAVE, PAY RATE/HOUR DISCREPANCIES AND OVERTIME DISCREPANCIES (Significant Deficiency) (Repeated and Modified)**

***Condition***

For fiscal year 2017 and fiscal year 2018, the prior IPA noted numerous and various leave and overtime discrepancies for 100% testing on 3 of the Council’s employees. For fiscal year 2019, we audited a sample of 35 timesheets/paystubs. During our review of timesheets and related leave and payroll forms, we noted the following:

- a) 4 instances involving 25 hours where employees had an approved request form that was not reflected in the corresponding time summary in SHARE.
- b) 9 instances involving 84 hours where employees leave/overtime request form was missing, not completed, or approved.
- c) We did not note any instances involving any leave/overtime request forms being approved subsequent to the date of the leave taken.
- d) 4 instances involving 18.5 hours where employee leave/overtime request form was approved for less hours than actually taken.
- e) We did not note any instances where the employees’ work schedules did not meet their regular requirements without approved flex schedule request forms.
- f) 5 instances involving 57.5 hours where employee’s time summary per SHARE did not agree to the hours per the employee’s pay stub.
- g) 2 instances involving 12 hours where employees request forms were substantially modified subsequent to approval.

During the year, the Council made some progress in implementing its corrective plan in the above instances; however, in addition to the above-mentioned instances, we noted the following during our review of timesheets and related leave and payroll forms:

- h) 3 instances involving \$4.22 per hour in excess of the pay rate provided by the New Mexico State Personnel Office, where the employees’ calculated pay rate per the pay stub does not tie to the pay rate provided by the New Mexico State Personnel Office.
- i) 5 instances involving 41.5 hours where employees worked overtime and the overtime request form was missing.
- j) 2 instances involving 13 hours where employees were paid for hours that were not worked according to an email from the employees’ direct manager.

***Criteria***

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 procession documents to the financial control division that contains errors or that are for a purpose no authorized by law.”

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**2017-003 – ANNUAL LEAVE AND OVERTIME DISCREPANCIES (Significant Deficiency) (Repeated and Modified) (Continued)**

*Cause*

Time entry, in the identified circumstances, is not being properly recorded, monitored or approved.

*Effect*

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

***RECOMMENDATION***

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

***Management Response***

In January 2019, the interim executive director/deputy director implemented the following processes:

- 1) A form was developed for annual leave or comp time taken. Staff requesting use of annual leave or comp time shall submit form to staff's supervisor for electronic signature approval. Approved forms shall be stored in a network drive by the office manager.
- 2) A form was developed for advance overtime approval. Staff requesting use of overtime shall submit form to staff's supervisor for electronic signature approval. Approved forms shall be stored in a network drive by the office manager.
- 3) Staff may request use of flex time via email. Emails approving flex time shall be stored in a network drive by the office manager.
- 4) Staff who wish to revise their leave or overtime requests shall submit revised form to staff's supervisor for electronic signature approval. Approved revised forms shall be stored in a network drive by the office manager.
- 5) Supervisors are responsible for checking timesheets for accuracy each pay period.

The current executive director has observed that staff may request prior approval for leave or overtime but, due to their work responsibilities, may not use all of the requested leave/overtime hours. In such cases when staff work more hours than they have been approved for leave, or fewer hours than they have been approved for overtime, staff typically communicate with their supervisors, and their SHARE time entries should reflect actual hours worked.

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**2017-003 – ANNUAL LEAVE AND OVERTIME DISCREPANCIES (Significant Deficiency) (Repeated and Modified) (Continued)**

The following issues require further investigation by the Council, and the causes may not be in the Council's control:

- 1) Time summary in SHARE does not match hours per staff's pay stub.
- 2) Pay rate per staff's pay stub does not match pay rate provided by the New Mexico State Personnel Office.

The current executive director plans to implement an improved process that will strengthen internal controls for recording, monitoring, and approving time entries.

***Estimated Timeline to Correct***

Implementation by January 1, 2019

***Responsible Official***

Executive Director

**2019-001 – MANAGEMENT OVERRIDE OF INTERNAL CONTROLS (Material Weakness)**

***Condition***

For fiscal year 2019, We noted that 3 employees had access to modify or change the contents in the program folder that contains the approved/finalized leave/overtime request forms. It was noted that one employee, the FY19 interim executive director/ deputy director entered the folder containing the leave/overtime slips and modified the folder containing their personal and already approved leave/overtime forms. This was done one day prior to the new executive director's start date. We cannot rely on the information contained within the modified folders for testwork regarding payroll.

***Criteria***

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 procession documents to the financial control division that contains errors or that are for a purpose no authorized by law."

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2019**

**2019-001 – MANAGEMENT OVERRIDE OF INTERNAL CONTROLS (Material Weakness)**

***Cause***

Internal controls over certain payroll functions are not operating effectively and cannot be relied upon to properly record, monitor and approve time entry related to leave taken and overtime worked.

***Effect***

Without proper controls surrounding time entry, an employee could take unapproved leaved time or could be paid for time out, without reducing their compensated absence liability.

***Recommendation***

We recommend the Council strengthen controls surrounding payroll. Specifically, limiting access of controls surrounding time entry and approvals over leave and overtime. As of the date of this audit report management changed the password policy regarding access to the already approved leave request forms and overtime request forms.

***Management Response***

The current executive director's start date was August 26, 2019, although the interim director/deputy director, and consequently most staff, mistakenly believed the start date to be Monday, August 19, 2019. Documentary evidence shows that the leave/overtime folders for the interim director/deputy director were modified on Sunday, August 18, 2019.

On October 9, 2019, immediately following an interim meeting with the auditors to discuss these internal control issues, the current executive director ordered that the only staff who are allowed access to the network drive folder containing leave/overtime requests are the current executive director and the office manager. The current executive director plans to implement a process that will strengthen internal controls for recording, monitoring, and approving time entries.

***Estimated Timeline to Correct***

Implementation by January 1, 2019

***Responsible Official***

Executive Director

**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
STATUS OF PRIOR YEAR FINDINGS  
June 30, 2019**

**STATUS OF PRIOR YEAR FINDINGS**

2017-003	Annual Leave, Pay Rate/Hour Discrepancies and Overtime Discrepancies	Repeated & Modified
2017-004	Guardianship Compliance	Resolved
2017-005	Restatement	Resolved
2018-001	Guardianship Contractor Monitoring	Resolved
2018-002	Conflict of Interest	Resolved
2018-003	Other Non-Compliance	Resolved



**STATE OF NEW MEXICO  
DEVELOPMENTAL DISABILITIES PLANNING COUNCIL  
EXIT CONFERENCE  
June 30, 2019**

**EXIT CONFERENCE**

The contents of this report were discussed at an exit conference on October 25, 2019. Those attending were as follows:

***Representing NMDDPC***

Alice Liu McCoy, Executive Director  
John Arango Chair, Council  
Kathleen Coates, Chief Financial Officer

***Representing Ricci & Company LLC***

Mark Santiago, Senior Audit Manager  
Kimberly Saavedra, Audit Staff

***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.