

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
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YEAR ENDED JUNE 30, 2017**

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2017**

| Name | Title |
|-------------------|---------------------------------------|
| Monique Jacobson | Secretary |
| Jennifer Saavedra | Deputy Secretary |
| Tamera Marcantel | Director of Juvenile Justice Services |
| John Jaramillo | Director of Administrative Services |
| Francine Anaya | Director of Protective Services |
| Edna Ortiz | Director of Behavioral Health |
| Steve Hendrix | Director of Early Childhood Services |
| Irene Luetgen | Chief Information Officer |



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INDEPENDENT AUDITORS' REPORT

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the NM Children, Youth and Families Department (Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Opinions

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

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in its financial position, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

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

The accompanying other information as required by 2.2.2.10 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the NM Children, Youth and Families Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the NM Children, Youth and Families Department's 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 NM Children, Youth and Families Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2017

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

The following *Management's Discussion and Analysis*, or MD&A, for the State of New Mexico, Children, Youth and Families Department (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations for fiscal year ending June 30, 2017. Additionally, the MD&A provides a discussion of significant changes in the account categories presented in the entity-wide *Statement of Net Assets* and *Statement of Activities*. This summary should not be taken as a replacement for the basic financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

Although the Department is one of several agencies within the government of the State of New Mexico, the focus of this financial report is only on the Department and not the State of New Mexico taken as a whole. The financial statements include the following three elements: (1) *Management's Discussion and Analysis*, (2) the *Basic Financial Statements*, and (3) *Other Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the Department:

- The first two statements are *entity-wide financial statements* that report information about the Department's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The *Statement of Net Assets* includes all of the Department's assets, liabilities, and net assets. All revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or disbursed. The remaining statements are fund financial statements.
- *Governmental funds statements*, including the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Change in Fund Balance*, focus on individual parts of the Department, reporting the Department's financial condition and results of operations in more detail than the entity-wide statements, and tell how general government services were financed in the short term as well as what remains for future spending. Emphasis is on the general and major funds. Other governmental funds are summarized in a single column.
- *Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis)* reports the original approved budget, final approved budget, and actual results presented on the budgetary basis of reporting for the general fund and all major funds. A separate column is presented to report any variances between the final budget and actual amounts.
- *Statement of Fiduciary Net Assets* provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
- Additional details about the basic financial statements are found in the *Notes to the Financial Statements* and the *Other Supplementary Information* sections.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

The following condensed financial information was derived from the entity-wide financial statements and compares the current year to the prior year:

| | Current Year June 30, 2017 | Prior Year June 30, 2016 | Favorable or (Unfavorable) | Percentage Change |
|--------------------------------------|-------------------------------|-----------------------------|-------------------------------|----------------------|
| Assets | | | | |
| Current Assets | \$ 80,998,661 | \$ 79,844,831 | \$ 1,153,830 | 1.45% |
| Capital Assets | 1,670,526 | 1,407,168 | 263,358 | 18.72% |
| Total Assets | <u>82,669,187</u> | <u>81,251,999</u> | <u>1,417,188</u> | 1.74% |
| Liabilities | | | | |
| Current Liabilities | 48,596,639 | 50,384,053 | (1,787,414) | -3.55% |
| Long - Term Liabilities | 5,424,151 | 5,420,961 | 3,190 | 0.06% |
| Total Liabilities | <u>54,020,790</u> | <u>55,805,014</u> | <u>(1,784,224)</u> | -3.20% |
| Net Position | | | | |
| Investment in Capital Assets | 1,670,526 | 1,407,168 | 263,358 | 18.72% |
| Restricted | 23,773,412 | 24,066,024 | (292,612) | -1.22% |
| Unrestricted | 3,204,459 | (26,207) | 3,230,666 | -12327.49% |
| Total Net Position | <u>\$ 28,648,397</u> | <u>\$ 25,446,985</u> | <u>\$ 3,201,412</u> | 12.58% |
| Program Revenues and Expenses | | | | |
| Program Revenues | \$ 229,522,496 | \$ 214,936,888 | \$ 14,585,608 | 6.79% |
| Program Expenses | (471,960,597) | (451,072,563) | (20,888,034) | 4.63% |
| Net Revenue (Expense) | <u>(242,438,101)</u> | <u>(236,135,675)</u> | <u>(6,302,426)</u> | 2.67% |
| General Revenues (Expenses) | | | | |
| General Fund and Special | | | | |
| Appropriations | 244,963,600 | 240,060,900 | 4,902,700 | 2.04% |
| Special Appropriations | 1,500,000 | 2,787,930 | (1,287,930) | -46.20% |
| Distributions from Land Grant | | | | |
| Permanent Fund | 1,612,190 | 1,653,462 | (41,272) | -2.50% |
| Other Revenue | 678,116 | 238,689 | 439,427 | 184.10% |
| Other Sources (Uses), Net | (2,000,000) | - | (2,000,000) | - |
| Total General Revenues (Expenses) | <u>246,753,906</u> | <u>244,740,981</u> | <u>2,012,925</u> | 0.82% |
| Reversion to State General Fund | (1,114,393) | (96,215) | (1,018,178) | 1058.23% |
| Change in Net Position | 3,201,412 | 8,509,091 | (5,307,679) | -62.38% |
| Beginning Net Position | 25,446,985 | 16,937,894 | 8,509,091 | 50.24% |
| Ending Net Position | <u>\$ 28,648,397</u> | <u>\$ 25,446,985</u> | <u>\$ 3,201,412</u> | 12.58% |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2017 are as follows:

- *Current Assets* increased by \$1,153,830 or 1.45 percent. The net increase consists of many changes over the prior year as follows: State Fund Investment Pool increased by \$11,814,907 Accounts Receivable decreased by \$2,599,874 Due from Agency Fund increased by \$166,855, Due from Other Agencies decreased by \$1,512,169, Supplies Inventory increased by \$15,218, Other Assets decreased by \$3,470,312 and Investments at State Investment Council increased by \$429,292.
- *Capital Assets and Investment in Capital Assets* increased by \$263,358 or 18.72 percent due to purchase of capital assets in the current fiscal year.
- *Total Assets* increased by \$1,416,915 or 1.74 percent. See discussions under *Current Assets* and *Capital Assets and Investment in Capital Assets* above.
- *Current Liabilities* decreased by \$1,787,414 or 3.55 percent due to several changes of the liability accounts as follows: Accounts payable decreased by \$1,266,685, Due to other agencies increased by \$490,547, Due to State General Fund increased by \$1,168,246, Due to federal government increased by \$157,673, Due to Local Government decreased by \$4,194, Compensated Absences increased by \$10,635, and other related payroll liabilities and withholdings increased by \$434,627, and Accrued Payroll increased by \$215,807.
- *Long-Term Liabilities* increased by \$3,190 or .06 percent due to the change in long term portion of compensated absences.
- *Total Liabilities* decreased by \$2,352,310 or 4.22 percent. See discussion under *Current Liabilities* above.
- *Restricted Net Position* decreased by \$292,612 or 1.22 percent primarily due to the non-reverting language provided to CYFD by the Legislature for FY15 for Early Childhood Program. Refer to Note 17.
- *Unrestricted Net Position* increased by \$3,230,666 or 12327.49 percent due to the non-reversion language allowed in the FY16 and FY17 appropriations.
- *Total Net Position* increased by \$3,201,412 or 12.58 percent. See discussion under *Current Assets* and *Current Liabilities* above.
- *Program Revenues* increased by \$14,585,608 or 6.79 percent. Net increase attributed to Federal Funds of \$14,815,886 and Other State Funds increased by \$5,466,659.
- *Program Expenses* increased by \$20,888,034 or 4.63 percent due to the increase in the General Fund Appropriation and increase in Federal Funding for fiscal year 2017.
- *Deficiency of Program Revenues over Program Expenses* increased by \$6,302,426 or 2.67 percent. See discussion under *Program Revenues* and *Program Expenses* above.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

- *General Fund Appropriations* increased by \$4,902,700 or 2.04 percent over the prior year's appropriations.
- *Special Appropriations* decreased by \$1,287,930 or 46.20%.
- Distributions from the Land Grant Permanent Fund decreased by \$41,272 or 40.06 percent. This distribution is based on the Department's share of this overall investment held with the State of New Mexico Investment Council.
- *Other Revenues* increased by \$439,427 or 184.1 percent.
- *Other Sources (Uses) net* increased by \$2,000,000.
- A *Reversion to State General Fund* increased by \$1,018,178 or 1,058.23 percent from the prior year reversion. CYFD recognized a decrease in general fund expenditures related to the short term hiring freeze.
- *Change in Net Position* increased by \$5,307,679 due to the non-reverting language by the Legislature for FY 16 and FY 17 for Early Childhood, Juvenile Justice and Protective Services Programs.

FINANCIAL ANALYSIS AT THE FUND LEVEL

The following analysis was derived from the fund financial statements and compares the current year fund balances to the prior year:

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

| | Fund Balance | | | Percentage Change |
|------------------------|-------------------------------|-----------------------------|---------------------------|----------------------|
| | Current Year June 30, 2017 | Prior Year June 30, 2016 | Increase or (Decrease) | |
| Major Funds | | | | |
| General Fund | | | | |
| Nonspendable | \$ 255,334 | \$ 240,117 | \$ 15,217 | 6.34% |
| Restricted | 5,540,038 | 5,550,768 | (10,730) | -0.19% |
| Committed | 10,129,629 | 6,903,545 | 3,226,084 | 46.73% |
| Total General Fund | <u>15,925,001</u> | <u>12,694,430</u> | <u>3,230,571</u> | 25.45% |
| Pre-Kindergarten | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 6,756,909 | 7,229,500 | (472,591) | -6.54% |
| Committed | - | - | - | - |
| Total Pre-Kindergarten | <u>6,756,909</u> | <u>7,229,500</u> | <u>(472,591)</u> | -6.54% |
| Non-Major Funds | | | | |
| Nonspendable | 2,000,000 | 2,000,000 | - | 0.00% |
| Restricted | 9,476,465 | 9,285,756 | 190,709 | 2.05% |
| Committed | 2,500,000 | 2,500,000 | - | - |
| Total Non-Major Funds | <u>13,976,465</u> | <u>13,785,756</u> | <u>190,709</u> | 1.38% |
| Total | <u>\$ 36,658,375</u> | <u>\$ 33,709,686</u> | <u>\$ 5,988,551</u> | 71.79% |

Ending fund balance for the current fiscal year, in the General Fund accounted for 44.0 percent of total fund balance for the Department. Of the General Fund, approximately 65.0 percent was committed, 34.0 percent was restricted, and 1.5 percent was nonspendable.

FY17 GENERAL BUDGETARY HIGHLIGHTS

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature in the General Appropriations Act, Laws of 2016, Chapter 11, Section 4 appropriated \$244,963.6 in State General Fund for the FY 17 Operating Budget. CYFD was later reduced per the Laws of 2017, 1st Session, Section 5, Item 5-E by \$2,935,469 for an adjusted total of \$244,693.6

The FY17 appropriation included funding of \$742.0 to replace fund balance budgeted from the Permanent Land Grant which had been depleted in Juvenile Justice. An increase for Protective Services for \$3,134.7 over the FY16 Operating budget to increase care and support as well as to reduce the vacancy factor for field workers. The increase in funding for care and support is to continue to provide for the children in the custody of CYFD or who are adopted from the custody of CYFD and receiving adoption subsidies.

PERFORMANCE MEASURES

The Department collects data to measure success in meeting performance measure targets to address the requirements for the Accountability in Government Act (AGA), Sections 6-3A-1 through 6-3A-8 NMSA

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

1978. Performance measures outlined in the General Appropriation Act, Laws of 2016, First Session, Chapter 63, Section 4 for the year ended June 30, 2017 were:

| TYPE | MEASURE | TARGET | RESULT |
|----------------------------------|--|---------------|---------------|
| Early Childhood Services: | | | |
| Outcome | Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool | 93.0% | 91% |
| Outcome | Percent of parents who demonstrate progress in practicing positive parent-child interactions | 30.0% | 44.0% |
| Outcome | Percent of children receiving state subsidy in focus, level four | 6.0% | 5.2% |
| Outcome | Percent of children receiving state subsidy, level five | 14.5% | 30.8% |
| Protective Services: | | | |
| Outcome | Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan | 95.0% | 91.0% |
| Output | Turnover rate from protective service workers | 15.0% | 25.0% |
| Outcome | Percent of children who are not the subject of substantiated maltreatment within six months of prior determination of substantiated maltreatment | 93.0% | 88.9% |

| TYPE | MEASURE | TARGET | RESULT |
|------------------------------------|--|---------------|---------------|
| Juvenile Justice Services: | | | |
| Outcome | Percent of clients who successfully complete formal probation | 80.0% | 82.7% |
| Outcome | Percent of incidents in juvenile justice facilities | 1.5% | 1.7% |
| Outcome | Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities | 8.0% | 6.9% |
| Outcome | Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility | 10.0% | 11.0% |
| Output | Number of physical assaults in juvenile justice facilities | <255 | 398 |
| Program Support: | | | |
| Outcome | Percent of contractors that receive an onsite financial visit | 10.0% | 11.3% |
| Behavioral Health Services: | | | |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

| | | | |
|---------|--|-----|--------------|
| Outcome | Percent of youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of the behavioral health services they have received | 75% | Not reported |
|---------|--|-----|--------------|

CAPITAL ASSETS AND DEBT ADMINISTRATION

Total capital assets, net of depreciation, for the Department makes up 2 percent of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2017 are \$6,080,504. The estimated amount to be paid from current General Fund appropriations within one year is \$4,256,353 or 70.0 percent, with \$1,824,151 or 30.0 percent due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2017.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED JUNE 30, 2017**

FY18 OPERATING BUDGET

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature in the General Appropriations Act, Laws of 2017, Chapter 135, Section 4, appropriated \$249,217.1 in general fund to CYFD for the FY18 Operating Budget.

FY19 OPERATING BUDGET REQUEST

The FY19 Operating Budget Request includes a base general fund request of \$275,217.1, an increase of \$26.0 or 1.65 percent over the FY18 operating budget. The general fund increase supports a Department vacancy rate of 11.8 percent, budgeting vacant positions at mid-point of the salary ranges.

The general fund request includes increases of \$1,000 to increase the number of field positions by 16 FTE in the number of protective services field positions to continue closing the vacancy rate. The general fund increase reflects an increase of General Fund by \$25,000.0 to maintain the levels and projected growth seen both in terms of enrollment and quality increases for childcare assistance. CYFD believes that childcare is one of the greatest tools that addresses both prevention and early childhood education. The request also includes budgeting an additional \$1,648.8 in fund balance from the Pre-Kindergarten fund.

The Department submitted its annual information technology request for FY19 that includes \$742.5 to begin the planning phase of the Comprehensive Child Welfare Information System (CCWIS) which will modernize the critical enterprise system for our protective services field workers. The department submitted an additional annual information technology request for FY19 that includes \$3,540.0 to replace computers within our divisions. The majority of the computer equipment currently being utilized by staff are more than six years old.

FINANCIAL CONTACT

The Department's financial statement is designed to present users with the general overview of the Department's finances and to demonstrate the Department's accountability. If you have any questions about the report or need additional information, please contact:

Children, Youth and Families Department
Administrative Services Division Director
PO Drawer 5160
Santa Fe, New Mexico 87502-5160

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2017**

| ASSETS | <u>Governmental Activities</u> |
|---|------------------------------------|
| Current assets: | |
| Cash | \$ 60,000 |
| State Fund Investment Pool | 37,888,006 |
| Accounts Receivable, Net | 1,020,485 |
| Due from Federal Government, Net | 33,533,756 |
| Due from Agency Fund | 216,968 |
| Due from Other Agencies | 1,855,613 |
| Due from Local Governments | 21,105 |
| Supplies Inventory | 255,334 |
| Other Assets | 2,213 |
| Investments at State Investment Council | 6,145,181 |
| Total Current Assets | <u>80,998,661</u> |
| Noncurrent Assets: | |
| Capital Assets, Net | 1,670,526 |
| Total Assets | <u><u>\$ 82,669,187</u></u> |

| LIABILITIES | |
|--|-------------------|
| Deficit State Fund Investment Pool | \$ - |
| Accounts Payable | 13,349,388 |
| Accrued Payroll | 5,044,519 |
| Other Accrued Liabilities | 18,171,155 |
| Due to Local Governments | 458,692 |
| Due to Beneficiaries | 4,321,129 |
| Due to Other Agencies | 551,532 |
| Due to State General Fund | 1,597,150 |
| Due to Federal Government | 846,721 |
| Compensated Absences | 4,256,353 |
| Unearned Revenue | - |
| Noncurrent Liabilities: | |
| Lawsuit Litigation Accrual | 3,600,000 |
| Compensated Absences Due in More than One Year | 1,824,151 |
| Total Liabilities | <u>54,020,790</u> |

| NET POSITION | |
|---|-----------------------------|
| Net Investment in Capital Assets | 1,670,526 |
| Restricted for: | |
| Children's Trust Fund - Permanent | 2,000,000 |
| Children's Trust Fund - Permanent and Special Revenue | 4,849,284 |
| Day Care Fund | 2,521,476 |
| Subsequent Years Expenditures by Applicable Legislation and Law | 14,402,652 |
| Unrestricted | <u>3,204,459</u> |
| Total Net Position | <u><u>\$ 28,648,397</u></u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF ACTIVITIES
JUNE 30, 2017**

| | Expense | Program Revenues Operating Grants and Contributions | Governmental Activities Net Program (Expense) |
|--|------------------|--|--|
| GOVERNMENTAL ACTIVITIES | | | |
| Health and Welfare | \$ (468,910,399) | \$ 229,076,049 | \$ (239,834,350) |
| Public Safety | (2,783,757) | 446,447 | (2,337,310) |
| Depreciation Expense | (266,441) | - | (266,441) |
| Total Governmental Activities | \$ (471,960,597) | \$ 229,522,496 | (242,438,101) |
| GENERAL REVENUES | | | |
| General Fund | | | 244,963,600 |
| Special Appropriations | | | 1,500,000 |
| Distributions from Land Grant Permanent Fund | | | 1,612,190 |
| Miscellaneous Revenue | | | 236,656 |
| Interest | | | 441,460 |
| Total General Revenues | | | 248,753,906 |
| TRANSFERS | | | |
| Transfers from Other State Agencies | | | |
| Transfers to Other State Agencies | | | (2,000,000) |
| General Fund Reversion 2017 Fiscal Year | | | (1,114,393) |
| Net Transfers | | | (3,114,393) |
| CHANGE IN NET POSITION | | | 3,201,412 |
| Net Position - Beginning of Year | | | 25,446,985 |
| NET POSITION - END OF YEAR | | | \$ 28,648,397 |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

| | General Fund | 20080 Pre- Kindergarten | Non-major Governmental Funds | Total Governmental Funds |
|---|-----------------------------|-------------------------------|------------------------------------|--------------------------------|
| ASSETS | | | | |
| State Fund Investment Pool | \$ 20,256,533 | \$ 9,309,739 | \$ 8,321,734 | \$ 37,888,006 |
| Cash | 60,000 | - | - | 60,000 |
| Accounts Receivable, Net | 1,019,105 | - | 1,380 | 1,020,485 |
| Due from Federal Government, Net | 33,533,653 | - | 103 | 33,533,756 |
| Due from Other Funds | 216,968 | - | - | 216,968 |
| Due from Other Agencies | 1,855,613 | - | - | 1,855,613 |
| Due from Local Governments | - | - | 21,105 | 21,105 |
| Supplies Inventory | 255,334 | - | - | 255,334 |
| Other Assets | 2,093 | - | 120 | 2,213 |
| Investments at State Investment Council | - | - | 6,145,181 | 6,145,181 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 57,199,299</u> | <u>\$ 9,309,739</u> | <u>\$ 14,489,623</u> | <u>\$ 80,998,661</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Deficit State Fund Investment Pool | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 11,216,970 | 2,079,685 | 52,733 | 13,349,388 |
| Accrued Payroll | 5,026,434 | 18,085 | - | 5,044,519 |
| Other Accrued Liabilities | 18,171,155 | - | - | 18,171,155 |
| Due to Other Funds | - | - | - | - |
| Due to Local Governments | 30,891 | - | 427,801 | 458,692 |
| Due to Beneficiaries | 3,833,814 | 455,000 | 32,315 | 4,321,129 |
| Due to Other Agencies | 551,532 | - | - | 551,532 |
| Due to State General Fund | 1,597,090 | 60 | - | 1,597,150 |
| Due to Federal Government | 846,412 | - | 309 | 846,721 |
| Unearned Revenue | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | 41,274,298 | 2,552,830 | 513,158 | 44,340,286 |
| FUND BALANCES | | | | |
| Non-Spendable Fund Balance: | | | | |
| Inventory | 255,334 | - | - | 255,334 |
| Children's Trust Fund - Permanent | - | - | 2,000,000 | 2,000,000 |
| Restricted: | | | | |
| Children's Trust Fund - Special Revenue | - | - | 4,849,284 | 4,849,284 |
| Day Care Fund | - | - | 2,521,476 | 2,521,476 |
| By Law or Grant | 5,540,038 | - | - | 5,540,038 |
| Subsequent Year's Expenditures by Appropriation | - | 6,756,909 | 2,105,705 | 8,862,614 |
| Committed | 10,129,629 | - | 2,500,000 | 12,629,629 |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | 15,925,001 | 6,756,909 | 13,976,465 | 36,658,375 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities and Fund Balances | <u>\$ 57,199,299</u> | <u>\$ 9,309,739</u> | <u>\$ 14,489,623</u> | <u>\$ 80,998,661</u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

| | | |
|--|--------------------|------------------------------------|
| Fund Balances - Total Governmental Funds | | \$ 36,658,375 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Governmental Capital Assets | \$ 5,140,961 | |
| Less: Accumulated Depreciation | <u>(3,470,435)</u> | 1,670,526 |
| Lawsuit Litigation Accrual | | (3,600,000) |
| Compensated absences recorded in the Statement of Net Position not recorded in the governmental funds | | (6,080,504) |
| Deferred Revenue Recognized as Revenue under Accrual Accounting | | <u>-</u> |
| Net Position of Governmental Activities | | <u><u>\$ 28,648,397</u></u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

| | General Fund | 20080 Pre- Kindergarten | Non-Major Governmental Funds | Total Governmental Funds |
|--|-----------------------------|-------------------------------|------------------------------------|--------------------------------|
| REVENUES | | | | |
| Federal Funds | \$ 211,415,812 | \$ 14,100,000 | \$ - | \$ 225,515,812 |
| Other State Funds | 2,423,829 | - | 1,582,855 | 4,006,684 |
| Interest and Gain on Investments | - | - | 441,460 | 441,460 |
| Miscellaneous Revenue | 235,020 | 1,078 | 558 | 236,656 |
| Total Revenues | <u>214,074,661</u> | <u>14,101,078</u> | <u>2,024,873</u> | <u>230,200,612</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Health and Welfare | 438,286,742 | 27,783,669 | 2,820,564 | 468,890,975 |
| Public Safety | 2,783,757 | - | - | 2,783,757 |
| Capital Outlay | 538,588 | - | - | 538,588 |
| Total Expenditures | <u>441,609,087</u> | <u>27,783,669</u> | <u>2,820,564</u> | <u>472,213,320</u> |
| Excess (Deficiency) of Revenues over Expenditures | (227,534,426) | (13,682,591) | (795,691) | (242,012,708) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers - State General Fund Appropriations | 228,767,200 | 13,210,000 | 2,986,400 | 244,963,600 |
| Transfers - Special Appropriations | 1,500,000 | - | - | 1,500,000 |
| Distributions from Land Grant Permanent Fund | 1,612,190 | - | - | 1,612,190 |
| Transfers to Other State Agencies | - | - | (2,000,000) | (2,000,000) |
| General Fund Reversions | (1,114,393) | - | - | (1,114,393) |
| Total Other Financing Sources (Uses) | <u>230,764,997</u> | <u>13,210,000</u> | <u>986,400</u> | <u>244,961,397</u> |
| NET CHANGE IN FUND BALANCES | 3,230,571 | (472,591) | 190,709 | 2,948,689 |
| Fund Balances - Beginning of Year | <u>12,694,430</u> | <u>7,229,500</u> | <u>13,785,756</u> | <u>33,709,686</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 15,925,001</u></u> | <u><u>\$ 6,756,909</u></u> | <u><u>\$ 13,976,465</u></u> | <u><u>\$ 36,658,375</u></u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Funds \$ 2,948,689

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

| | | |
|--|------------------|----------------------------|
| Expenditures for Capital Assets | \$ 538,588 | |
| Less: Current Year Depreciation | <u>(266,441)</u> | 272,147 |
| Disposal of Capital Assets | | (8,789) |
| Increase in Accrued Compensated Absences | | <u>(10,635)</u> |
| Change in Net Position of Governmental Activities | | <u><u>\$ 3,201,412</u></u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
BUDGETARY BASIS – GENERAL FUND
YEAR ENDED JUNE 30, 2017**

| | General Fund | | | |
|--|-----------------------|-----------------------|-----------------------|--|
| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
| | Original | Adjusted | | |
| REVENUES | | | | |
| General Fund Appropriation | \$ 230,267,200 | \$ 230,267,200 | \$ 230,267,200 | \$ - |
| Federal Funds | 221,975,200 | 225,367,124 | 211,415,812 | (13,951,312) |
| Other State Funds | 7,167,900 | 11,939,152 | 4,271,039 | (7,668,113) |
| Other Financing Sources | - | - | - | - |
| Total Budgeted Revenues | 459,410,300 | 467,573,476 | <u>\$ 445,954,051</u> | <u>\$ (21,619,425)</u> |
| Budgeted Fund Balance | - | 5,904,340 | | |
| Total Revenues and Budgeted Fund Balance | <u>\$ 459,410,300</u> | <u>\$ 473,477,816</u> | | |
| EXPENDITURES | | | | |
| Personnel Services | \$ 136,722,700 | \$ 137,720,577 | \$ 134,536,018 | \$ 3,184,559 |
| Contractual Services | 92,857,325 | 92,543,405 | 72,563,654 | 19,979,751 |
| Other Costs | 229,830,275 | 238,442,582 | 234,509,415 | 3,933,167 |
| Other Financing Uses | - | 4,771,252 | 4,771,252 | - |
| Total Budgeted Expenditures | <u>\$ 459,410,300</u> | <u>\$ 473,477,816</u> | 446,380,339 | <u>\$ 27,097,477</u> |
| Plus: Entry to Increase Allowance for Uncollectable Accounts | | | (360,254) | |
| Less: Budgetary Transfers to Other Agencies | | | <u>(4,771,252)</u> | |
| Total Fund Financial Expenditures | | | <u>\$ 441,248,833</u> | |
| RECONCILIATION TO GAAP BASIS | | | | |
| Total Actual Budget Revenue | | | \$ 445,954,051 | |
| Less: Total Actual GAAP Expenditures | | | (441,248,833) | |
| Less: General Fund Reversion | | | (1,114,393) | |
| Less: Entry to Increase Allowance for Uncollectable Accounts | | | <u>(360,254)</u> | |
| NET CHANGE IN GENERAL FUND BALANCE | | | <u>\$ 3,230,571</u> | |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL –
BUDGETARY BASIS – SPECIAL REVENUE ACCOUNTS
YEAR ENDED JUNE 30, 2017**

| Public Pre-Kindergarten - Fund 20080 P782 | | | | |
|---|----------------------|----------------------|---------------------|----------------------------|
| | Budgeted Amounts | | Actual | Variance |
| | Original | Amended | | Favorable (Unfavorable) |
| REVENUES | | | | |
| General Fund Appropriation | \$ 13,210,000 | \$ 13,210,000 | \$ 13,210,000 | \$ - |
| Federal Funds | 14,100,000 | 14,100,000 | 14,100,000 | - |
| Other State Funds | - | - | 1,078 | 1,078 |
| | <u>27,310,000</u> | <u>27,310,000</u> | <u>27,311,078</u> | <u>\$ 1,078</u> |
| Total Budgeted Revenues | | | | |
| Budgeted Fund Balance | <u>500,000</u> | <u>3,500,000</u> | | |
| Total Revenues and Budgeted Fund Balance | <u>\$ 27,810,000</u> | <u>\$ 30,810,000</u> | | |
| EXPENDITURES | | | | |
| Personnel Services and Benefits | \$ 384,800 | \$ 466,300 | 466,054 | \$ 246 |
| Contract Services | 26,715,200 | 29,715,200 | 27,216,107 | 2,499,093 |
| Other Costs | 710,000 | 628,500 | 101,508 | 526,992 |
| Other Financing Uses | - | - | - | - |
| | <u>27,810,000</u> | <u>30,810,000</u> | <u>27,783,669</u> | <u>\$ 3,026,331</u> |
| Total Budgeted Expenditures | | | | |
| NET CHANGE IN FUND BALANCE | | | <u>\$ (472,591)</u> | |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2017**

| | Agency Funds |
|----------------------------|-----------------|
| ASSETS | |
| Cash | \$ 32,415 |
| State Fund Investment Pool | 897,826 |
| Due from Other Agencies | - |
| Total Assets | \$ 930,241 |
| LIABILITIES | |
| Deposits Held for Others | \$ 713,273 |
| Due to Other Funds | 216,968 |
| Total Liabilities | \$ 930,241 |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 HISTORY AND FUNCTION

The Children, Youth and Families Department (CYFD), a cabinet-level department, was created by Chapter 57, Laws of 1992, which states:

“The purpose of the Children, Youth and Families Department Act is to establish a department of state government that shall:

- 1. Administer all laws and exercise all functions formerly administered and exercised by the youth authority, as well as administering certain functions related to children, youth and families that were formerly administered by other departments or agencies of the state;*
- 2. Assist in the development of state policies and plans for services to children, youth and families, including policies and plans that endeavor to strengthen client self-sufficiency and that emphasize prevention without jeopardizing the necessary provision of essential treatment and early intervention services; and,*
- 3. Advocate for services for children, youth, and families as an enduring priority in New Mexico.”*

When the Department was created by the 40th legislature, several data processing requirements were imposed, which affect most or all of its divisions, personnel, and services. The first requirement related to a “... statewide database, including client tracking of services for children, youth and families...” The second was a mandate to “develop and disseminate a readily accessible resource database...” Also, mandated was a juvenile forensic evaluation program which must “...follow the juvenile in each stage of treatment, utilizing a data management system established by the [Department]...” The process of interpreting and clarifying these requirements was initiated by the Cabinet Secretary and the Department.

Based on state and federal requirements, the development of integrated information systems was clearly a priority for the Department, including a system regarding the families and clients served. The development of a family-based, cross-program tracking system was a major objective, directly resulting in creation of the Family Automated Client Tracking System (FACTS) Project.

In the interest of efficiency and economy, Executive Order 95-04, dated January 13, 1995, reorganized the Department by transferring or merging functions between abolished divisions and newly created divisions.

The Children, Youth and Families Department consist of six divisions as follows:

1. The Administrative Services Division provides administrative support, for the other CYFD divisions. Such support is provided in financial management and accounting, budget preparation, tracking and estimating, property management, federal grants management contracts management, and personnel services.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 HISTORY AND FUNCTION (CONTINUED)

2. The Juvenile Justice Services Division oversees institutionalized juveniles in six community treatment centers and reintegration centers, the Youth Diagnostic and Development Center, which is responsible for providing intervention (juvenile probation and parole) services for approximately 27,000 boys and girls referred to CYFD for alleged delinquent acts, as well as services for their families.
3. The Protective Services Division responds to community allegations that children have been abused, neglected, or exploited, and, if these allegations are substantiated, to develop with these families a plan for services designed to prevent repeated maltreatment.
4. The Early Childhood Services Division supports family development, early care and education activities through Child Care, Child Care Licensing, and Family Nutrition, and whose programs are centered around the philosophy that prevention is the most desirable solution to many social problems.
5. The Information Technology Services Division supports the network infrastructure and all IT systems, including the mission-critical Family Automated Client Tracking System (FACTS) application for all CYFD staff. Support includes application development, network administration and planning, telecommunications, Help Desk, regional support, Internet/Intranet development and support, production control and business/technical feasibility analysis.
6. Community Outreach and Behavioral Health Division integrates community-based probation and aftercare services with community-based transition, behavioral health, domestic violence, and other prevention and intervention services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by CYFD conform to U.S. generally accepted accounting principles as applied to governmental entities. The more significant of the Department's accounting policies are described below:

Financial Reporting Entity

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

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Department Secretary is appointed by the governor, the secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Department has no blended or discretely presented component units during the year ended June 30, 2017.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

The Juvenile Parole Board (Board) is administratively attached to the Department. Its financial statements are not included in this report because it is a separate reporting entity.

Joint Venture

The Department, through its educational institutions, participates in the following regional education cooperative:

The Central Region Educational Cooperative, PO Box 37440, Albuquerque, NM 87176, an entity legally separate from the Department, is governed by an eleven-member council (eight school districts and three state institutions, namely the Youth Diagnostic and Development Center, the Children's Psychiatric Hospital and the Sequoyah Adolescent Treatment Center), operating under a Joint Powers Agreement. The financial activity is not included in the Department's financial statements. Audited financial reports for the cooperative are available at the above address.

Basic Financial Statements

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. CYFD is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis eliminating the due to due from balances in the governmental funds and are reflected on the full accrual, economic resource basis, which incorporates long term assets and receivable as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. Program revenues consist of outside revenues (federal grants and other private grants).

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

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

In the fund financial statements, emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department's major funds are its general fund and 20080 Pre-Kindergarten, a special revenue fund.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

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

The Department classifies the Children's Expendable Trust Fund as a Special Revenue Fund and the Children's Non-Expendable Trust Fund as a Permanent Fund.

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

The focus is on the Department as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

Basis of Presentation

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

The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

The following fund types are used by the Department:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

GOVERNMENTAL FUND TYPES (CONTINUED)

and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Major Funds

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is made up of the following Statewide Human Resources, Accounting and Management Reporting System (SHARE) Fund numbers.

- 06700 General Operating – The operating account for the Department. This is a reverting account, with the exception of amounts received from the Permanent Fund income and land income funds (NMSA 1978 33-1-18/19 and 32-2-2).
- 06800 Senator Light Donation by Representative Light when CYFD was established by the Department. Expenditures are unrestricted; however, consistent with the donation documentation the remaining account balance is not reverted.
- 48900 FACTS – Account established to issue “M” warrants which are payments to providers in the foster care and adoption programs. This is a reverting account.
- 49100 Child Care Payments – Account established to issue “M” warrants which are payments to the child care providers who have delivered child care services to eligible families. This is a reverting account.
- 83900 Juvenile Community Corrections – Account was created by NMSA 33-9A-1-6 to 33-9A-6 to account for resources used to divert juveniles from institutions and reintegrate them with society. In accordance with NMSA 33-9A-3, balances are not reverted.
- 84000 Federal Child Care Food Account – Payments to child and adult care providers for meals served to children and adults in nonresidential childcare settings. Resources include only federal, and is therefore nonreverting.
- 84100 JJDP/Children’s Justice – The account was established in accordance with the Federal Juvenile Justice and Delinquency Prevention Act and the federal Children’s Justice Act, which are federal funds, and is accordingly nonreverting to the State General Fund.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

GOVERNMENTAL FUND TYPES (CONTINUED)

Major Special Revenue Fund

20080 Pre-Kindergarten – This fund is authorized by NMSA 32A-23-1 and is used to account for appropriations to carry out the provisions of the Pre-Kindergarten Act. This is a nonreverting fund.

Non-Major Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. These are nonreverting funds.

Capital Project Fund – The Capital Project Fund is used to account for the major capital projects or special projects of the Department. This is a reverting fund.

Permanent Funds – The Children’s Trust Funds are used to account for assets, of which the principal may not be spent. These are nonreverting funds.

FIDUCIARY FUND TYPES

Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Department in the capacity of trustee or agent.

Agency Funds. Agency funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of Accounting

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

The Government-wide Financial Statements and the Fiduciary Financial Statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrued basis. The Department does not receive any type of tax revenue. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements are reported using 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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Federal revenue is considered available if it collected within 120 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual. The Department did not receive any bond proceeds for capital projects for the 2017 fiscal year.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that for fund financial statements, accumulated unpaid annual, compensatory and certain sick leave are not accrued as liabilities but recorded as an expenditure when utilized. For government-wide financial statements, the accumulated, unpaid, annual, compensatory and certain sick leave are accrued for the current and non-current liability. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider recognizes liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and unearned revenue by the recipient.

Cash and State Fund Investment Pool

The Department considers cash and New Mexico State Treasurer's State Fund Investment Pool balances in the financial statements to be cash on hand and demand deposits. In addition because the State Treasurer's pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be cash equivalents.

Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Department, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (Modified Accrual Budgetary Basis) and a financial control system which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

For the year ended June 30, 2017 the State of New Mexico is on the modified accrual basis as the budgetary basis except for a statutory exception. Per the General Appropriation Act of 2012 any account payable amount not paid by the statutory deadline for the current fiscal year must be paid out of the next year's budget. As part of the modified accrual budgetary

basis, encumbrances will no longer carry over to the next year. In fiscal year 2017 there are reconciling items between the budgetary basis and the GAAP financial statements for the governmental funds. See the reconciliations of budgetary basis to GAAP on the applicable budgetary schedules.

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the state's General Appropriations Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1.

All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and LFC.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General, and Special Revenue Funds except for the Early Childhood Care and Education Fund. The two Permanent Funds for Children's Trust Funds are not budgeted as they have no expenditure activity.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

Pensions

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by the state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with requirements of Government Accounting Standards Board Statement No. 68 and No. 71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The Department, as a 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, the 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.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

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

Inventories

Inventories consist of supplies on hand at various institutions valued at cost on a first-in, first-out basis. Such inventory consists of generic supplies and materials held for consumption and is expended when consumed. Inventories are stated at the lower of average cost or market. Reported inventories are classified as nonspendable fund balance which indicates that they do not constitute "an available expendable resource" in the governmental fund financial statements.

Federal Grants Receivable (Unearned Revenue)

Various reimbursement procedures are used for federal awards received by the Department. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, unearned revenue balances represent an overdraw of cash (advances) or receipt of grant funds in excess of modified accrual basis expenditures and for the government wide financial statements. Generally, receivable or unearned revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

The Department reports unearned revenue on its governmental fund and government wide balance sheets. Unearned revenues also arise when resources are received by the Department before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the Department has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

Certain federal program funds are passed through the Department to subgrantee organizations. These pass-through funds are included in the Schedule of Expenditures of Federal Awards as part of total expenditures for those grants.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund Balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable represents reserves for imprest petty cash and change funds, supplies inventory, and prepaid postage. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note 17, Governmental Fund Balances – Nonspendable, Restricted, and Committed, for additional information about fund balances.

Net Position

Net Position. Net position represents the difference between all other elements in a statement of net position and should be displayed in the applicable components of net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Department does not have any debt related to capital assets.

Restricted. Restricted consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The Department restricts fund balance for multi-year appropriations, loans to counties and other funds restricted to specific purposes pursuant to legislation.

Unrestricted. Unrestricted consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The Department's policy is to use restricted resources first when an expense is incurred when both restricted and unrestricted are available. For the FACTS Child Care Payments Fund the Department allocates unrestricted resources to ensure it meets the matching requirement then restricted resources. The Department may also allocate expenses to restricted or unrestricted resources based on the budgeted source of funds.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays exceeding \$5,000 that significantly extend the useful life of an asset are capitalized per Section 12-6-10 NMSA 1978. Other costs incurred for repairs and maintenance are expensed as incurred.

| | <u>Years</u> |
|--|--------------|
| Buildings | 25 |
| Land & Lease Improvements | 20 |
| Equipment | 10 |
| Furniture/Fixtures | 10 |
| Data Processing Equipment (including Software) | 6 |
| Vehicles | 5 |

The Department utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. The Department has no infrastructure assets, such as roads, bridges, etc.

Program Revenues

The Department classifies federal revenues and other state funds as program revenues in the statement of activities.

NOTE 3 CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS

Cash balances at financial institutions and on hand at June 30, 2017 consist of the following:

| | | |
|------------------------------|----|-----------|
| Bank Account - General Fund | \$ | 60,000 |
| Bank Accounts - Agency Funds | | 32,415 |
| Cash on Hand | | - |
| Total Cash Balance | | \$ 92,415 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS (CONTINUED)

The balances in the New Mexico State Treasurer’s State Investment Pool consist of:

| | |
|------------------------------------|----------------------|
| General Fund Balance | \$ 20,256,533 |
| 20080 Pre-Kindergarten Balance | 9,309,739 |
| Nonmajor Government Funds Balances | 8,321,734 |
| Agency Funds | 897,826 |
| Total | <u>\$ 38,785,832</u> |

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by state statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution’s operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

The Department follows GASB 40, Deposit and Investment Risk Disclosures. GASB 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Department does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks. Its only investments are invested by the State Investment Council. The Department’s balances with financial institutions did not exceed depository insurance for the year ended June 30, 2017.

All funds on deposit with banking institutions were fully covered by Federal Deposit Insurance Corporation (FDIC) Insurance at June 30, 2017, as the bank balances indicate below:

| | Wells Fargo Bank | Bank of America |
|-----------------------------------|---------------------|--------------------|
| Total Amount of Deposits per Bank | \$ 53,039 | \$ 32,415 |
| Less: FDIC Coverage | <u>53,039</u> | <u>32,415</u> |
| Total Uninsured Public Funds | <u>None</u> | <u>None</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS (CONTINUED)

CYFD investments held by the State Investment Council at June 30, 2017 were as follows:

| | <u>Permanent Children Trust</u> | <u>Permanent CTF-Next Gen</u> |
|-------------------------------|-------------------------------------|-----------------------------------|
| Level 1: | | |
| Large Cap Index | \$ 852,176 | \$ 330,560 |
| Non US Developed Markets Pool | 170,942 | 61,363 |
| Non US Emerging Markets Pool | 39,772 | 12,327 |
| Level 2: | | |
| US Core Bonds Pool | 3,386,341 | 1,291,700 |
| Total | <u>\$ 4,449,231</u> | <u>\$ 1,695,950</u> |

The State Investment Council categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Fair Value Measurement level is dependent on the Investment Pool(s) the Department is invested in. Below are the Levels by investment pool:

- Investments in the Large Cap Active Pool –Level 1
- Investments In the Large Cap Index Pool (investments are in a commingled fund) – Level 2
- Investments in Small/Mid Cap Active Pool –Level 1
- Investments in Non U.S. Developed Markets Index Pool –Level 1
- Investments In Non U.S. Emerging Markets Index Pool –Level 1
- Investments in Core Plus Bonds Pool – Level 2
- Investments in Credit & Structured Finance Pool, Real Estate Pool, Absolute Return Pool and Private Equity Pool –Level 3

The allocations of investments in the various investments are per CYFD's investment policy.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to change in market interest rates. CYFD has exposure to interest rate risk by its investment in the Core Bond with the State Investment Council. Exposure to interest rate risk in the State Funds Investment Pool is limited due to its investments in short-term maturing securities.

The New Mexico State Treasurer and State Investment Council pools are not rated.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS (CONTINUED)

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 State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

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

The State Controller indicated on August 11, 2017 that this reconciliation process is deemed to be sound and in full compliance with the requirements of the monthly process. As of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Interest in the State General Fund Investment Pool

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

At June 30, 2017, the Department had the following invested in the State General Fund Investment Pool: \$38,785,832.

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS (CONTINUED)

Interest in the State General Fund Investment Pool (Continued)

Credit Risk – The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2017.

For additional GASB 40 disclosure information related to the above investment pools, the reader should see the separate audit report for the New Mexico State Treasurer’s Office and the State Investment Council for the fiscal year ended June 30, 2017.

NOTE 4 ACCOUNTS AND FEDERAL RECEIVABLE

Accounts receivable at June 30, 2017 are as follows:

| | |
|---|----------------------|
| Accounts Receivable - Overpayment of Benefits | \$ 6,223,377 |
| Other Receivables | 2,815,471 |
| | <u>9,038,848</u> |
| Less: Contractual and Collectability Allowances | (8,018,363) |
| Total Accounts Receivable | <u>\$ 1,020,485</u> |
| | |
| Federal Grants Receivable * | \$ 34,066,845 |
| Less: Uncollectible Accounts | (533,089) |
| Total Grants Receivable | <u>\$ 33,533,756</u> |

* Balance represents amounts owed to the Department directly from Federal granting agency.

An allowance for doubtful receivables has been recorded based on management’s estimate of uncollectability and contractual allowances.

An analysis for the receivable allowances is as follows:

| | |
|-----------------------------------|---------------------|
| Balance - Beginning of Year | \$ 8,193,522 |
| Modification to beginning balance | \$ (2,324) |
| Provision for Doubtful Accounts | 360,254 |
| Balance - End of Year | <u>\$ 8,551,452</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS

The Department does not have any debt related to capital assets as of June 30, 2017. The current year additions were paid from the General Fund as the expenditures from the Capital Project Fund did not meet the capitalization criteria.

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|--------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Governmental Activities: | | | | |
| Depreciable Assets: | | | | |
| Buildings and Structures | \$ - | \$ - | \$ - | \$ - |
| Data Processing Equipment | 2,697,072 | 94,360 | (53,030) | 2,738,402 |
| Equipment and Machinery | 649,122 | 296,950 | (76,417) | 869,655 |
| Furniture and Fixtures | 801,584 | | (40,692) | 760,892 |
| Vehicles | 20,384 | 147,278 | - | 167,662 |
| Leasehold Land Improvements | 604,350 | - | - | 604,350 |
| Total Depreciable Assets | <u>4,772,512</u> | <u>538,588</u> | <u>(170,139)</u> | <u>5,140,961</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Structures | - | | | - |
| Data Processing Equipment | 2,171,201 | 165,588 | (53,030) | 2,283,759 |
| Equipment and Machinery | 460,540 | 37,177 | (72,221) | 425,496 |
| Furniture and Fixtures | 567,152 | 31,003 | (36,099) | 562,056 |
| Vehicles | 20,384 | 2,455 | - | 22,839 |
| Leasehold Land Improvements | 146,067 | 30,218 | - | 176,285 |
| Total Accumulated Depreciation | <u>3,365,344</u> | <u>266,441</u> | <u>(161,350)</u> | <u>3,470,435</u> |
| Capital Assets, Net | <u>\$ 1,407,168</u> | <u>\$ 272,147</u> | <u>\$ (8,789)</u> | <u>\$ 1,670,526</u> |

Depreciation expense was \$266,441 for the year ended June 30, 2017. Since capital assets are not specifically identified by function, the depreciation expense is unallocated in the statement of activities.

NOTE 6 RETIREMENT PLANS (STATE PERA AND ERB)

Public Employees Retirement Association's Pension Plan

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 RETIREMENT PLANS (STATE PERA AND ERB)

Public Employees Retirement Association's Pension Plan (Continued)

Funding Policy. Plan members are required to contribute from 4.78% to 8.92% (depending upon the division) of their gross salary. The Department is required to contribute from 16.99% to 26.12% (depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2017, 2016, and 2015 were \$15,390,205, \$15,301,906, and \$15,276,614, respectively, which equal the amount of the required contribution for each fiscal year.

Educational Retirement Board's Pension Plan

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

Funding Policy.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.10% of their gross salary in fiscal year 2014; and 10.70% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2017, the Department was required to contribute 13.90%.

The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2017, 2016, and 2015 were \$374,143, \$391,913, and \$499,916, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 7 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act (10-12B-1 NMSA 1978), during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$1,750,487, \$1,767,219, and \$1,697,606, respectively, which equal the required contribution for each year.

NOTE 8 BUDGETARY BASIS

For the year ended June 30, 2017, the State of New Mexico has adopted the modified accrual basis as the budgetary basis. As part of the modified accrual budgetary basis, encumbrances are no longer budgetary basis expenditures unless encumbrances relate to a multi-year appropriation. The Department had no encumbrances that related to their multi-year appropriations as of June 30, 2017.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 COMPENSATED ABSENCES

The Department has issued no debt during the year. The changes in compensated absences liabilities are accounted for in the statement of Net Position as follows:

| | Balance June 30, 2016 | Additions | Deletions | Balance June 30, 2017 |
|------------------------------------|--------------------------|---------------------|-----------------------|--------------------------|
| Compensated Absences: | | | | |
| Annual Leave | \$ 4,709,721 | \$ 4,361,141 | \$ (4,378,606) | \$ 4,692,256 |
| Compensatory Leave | 1,196,284 | 1,550,087 | (1,503,724) | 1,242,647 |
| Sick Leave | 163,864 | 3,547,895 | (3,566,158) | 145,601 |
| | <u>6,069,869</u> | <u>\$ 9,459,123</u> | <u>\$ (9,448,488)</u> | 6,080,504 |
| Less: Current Portion | <u>4,248,908</u> | | | <u>4,256,353</u> |
| Net Long-Term Compensated Absences | <u>\$ 1,820,961</u> | | | <u>\$ 1,824,151</u> |

The General Fund has been used to pay compensated absences.

NOTE 10 LEASE OBLIGATIONS

The Department is obligated under certain leases for facilities and equipment, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Department's financial statements. Future minimum annual payments under operating Lease agreements for facilities and equipment are as follows:

| Years Ending June 30, | Facilities | Equipment |
|-----------------------|----------------------|---------------------|
| 2018 | \$ 9,622,300 | \$ 804,300 |
| 2019 | 7,758,020 | 748,000 |
| 2020 | 4,908,921 | 748,000 |
| 2021 | 3,539,366 | 748,000 |
| 2022 | 1,717,741 | 748,000 |
| Total | <u>\$ 27,546,348</u> | <u>\$ 3,796,300</u> |

During the period ended June 30, 2017, facilities and equipment rent expenses amounted to \$10,295,772.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 CLAIMS AND JUDGMENTS

The Department as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management Division for coverage provided in the following areas:

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

The Department is involved in several pending legal matters. Although the possibility of loss exists in some of these cases, any potential loss is likely to be covered by insurance (through Risk Management Division) and accordingly a loss is not recorded. There is one judgment that is not covered by Risk Management. The judgment found the Department's contemptuous conduct deprived the plaintiffs of family relationships. CYFD is currently appealing the judgment and the case is currently being heard in appellate court.

Long-term litigation liability is shown below:

| Beginning Balance | Additions | Deletions | Ending Balance |
|----------------------|-----------|-----------|-------------------|
| \$ 3,600,000 | \$ - | \$ - | \$ 3,600,000 |

NOTE 12 DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds represent interfund receivables and payables from components of the general fund and Children's Social Security Agency Fund for budgetary purposes arising from interdepartmental transactions. All balances are expected to be repaid within the next fiscal year. These amounts have been eliminated on the government wide statements.

| Amount Due from Other Funds | | | Amount Due to Other Funds | | |
|--------------------------------|-------------------|----------------|---|-------------------|----------------|
| Fund Name | SHARE Fund No. | Amount | Fund Name | SHARE Fund No. | Amount |
| General Fund | 06700 | \$ 1,253,459 * | FACTS | 48900 | \$ 1,253,459 * |
| FACTS | 49100 | 424,127 * | General Fund | 06700 | 424,127 * |
| FACTS | 48900 | 216,968 | Children's Social Security - Agency Fund | 49000 | 216,968 |
| Total | | \$ 1,894,554 | | | \$ 1,894,554 |

* Balances due to/due from subfunds are eliminated from the General Fund presentation in the balance sheet.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 REVERSIONS

Unexpended and unencumbered cash balances of certain accounts revert to the State General Fund at year-end. Also, cash recoveries during the fiscal year from stale dated warrants and documents, Child Care licensing fees, and fines per NMSA 24-1-5 are due to the State General Fund. The amounts due to the State General Fund for 2017 reversions are:

| | Reversion Calculation | General Fund |
|--|--------------------------|-------------------|
| Fund Balance SHARE Funds 06700, 48900, and 49100 | \$ 10,243,140 | \$ 10,243,140 |
| Special Appropriations | (624,226) | (624,226) |
| Nonreverting Components of Fund Balances | - | (9,075,095) |
| Nonspendable Fund Balance | (255,335) | - |
| Restricted by Law Appropriation or the Grant for Future Years for SHARE 06700, 48900, and 49100 | | |
| - Laws 2015 Non-Reverting Language (JJS) | (875,695) | - |
| - Laws of 2015 Non-Reverting Language (ECS) | (2,913,828) | - |
| - Laws of 2016 Non-Reverting Language (JJS) | (2,737,027) | - |
| - Laws of 2016 Non-Reverting Language (ECS) | (2,056,772) | - |
| - State Permanent and Land Income | (16,501) | - |
| - Annie Casey Foundation | (159,937) | - |
| - Client Emergency | (60,000) | - |
| Calculated Current Year Reversion | <u>\$ 543,819</u> | <u>\$ 543,819</u> |
| Special Appropriations | <u>570,574</u> | <u>570,574</u> |

The balance in the Due to General Fund account is made up of the following:

| | |
|--|----------------------------|
| Calculated Reversion for 2017 | \$ 543,819 |
| Calculated Special Appropriations Reversion for 2017 | \$ 570,574 |
| Licensing Fees per NMSA 24-1-5 | 213,442 |
| Stale Dated Warrants | 14,995 |
| Employee/Vendor Reimbursements and Penalty Fees | 204,225 |
| Special Appropriations Calculated Reversion for 2016 | 35,507 |
| Facts Child Care | 45 |
| Child Care Food | 14,483 |
| Pre-Kindergarten | 60 |
| Total Due to State General Fund | <u><u>\$ 1,597,150</u></u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 REVERSIONS (CONTINUED)

The balance in Due to State General Fund account is made up of:

| | | |
|---------------------------------|----|-----------|
| Major Funds Reversion: | | |
| General Operating | \$ | 1,582,562 |
| Facts Child Care | | 45 |
| Child Care Food | | 14,483 |
| Total General Fund | | 1,597,090 |
| Pre-Kindergarten Fund Reversion | | 60 |

NOTE 14 DUE FROM AND DUE TO OTHER STATE AGENCIES

The following is a summary of due from and due to other State Agencies as a result of: Services provided by CYFD for HSD in a vendor relationship; interest earned on cash balances in the General Fund Investment pool at the State Treasurer; Charitable, Penal and Reform revenue from the Land Income Fund; the state share of Targeted Case Management to HSD; Birth and Death Certificates and Public Education Department for National School Lunch expenditures at CYFD facilities.

Due From Other State Agencies

| Amount Due From Other Agencies | | | Other Agencies | | |
|--|-------------------|--------------|--------------------------------|-------------------|--------------|
| Fund Name | SHARE Fund No. | Amount | Fund Name | SHARE Fund No. | Amount |
| <u>General Fund</u> | | | | | |
| General Fund | 06700 | \$ 2,873 | State Investment Council | 60100 | \$ 2,873 |
| General Fund | 06700 | 142,107 | Department of Finance & Admin. | 76100 | 142,107 |
| General Fund | 06700 | 410,000 | Human Services Department | 05200 | 410,000 |
| General Fund | 06700 | 311,733 | Human Services Department. | 97500 | 311,733 |
| General Fund | 06700 | 26,575 | Public Education Department | 67202 | 26,575 |
| General Fund | 06700 | 962,325 | Public Education Department | 84402 | 962,325 |
| Total Due from Other State Agencies | | \$ 1,855,613 | | | \$ 1,855,613 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 DUE FROM AND DUE TO OTHER STATE AGENCIES (CONTINUED)

Due To Other State Agencies

Interagency due to/froms are expected to be settled within the next fiscal year.

| Amount Due to Other Agencies | | | Other Agencies | | |
|---------------------------------|-------------------|-------------------|-------------------------------------|-------------------|-------------------|
| Fund Name | SHARE Fund No. | Amount | Fund Name | SHARE Fund No. | Amount |
| General Fund | 06700 | \$ 21,007 | Administrative Office of the Courts | 49500 | \$ 21,007 |
| General Fund | 06700 | 1,499 | District Attorney 3rd District | 93000 | 1,499 |
| General Fund | 06700 | 498,172 | Aging and Long Term | 04900 | 498,172 |
| General Fund | 06700 | 22,422 | Human Services Department | 05200 | 22,422 |
| General Fund | 06700 | 120 | Department of Health | 06101 | 120 |
| General Fund | 06700 | 60 | Department of Health | 06105 | 60 |
| General Fund | 06700 | 8,252 | Public Education Department | 84402 | 8,252 |
| Total | | <u>\$ 551,532</u> | | | <u>\$ 551,532</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 INTERGOVERNMENTAL PAYABLES

Due to Beneficiaries – Intergovernmental Payables (Educational Institutions and local governments) are expected to be settled within the next fiscal year.

| Amount Due to Beneficiaries/Local Governments | | | Other Entity | | |
|--|-------------------|---------------------|---------------------------------------|-------------------|---------------------|
| Fund Name | SHARE Fund No. | Amount | Fund Name | SHARE Fund No. | Amount |
| Due to Beneficiaries | | | | | |
| General Fund | 06700 | \$ 3,147,101 | University of New Mexico | | \$ 3,147,101 |
| General Fund | 06700 | 92,531 | Eastern New Mexico University | | 92,531 |
| General Fund | 06700 | 414,006 | New Mexico Highlands University | | 414,006 |
| General Fund | 06700 | 177,842 | Western New Mexico University | | 177,842 |
| Early Childhood Care | 11520 | 32,315 | University of New Mexico | | 32,315 |
| Pre-Kindergarten | 20080 | 447,239 | University of New Mexico | | 447,239 |
| Pre-Kindergarten | 20080 | 7,761 | Western New Mexico University | | 7,761 |
| Childcare Food | 84000 | 2,334 | Eastern New Mexico University | | 2,334 |
| | | <u>\$ 4,321,129</u> | | | <u>\$ 4,321,129</u> |
| Due to Local Governments | | | | | |
| Regional Juvenile Justice | 20090 | \$ 56,246 | Bernalillo County | | \$ 56,246 |
| Regional Juvenile Justice | 20090 | 8,150 | Chaves County | | 8,150 |
| Regional Juvenile Justice | 20090 | 17,008 | Cibola County | | 17,008 |
| Regional Juvenile Justice | 20090 | 13,435 | City of Las Vegas | | 13,435 |
| Regional Juvenile Justice | 20090 | 7,954 | City of Raton | | 7,954 |
| Regional Juvenile Justice | 20090 | 43,481 | City of Santa Fe | | 43,481 |
| Regional Juvenile Justice | 20090 | 24,774 | City of Socorro | | 24,774 |
| Regional Juvenile Justice | 20090 | 49,496 | City of Truth or Consequences | | 49,496 |
| Regional Juvenile Justice | 20090 | 15,920 | County of Lincoln | | 15,920 |
| Regional Juvenile Justice | 20090 | 29,257 | County of Luna | | 29,257 |
| Regional Juvenile Justice | 20090 | 1,544 | County of McKinley | | 1,544 |
| Regional Juvenile Justice | 20090 | 15,120 | County of Otero | | 15,120 |
| Regional Juvenile Justice | 20090 | 58,684 | County of Sandoval | | 58,684 |
| Regional Juvenile Justice | 20090 | 13,483 | County of Torrance | | 13,483 |
| Regional Juvenile Justice | 20090 | 18,911 | County of Valenz | | 18,911 |
| Regional Juvenile Justice | 20090 | 3,750 | Grant, County of | | 3,750 |
| Regional Juvenile Justice | 20090 | 4,803 | Incorporated County of Los Alamos, NM | | 4,803 |
| Regional Juvenile Justice | 20090 | 6,198 | Pueblo of Isleta | | 6,198 |
| Regional Juvenile Justice | 20090 | 23,373 | Rio Arriba County | | 23,373 |
| Regional Juvenile Justice | 20090 | 16,214 | Town of Taos | | 16,214 |
| JJDP/Children's Justice | 84100 | 30,891 | City of Las Cruces | | 30,891 |
| | | <u>\$ 458,692</u> | | | <u>\$ 458,692</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 TRANSFERS

| <u>Intra-Agency Transfers</u> | <u>FROM FUND NO.</u> | <u>TO FUND NO.</u> | <u>Amount</u> |
|---|--------------------------|------------------------|---------------------|
| | 06700 | 49100 | |
| To Transfer Cash Between Fund 06700 and 49100 - BAR 17-32 and 17-33 | <u>\$ (4,771,252)</u> | <u>\$ 4,771,252</u> | <u>\$ -</u> |
| | <u>SHARE Number</u> | | <u>Amount</u> |
| <u>Transfers to Other Agencies</u> | | | |
| Department of Finance and Administration Laws 2017, 1st Session, Chapter 2 | 91100 | 85300 | <u>\$ 2,000,000</u> |
| Total Transfers to Other Agencies | | | <u>\$ 2,000,000</u> |

NOTE 17 GOVERNMENTAL FUND BALANCES – NONSPENDABLE, RESTRICTED, AND COMMITTED

The Department's fund balances represent: (1) Nonspendable purposes include balances that are legally or contractually required to be maintained intact; (2) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (3) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. A summary of the nature and purpose of these reserves by fund type at June 30, 2017, follows:

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 GOVERNMENTAL FUND BALANCES – NONSPENDABLE, RESTRICTED, AND COMMITTED (CONTINUED)

| Fund/Program | Restriction | Committed Purposes | Restricted Purposes | Nonspendable Purposes |
|--|---|-----------------------|------------------------|--------------------------|
| General Fund: | | | | |
| General Operating | The operating account of the Department. (P576, P577, P578 and P580) - subsequent year's expenditures - NMSA 19-1-17 State Permanent and Land Income; Laws of 2015, 1st Session, Chapter 101 Section 5, Item 44 and Laws of 2016, Chapter 11, Section 5, Item 41- Non-Reverting Language. | \$ 10,129,629 | \$ - | \$ - |
| General Operating | Supplies Inventory | - | - | 255,334 |
| Special Appropriation Light | Donation by Representative Light when CYFD was established as a Department | - | 455,725 | - |
| Juvenile Community Corrections | NMSA-33-9A.3 - Fund used to divert juveniles from institutions and reintegrate them with society. | - | 3,012,406 | - |
| Federal Childcare Food Account | Payments to child and adult care providers for meals served to children and adults in non-residential childcare settings. | - | 357,451 | - |
| JJP/Children's Justice | Account established to implement the federal Juvenile Justice and Delinquency Prevention Act and the federal Children's Justice Act. | - | 1,714,456 | - |
| Total General Fund | | <u>10,129,629</u> | <u>5,540,038</u> | <u>255,334</u> |
| Major Special Revenue Fund: | | | | |
| Pre-Kindergarten | NMSA 32A-23-I - carry out provisions of the Pre-Kindergarten | - | 6,756,909 | - |
| Fund Balance - Nonmajor Funds: | | | | |
| Children's Trust Fund | NMSA 1978 24-19-1 to 24-19-9 - contribute to Children's Trust Funds | - | 1,275,496 | - |
| CTF Next Generation | NMSA 1978 24-19-1 to 24-19-9 - used to account for general fund appropriations received for specific purposes. | - | 379,742 | - |
| Day Care | NMSA 24-14-29 - resources contributed to or earned by the Day Care Fund | - | 2,521,476 | - |
| Regional Juvenile Services | NMSA 32A-23-I - carry out provisions of the Juvenile Services Act | - | 1,738,326 | - |
| Permanent Children's Trust Fund | NMSA 24-19-4 and is used to account for 50% of marriage license fees collected by county clerks. | - | - | - |
| Permanent Children's Trust Fund | NMSA 24-19-4; principal amount of investment for this fund. | - | 2,338,310 | 1,000,000 |
| Permanent Children's Trust Fund | Committed by Children's Trust Fund Board to increase investment. | 2,500,000 | - | - |
| Permanent CTF Next Gen | NMSA 1978 24-19-1 to 24-19-9; principal amount of investment for this fund. | - | - | 1,000,000 |
| Permanent CTF Next Gen | NMSA 1978 24-19-1 to 24-19-9 - general fund appropriations, investments and interest on investments | - | 855,736 | - |
| Early Childhood Learning | NMSA 32A-23A-6- used to implement the State Early Childhood Care and Education Act | - | 367,379 | - |
| Total Fund Balance - Restricted / Committed for Subsequent Years' Expenditures | | <u>2,500,000.00</u> | <u>9,476,465</u> | <u>2,000,000</u> |
| Total Fund Balance | | <u>\$ 12,629,629</u> | <u>\$ 21,773,412</u> | <u>\$ 2,255,334</u> |

NOTE 18 FUNDS HELD IN TRUST BY OTHERS

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

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

Responsibility for the investment of the State Permanent Fund resides with the State Investment Officer.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18 FUNDS HELD IN TRUST BY OTHERS (CONTINUED)

Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income of approximately \$125,671 recognized in the general fund as a component of other state fund revenue.

The Department has a 2/7th interest in the State Charitable, Penal and Reformatory Institutions Fund. Income of \$1,612,190 is recognized in the general fund as distributions from land grant permanent fund.

NOTE 19 CONTINGENCY

The Department receives funds from federal agencies. These funds are subject to audit and adjustment to the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded.

NOTE 20 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

GASB has currently issued statements which are applicable in future years. At this time management has not determined the impact, if any on the Department.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
GENERAL FUND ACCOUNTS
YEAR ENDED JUNE 30, 2017**

Schedule 1

GENERAL FUND

General Fund. The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. See Exhibit 7 for total general fund budget. The following accounts are components of the General Fund:

| SHARE FUND # | ACCOUNT |
|-------------------------|---|
| 06700 | General Operating - the operating account of the Department. (P576, P577, P578 and P580) |
| 06800 | Special Appropriation – Light - Donation by Representative Light when CYFD was established as a Department. Expenditures are unrestricted. |
| 48900 | FACTS Protective Services – Account established to issue “M” warrants which are payments to providers in the foster care and adoption programs. |
| 49100 | FACTS Child Care Payments - Account established to issue “M” warrants which are payments to child care providers who have delivered child care services to eligible families in need of day care. |
| 83900 | Juvenile Community Corrections - Account used to divert juveniles from institutions and reintegrate them with society. |
| 84000 | Federal Childcare Food Account - Payments to child and adult care providers for meals served to children and adults in non-residential childcare settings. |
| 84100 | JJDP/Children’s Justice - Account established to implement the federal Juvenile Justice and Delinquency Prevention Act and the federal Children’s Justice Act. |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017**

**SHARE
FUND #**

ACCOUNT

NON-MAJOR SPECIAL REVENUE FUNDS

| | |
|-------|--|
| 78000 | Children's Trust Fund – This fund is created by NMSA 24-19-2 and is used to account for 50% of marriage license fees collected by county clerks, interest on investments and private donations to advocate for and educate about the prevention of child abuse and neglect. |
| 94800 | Children's Trust Fund Next Generation – This fund is created by NMSA 24-19-2 and is used to account for general fund appropriations to fund projects and programs that provide positive child and youth development activities that support physical, mental, and social well-being. |
| 91100 | Day Care – This fund is authorized by NMSA 24-14-29 and accounts for financial assistance to the Department from a portion of birth and death certificate fees for use in implementing the income-eligible day-care program. |
| 20090 | Regional Juvenile Services – This fund is authorized by NMSA 33-12-1 and is used to account for appropriations to carry out the provisions of the Juvenile Services Act. This a nonreverting fund. |
| 89000 | ARRA of 2009 – The legal authority governing the “ARRA” (American Recovery and Reinvestment Act) funding is Section 6-3-23(D) NMSA 1978 and the federal grant of award. The Department set up the Federal Stimulus Funds separately so that the funds could be tracked efficiently for federal reporting purposes. |
| 11520 | Early Childhood Care and Education – This fund is created by NMSA 32A-23A-6 and is used to implement the State Early Childhood Care and Education Act. |

PERMANENT FUNDS

| | |
|-------|--|
| 78100 | Children's Trust Fund – This fund is created by NMSA 24-19-4 and is used to account for 50% of marriage license fees collected by county clerks. |
| 94900 | Children's Trust Fund Next Generation – This fund is used to account for general fund appropriations, investments, and interest on investments. |

CAPITAL PROJECT FUND

| | |
|-------|--|
| 59700 | Capital Project Fund – This fund is used to account for the projects of Children, Youth and Families Department and funded by appropriations or transfers from other state agencies. |
|-------|--|

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

Schedule 2

| | 78000 | 94800 | 91100 | 20090 | 89000 | 11520 | 78100 | 94900 | 59700 | Total Non-Major Governmental Funds |
|---|--------------------------|------------------------|---------------------|----------------------------------|-----------------|---|---------------------------------------|------------------------------|-------------------------|---|
| | Children's Trust Fund | CTF Next Generation | Day Care | Regional Juvenile Services | ARRA of 2009 | Early Childhood Care and Education | Permanent Children's Trust Fund | Permanent CTF Next Gen | Capital Project Fund | |
| ASSETS | | | | | | | | | | |
| State Fund Investment Pool | \$ 900,214 | \$ 29,265 | \$ 2,521,476 | \$ 2,166,127 | \$ 86 | \$ 399,694 | \$ 1,794,609 | \$ 510,263 | \$ - | \$ 8,321,734 |
| Due from Other Funds | - | - | - | - | - | - | - | - | - | - |
| Due from Other Agencies | - | - | - | - | - | - | - | - | - | - |
| Due from Local Governments | 9,630 | - | - | - | - | - | 11,475 | - | - | 21,105 |
| Due from Federal Government, Net | - | - | - | - | 103 | - | - | - | - | 103 |
| Accounts Receivable, Net | 690 | - | - | - | - | - | 690 | - | - | 1,380 |
| Other Assets | - | - | - | - | 120 | - | - | - | - | 120 |
| Investments at SIC | 417,695 | 350,477 | - | - | - | - | 4,031,536 | 1,345,473 | - | 6,145,181 |
| Total Assets | \$ 1,328,229 | \$ 379,742 | \$ 2,521,476 | \$ 2,166,127 | \$ 309 | \$ 399,694 | \$ 5,838,310 | \$ 1,855,736 | \$ - | \$ 14,489,623 |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | |
| Deficit State Fund Investment Pool | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 52,733 | - | - | - | - | - | - | - | - | 52,733 |
| Accrued Payroll | - | - | - | - | - | - | - | - | - | - |
| Other Accrued Liabilities | - | - | - | - | - | - | - | - | - | - |
| Due to Other Funds | - | - | - | - | - | - | - | - | - | - |
| Due to Local Governments | - | - | - | 427,801 | - | - | - | - | - | 427,801 |
| Due to Beneficiaries | - | - | - | - | - | 32,315 | - | - | - | 32,315 |
| Due to Other State Agencies | - | - | - | - | - | - | - | - | - | - |
| Due to State General Fund | - | - | - | - | - | - | - | - | - | - |
| Due to Federal Government | - | - | - | - | 309 | - | - | - | - | 309 |
| Unearned Revenue | - | - | - | - | - | - | - | - | - | - |
| Total Liabilities | 52,733 | - | - | 427,801 | 309 | 32,315 | - | - | - | 513,158 |
| FUND BALANCES | | | | | | | | | | |
| Nonspendable - Permanent | - | - | - | - | - | - | 1,000,000 | 1,000,000 | - | 2,000,000 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Children's Trust Funds | 1,275,496 | 379,742 | - | - | - | - | 2,338,310 | 855,736 | - | 4,849,284 |
| Day Care Fund | - | - | 2,521,476 | - | - | - | - | - | - | 2,521,476 |
| Subsequent Year's Expenditures | - | - | - | 1,738,326 | - | 367,379 | - | - | - | 2,105,705 |
| Committed | - | - | - | - | - | - | 2,500,000 | - | - | 2,500,000 |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Total Fund Balances | 1,275,496 | 379,742 | 2,521,476 | 1,738,326 | - | 367,379 | 5,838,310 | 1,855,736 | - | 13,976,465 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,328,229 | \$ 379,742 | \$ 2,521,476 | \$ 2,166,127 | \$ 309 | \$ 399,694 | \$ 5,838,310 | \$ 1,855,736 | \$ - | \$ 14,489,623 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

Schedule 3

| | 78000 | 94800 | 91100 | 20090 | 89000 | 11520 | 78100 | 94900 | 59700 | Total Non-Major Governmental Funds |
|--|--------------------------|------------------------|---------------------|----------------------------------|-----------------|---|---------------------------------------|------------------------------|-------------------------|---|
| | Children's Trust Fund | CTF Next Generation | Day Care | Regional Juvenile Services | ARRA of 2009 | Early Childhood Care and Education | Permanent Children's Trust Fund | Permanent CTF Next Gen | Capital Project Fund | |
| REVENUES | | | | | | | | | | |
| Other State Funds | \$ 136,567 | \$ - | \$ 940,678 | \$ - | \$ - | \$ 399,086 | \$ 106,524 | \$ - | \$ - | \$ 1,582,855 |
| Federal Revenue | - | - | - | - | - | - | - | - | - | - |
| Interest (Loss) on Investments | 155,439 | 59,207 | - | - | - | - | 164,852 | 61,962 | - | 441,460 |
| Miscellaneous Revenue | - | - | - | 558 | - | - | - | - | - | 558 |
| Total Revenues | <u>292,006</u> | <u>59,207</u> | <u>940,678</u> | <u>558</u> | <u>-</u> | <u>399,086</u> | <u>271,376</u> | <u>61,962</u> | <u>-</u> | <u>2,024,873</u> |
| EXPENDITURES | | | | | | | | | | |
| Current Operating: | | | | | | | | | | |
| Health and Welfare | 377,425 | - | - | 2,408,954 | - | 34,185 | - | - | - | 2,820,564 |
| Capital Outlay | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | <u>377,425</u> | <u>-</u> | <u>-</u> | <u>2,408,954</u> | <u>-</u> | <u>34,185</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,820,564</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(85,419)</u> | <u>59,207</u> | <u>940,678</u> | <u>(2,408,396)</u> | <u>-</u> | <u>364,901</u> | <u>271,376</u> | <u>61,962</u> | <u>-</u> | <u>(795,691)</u> |
| OTHER FINANCING SOURCES AND (USES) | | | | | | | | | | |
| General Fund Appropriations | 221,400 | - | - | 2,765,000 | - | - | - | - | - | 2,986,400 |
| Transfers Out | - | - | (2,000,000) | - | - | - | - | - | - | (2,000,000) |
| Special Appropriations | - | - | - | - | - | - | - | - | - | - |
| Distributions from Land Grant Permanent Fund | - | - | - | - | - | - | - | - | - | - |
| General Fund Reversions | - | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources and (Uses) | <u>221,400</u> | <u>-</u> | <u>(2,000,000)</u> | <u>2,765,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>986,400</u> |
| NET CHANGE IN FUND BALANCES | <u>135,981</u> | <u>59,207</u> | <u>(1,059,322)</u> | <u>356,604</u> | <u>-</u> | <u>364,901</u> | <u>271,376</u> | <u>61,962</u> | <u>-</u> | <u>190,709</u> |
| Fund Balances - Beginning | <u>1,139,515</u> | <u>320,535</u> | <u>3,580,798</u> | <u>1,381,722</u> | <u>-</u> | <u>2,478</u> | <u>5,566,934</u> | <u>1,793,774</u> | <u>-</u> | <u>13,785,756</u> |
| FUND BALANCES - ENDING | <u>\$ 1,275,496</u> | <u>\$ 379,742</u> | <u>\$ 2,521,476</u> | <u>\$ 1,738,326</u> | <u>\$ -</u> | <u>\$ 367,379</u> | <u>\$ 5,838,310</u> | <u>\$ 1,855,736</u> | <u>\$ -</u> | <u>\$ 13,976,465</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS –
BALANCE SHEET – GENERAL FUNDS
YEAR ENDED JUNE 30, 2017**

Schedule 4

| | 06700 General Operating | 06800 Special Appropriation - Light | 48900 FACTS Protective Services | 49100 FACTS Child Care Payments | 83900 Juvenile Community Corrections | 84000 Federal Childcare Food Account | 84100 JJDP/Children's Justice | Total General Fund |
|--|-------------------------------|--|--|--|---|---|-------------------------------------|--------------------------|
| ASSETS | | | | | | | | |
| State Fund Investment Pool | \$ 10,512,495 | \$ 455,725 | \$ 3,287,422 | \$ 539,116 | \$ 3,175,943 | \$ 617,131 | \$ 1,668,701 | \$ 20,256,533 |
| Cash | 60,000 | - | - | - | - | - | - | 60,000 |
| Accounts Receivable, Net | 304,876 | - | 12,928 | 325,178 | - | 376,123 | - | 1,019,105 |
| Due from Federal Government, Net | 17,146,473 | - | 2,295,837 | 9,711,941 | - | 4,273,659 | 105,743 | 33,533,653 |
| Due from Other Funds* | 1,253,459 | - | 216,968 | 424,127 | - | - | - | 1,894,554 |
| Due from Other Agencies | 1,855,613 | - | - | - | - | - | - | 1,855,613 |
| Supplies Inventory | 255,334 | - | - | - | - | - | - | 255,334 |
| Other Assets | - | - | - | - | - | 2,093 | - | 2,093 |
| Total Assets | <u>\$ 31,388,250</u> | <u>\$ 455,725</u> | <u>\$ 5,813,155</u> | <u>\$ 11,000,362</u> | <u>\$ 3,175,943</u> | <u>\$ 5,269,006</u> | <u>\$ 1,774,444</u> | <u>\$ 58,876,885</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | | |
| Deficit State Fund Investment Pool | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accounts Payable | 8,662,266 | - | - | 460 | 160,016 | 2,372,705 | 21,523 | 11,216,970 |
| Accrued Payroll | 5,016,679 | - | - | - | 3,521 | - | 6,234 | 5,026,434 |
| Other Accrued Liabilities | 263,596 | - | 4,387,805 | 10,997,448 | - | 2,522,033 | 273 | 18,171,155 |
| Due to Other Funds* | 424,127 | - | 1,253,459 | - | - | - | - | 1,677,586 |
| Due to Local Governments | - | - | - | - | - | - | 30,891 | 30,891 |
| Due to Beneficiaries | 3,831,480 | - | - | - | - | 2,334 | - | 3,833,814 |
| Due to Other Agencies | 551,532 | - | - | - | - | - | - | 551,532 |
| Due to State General Fund | 1,582,562 | - | - | 45 | - | 14,483 | - | 1,597,090 |
| Due to Federal Government | 671,045 | - | 171,891 | 2,409 | - | - | 1,067 | 846,412 |
| Unearned Revenue | - | - | - | - | - | - | - | - |
| Total Liabilities | <u>21,003,287</u> | <u>-</u> | <u>5,813,155</u> | <u>11,000,362</u> | <u>163,537</u> | <u>4,911,555</u> | <u>59,988</u> | <u>42,951,884</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable Fund Balance - Inventory | 255,334 | - | - | - | - | - | - | 255,334 |
| Restricted: | | | | | | | | |
| By Law or Grant | - | 455,725 | - | - | 3,012,406 | 357,451 | 1,714,456 | 5,540,038 |
| Subsequent Year's Expenditures Appropriations: | | | | | | | | |
| Committed | 10,129,629 | - | - | - | - | - | - | 10,129,629 |
| Assigned | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total Fund Balances | <u>10,384,963</u> | <u>455,725</u> | <u>-</u> | <u>-</u> | <u>3,012,406</u> | <u>357,451</u> | <u>1,714,456</u> | <u>15,925,001</u> |
| Total Liabilities and Deferred Inflows of Resources and fund Balances | <u>\$ 31,388,250</u> | <u>\$ 455,725</u> | <u>\$ 5,813,155</u> | <u>\$ 11,000,362</u> | <u>\$ 3,175,943</u> | <u>\$ 5,269,006</u> | <u>\$ 1,774,444</u> | <u>\$ 58,876,885</u> |

* Balances due to/due from subfunds are eliminated from the General Fund presentation in the balance sheet.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS – STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUNDS
YEAR ENDED JUNE 30, 2017**

Schedule 5

| | 06700 | 06800 | 48900 | 49100 | 83900 | 84000 | 84100 | Total |
|--|----------------------|-------------------------------------|---------------------------------|---------------------------------|--------------------------------------|--------------------------------------|----------------------------|----------------------|
| | General Operating | Special Appropriation - Light | FACTS Protective Services | FACTS Child Care Payments | Juvenile Community Corrections | Federal Childcare Food Account | JJDP/Children's Justice | General Fund |
| REVENUES | | | | | | | | |
| Federal Funds | \$ 65,862,967 | \$ - | \$ 30,041,935 | \$ 74,661,104 | \$ - | \$ 40,403,359 | \$ 446,447 | \$ 211,415,812 |
| Other State Funds | 900,547 | - | 1,523,282 | - | - | - | - | 2,423,829 |
| Interest | - | - | - | - | - | - | - | - |
| Miscellaneous Revenue | 235,020 | - | - | - | - | - | - | 235,020 |
| Total Revenues | <u>66,998,534</u> | <u>-</u> | <u>31,565,217</u> | <u>74,661,104</u> | <u>-</u> | <u>40,403,359</u> | <u>446,447</u> | <u>214,074,661</u> |
| EXPENDITURES | | | | | | | | |
| Current Operating: | | | | | | | | |
| Health and Welfare | 230,896,815 | - | 54,253,935 | 112,358,225 | - | 40,777,767 | - | 438,286,742 |
| Public Safety | - | - | - | - | 2,335,358 | - | 448,399 | 2,783,757 |
| Capital Outlay | 538,588 | - | - | - | - | - | - | 538,588 |
| Total Expenditures | <u>231,435,403</u> | <u>-</u> | <u>54,253,935</u> | <u>112,358,225</u> | <u>2,335,358</u> | <u>40,777,767</u> | <u>448,399</u> | <u>441,609,087</u> |
| EXCESS (DEFICIENCY OF REVENUES OVER EXPENDITURES) | <u>(164,436,869)</u> | <u>-</u> | <u>(22,688,718)</u> | <u>(37,697,121)</u> | <u>(2,335,358)</u> | <u>(374,408)</u> | <u>(1,952)</u> | <u>(227,534,426)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| General Fund Appropriations | 170,222,431 | - | 22,920,300 | 32,925,869 | 2,658,600 | - | 40,000 | 228,767,200 |
| Special Appropriations | 1,500,000 | - | - | - | - | - | - | 1,500,000 |
| Distributions from Land Grant Permanent Fund | 1,609,802 | 2,388 | - | - | - | - | - | 1,612,190 |
| Intra-Agency Transfer * | (4,771,252) | - | - | 4,771,252 | - | - | - | - |
| Transfers to Other State Agencies | - | - | - | - | - | - | - | - |
| General Fund Reversions | (1,114,393) | - | - | - | - | - | - | (1,114,393) |
| Total Other Financing Sources (Uses) | <u>167,446,588</u> | <u>2,388</u> | <u>22,920,300</u> | <u>37,697,121</u> | <u>2,658,600</u> | <u>-</u> | <u>40,000</u> | <u>230,764,997</u> |
| NET CHANGE IN FUND BALANCES | 3,009,719 | 2,388 | 231,582 | - | 323,242 | (374,408) | 38,048 | 3,230,571 |
| Fund Balances - Beginning of Year | 7,375,244 | 453,337 | (231,582) | - | 2,689,164 | 731,859 | 1,676,408 | 12,694,430 |
| FUND BALANCES - END OF YEAR | <u>\$ 10,384,963</u> | <u>\$ 455,725</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,012,406</u> | <u>\$ 357,451</u> | <u>\$ 1,714,456</u> | <u>\$ 15,925,001</u> |

* Balances transferred to/from subfunds are eliminated from the General Fund presentation in the statement of revenues, expenditures, and changes in fund balances.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
AGENCY FUNDS
JUNE 30, 2017**

| SHARE FUND # | ACCOUNT |
|-------------------------|---|
| AGENCY FUNDS | |
| 25500 | Resident Agency Accounts – Agency funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Resident Agency Accounts consist of individual resident assets which are under the control of the Department. |
| 49000/09600 | Children’s Social Security Agency Fund – These funds are used to account for collections and payments for the benefit of certain children who are designated as wards of the State. Cash is received primarily from the Social Security Administration. |

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
YEAR ENDED JUNE 30, 2017

Schedule 6

| | Balance June 30, 2016 | Additions | Deductions | Balance June 30, 2017 |
|---|--------------------------|--------------|------------|--------------------------|
| <hr/> | | | | |
| Fund 25500 Resident Agency Accounts | | | | |
| <hr/> | | | | |
| ASSETS | | | | |
| Cash | \$ 34,163 | \$ 9,008 | \$ 10,756 | \$ 32,415 |
| | \$ 34,163 | \$ 9,008 | \$ 10,756 | \$ 32,415 |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 34,163 | \$ 9,008 | \$ 10,756 | \$ 32,415 |
| | \$ 34,163 | \$ 9,008 | \$ 10,756 | \$ 32,415 |
| <hr/> | | | | |
| Funds 49000/09600 Children's Social Security Agency Funds | | | | |
| <hr/> | | | | |
| ASSETS | | | | |
| State Fund Investment Pool | \$ 559,993 | \$ 1,037,205 | \$ 699,372 | \$ 897,826 |
| Due from Other Agencies | - | - | - | - |
| Total Assets | \$ 559,993 | \$ 1,037,205 | \$ 699,372 | \$ 897,826 |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 559,993 | \$ 529,682 | \$ 408,817 | \$ 680,858 |
| Other Liabilities | - | 6,067.00 | 6,067.00 | - |
| Due to Other Funds | - | 216,968 | - | 216,968 |
| Total Liabilities | \$ 559,993 | \$ 752,717 | \$ 414,884 | \$ 897,826 |
| <hr/> | | | | |
| Combined Agency Funds | | | | |
| <hr/> | | | | |
| ASSETS | | | | |
| Cash | \$ 34,163 | \$ 9,008 | \$ 10,756 | \$ 32,415 |
| State Fund Investment Pool | 559,993 | 1,037,205 | 699,372 | 897,826 |
| Due from Other Agencies | - | - | - | - |
| Total Assets | \$ 594,156 | \$ 1,046,213 | \$ 710,128 | \$ 930,241 |
| LIABILITIES | | | | |
| Deposits Held for Others | \$ 594,156 | \$ 538,690 | \$ 419,573 | \$ 713,273 |
| Due to Other Funds | - | 216,968 | - | 216,968 |
| Total Liabilities | \$ 594,156 | \$ 755,658 | \$ 419,573 | \$ 930,241 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF CASH ACCOUNTS
YEAR ENDED JUNE 30, 2017**

Schedule 7

| Account Name | | Fund Type | SHARE Fund No. | Type of Account | Interest Bearing | Cash per Bank | Less Outstanding Warrants | Other Reconciling Items | Reconciled Balance at June 30, 2017 |
|--|------------------------------------|------------------|----------------|-----------------|------------------|----------------------|---------------------------|-------------------------|-------------------------------------|
| General Fund: | | | | | | | | | |
| Wells Fargo Bank | Client Emergency Misc. Expenses | General | 06700 | Checking | No | \$ 53,039 | \$ (1,993) | \$ 8,954 | \$ 60,000 |
| N/A | Petty Cash Closed FY15 | General | 06700 | Petty Cash | - | - | - | - | - |
| Total General Fund Cash | | | | | | 53,039 | (1,993) | 8,954 | 60,000 |
| Fiduciary Funds: | | | | | | | | | |
| Bank of America | YDDC - Girls' Resident Trust | Agency | 25500 | Checking | No | 18,932 | - | - | 18,932 |
| Bank of America | YDDC - Girls' Resident Activity | Agency | 25500 | Checking | No | 10,308 | - | - | 10,308 |
| Bank of America | J. Paul Taylor - Resident Trust | Agency | 25500 | Checking | No | 2,278 | - | - | 2,278 |
| Bank of America | J. Paul Taylor - Resident Activity | Agency | 25500 | Checking | No | 897 | - | - | 897 |
| Total Fiduciary Funds Cash | | | | | | 32,415 | - | - | 32,415 |
| Total Department Cash | | | | | | \$ 85,454 | \$ (1,993) | \$ 8,954 | \$ 92,415 |
| General Fund - State Treasurer (with SHARE Fund Numbers): | | | | | | | | | |
| State Treasurer | General Operating | General | 06700 | State Treasurer | No | \$ 10,512,495 | \$ - | \$ - | \$ 10,512,495 |
| State Treasurer | Special Appropriation - Light | General | 06800 | State Treasurer | No | 455,725 | - | - | 455,725 |
| State Treasurer | FACTS Protective Services | General | 48900 | State Treasurer | No | 3,287,422 | - | - | 3,287,422 |
| State Treasurer | FACTS Child Care Payments | General | 49100 | State Treasurer | No | 539,116 | - | - | 539,116 |
| State Treasurer | Juvenile Community Corrections | General | 83900 | State Treasurer | No | 3,175,943 | - | - | 3,175,943 |
| State Treasurer | Federal Childcare Food | General | 84000 | State Treasurer | No | 617,131 | - | - | 617,131 |
| State Treasurer | JJDP/Children's Justice | General | 84100 | State Treasurer | No | 1,668,701 | - | - | 1,668,701 |
| State Treasurer | Children's Trust Fund | Special Revenue | 78000 | State Treasurer | No | 900,214 | - | - | 900,214 |
| State Treasurer | CTF Next Generation | Special Revenue | 94800 | State Treasurer | No | 29,265 | - | - | 29,265 |
| State Treasurer | Day Care | Special Revenue | 91100 | State Treasurer | No | 2,521,476 | - | - | 2,521,476 |
| State Treasurer | Pre-Kindergarten | Special Revenue | 20080 | State Treasurer | No | 9,309,739 | - | - | 9,309,739 |
| State Treasurer | Regional Juvenile Services | Special Revenue | 20090 | State Treasurer | No | 2,166,127 | - | - | 2,166,127 |
| State Treasurer | ARRA of 2009 | Special Revenue | 89000 | State Treasurer | No | 86 | - | - | 86 |
| State Treasurer | Early Childhood Care and Ed | Special Revenue | 11520 | State Treasurer | No | 399,694 | - | - | 399,694 |
| State Treasurer | Permanent Children's Trust | Special Revenue | 78100 | State Treasurer | No | 1,794,609 | - | - | 1,794,609 |
| State Treasurer | Permanent CTF Next Generation | Special Revenue | 94900 | State Treasurer | No | 510,263 | - | - | 510,263 |
| State Treasurer | Capital Projects | Capital Projects | 59700 | State Treasurer | No | - | - | - | - |
| State Treasurer | Children's Social Security | Fiduciary | 09600/49000 | State Treasurer | No | 897,826 | - | - | 897,826 |
| Total State General Fund Investment Pool | | | | | | \$ 38,785,832 | \$ - | \$ - | \$ 38,785,832 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2017**

Schedule 8

| Z-Code | Bud Ref | Special Appropriation | Amount Appropriated | Adjusted Budget | Actual Cash Received 06/30/17 | Actual Cash Received Prior Year | Expenditures 06/30/17 | Expenditures Prior Year | Amount to be Reverted | Appropriation Balance as of 06/30/17 | Balance for Subsequent Exp. 06/30/17 |
|--------|---------|---|---------------------|---------------------|-------------------------------|---------------------------------|-----------------------|-------------------------|-----------------------|--------------------------------------|--------------------------------------|
| ZA0542 | 91624 | Laws of 2016, Chapter 11, Section 5, Item 42 For relocation costs related to the child wellness center | \$ 250,000 | \$ 250,000 | \$ - | \$ 250,000 | \$ 177,176 | \$ - | \$ 72,824 | \$ - | \$ - |
| ZA0618 | 91324 | Laws of 2016, Chapter 11, Section 6, Item 18 Care and support of children in custody | 1,537,100 | 1,537,100 | - | 892,900 | - | 892,900 | - | - | - |
| Z80901 | 916 | Laws of 2015, Chapter 101, Section 4, DFA Item 5 (z) Domestic violence prevention shelter | 79,800 | 79,800 | - | 79,800 | - | 79,625 | 175 | - | - |
| Z50721 | 91536 | Laws of 2015, Chapter 101, Section 7, Item 21 To develop and implement the juvenile justice component of the enterprise provider information constituents services system | 2,708,500 | 2,708,500 | - | 2,708,500 | 296,015 | 1,914,910 | 497,575 | - | - |
| ZA1360 | 91724 | Laws 2017, Chapter 2, Section 5, Item 5 E | 1,500,000 | 1,500,000 | 1,500,000 | - | 875,774 | - | - | 624,226 | 624,226 |
| | | | <u>\$ 6,075,400</u> | <u>\$ 6,075,400</u> | <u>\$ 1,500,000</u> | <u>\$ 3,931,200</u> | <u>\$ 1,348,965</u> | <u>\$ 2,887,435</u> | <u>\$ 570,574</u> | <u>\$ 624,226</u> | <u>\$ 624,226</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF JOINT POWER AGREEMENTS
YEAR ENDED JUNE 30, 2017**

Schedule 9

| JPA Number (FY, Agency Code, Division Number) | Primary Party Secondary Party | Responsible Party | Description of Services | Beginning Dates of Agreement | Ending Dates of Agreement | Amount Agency Contributed in FY | Audit Responsibility |
|---|--|----------------------|---|------------------------------------|------------------------------|---------------------------------------|-------------------------|
| 98-690-0381 | Pueblo De Cochiti | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 12/12/1997 | continuous | | 100% CYFD |
| 15-690-17831 | Navajo Nation | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 8/8/2001 | 6/30/2018 | \$1,785,108 | 100% CYFD |
| JPA | Pueblo of Picuris | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 12/12/1997 | continuous | | 100% CYFD |
| 02-690-5066 | Santa Clara Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 11/12/2001 | continuous | | 100% CYFD |
| JPA | Jicarilla Apache Tribe | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 12/12/1997 | continuous | | 100% CYFD |
| JPA | Pojoaque Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 9/20/2005 | continuous | | 100% CYFD |
| 17-690-20138 | Pueblo of Zuni | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 3/31/2006 | 6/30/2020 | \$42,966 | 100% CYFD |
| JPA | Taos Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 2/11/2005 | continuous | | 100% CYFD |
| 98-690-0380 | Nambe Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 12/12/1997 | continuous | | 100% CYFD |
| JPA | Acoma Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 3/22/2006 | continuous | | 100% CYFD |
| 98-690-0382 | Santa Ana Pueblo | CYFD | TRIBAL Foster Care and Adoption Assistance Payments Under Title IV E of the Social Security Act | 12/12/1997 | continuous | | 100% CYFD |
| JPA | Department Of Finance | CYFD | Family Crisis Center/Domestic Violence Shelters | 4/6/2017 | 6/30/2017 | \$72,000 | 100% CYFD |
| 17-690-14053 | The New Mexico Administrative Office of the Courts | CYFD | Title IV subpart II, Promoting Safe and Stable Families/Mediation Services | 7/29/2016 | 6/30/2020 | \$150,000 | 100% CYFD |
| JPA | Regulation and Licensing Department | CYFD | Transfer of Federal Funds fo the administration of the provisions | 7/1/2016 | 6/30/2017 | \$41,000 | 100% CYFD |
| 11-690-3000-0029-6 | New Mexico Aging and Long Term Services Di | CYFD | Adult Protective Services Program-ALTSD will receive 22.54% | 7/1/2017 | 6/30/2021 | \$2,318,495 | 100% CYFD |
| 95.17 | New Mexico Human Services Department | CYFD | Children's Mental Health Services and Licensing and | | | \$1,441,476 | 100% CYFD |
| 17-630-9000-0028 | New Mexico Human Services Department | CYFD | TANF Long Term Supportive Housing | 7/1/2016 | 6/30/2017 | \$900,000 | 100% CYFD |
| 17-630-9000-0027 | New Mexico Human Services Department | CYFD | TANF Child care, Pre-Kindergarten and Home Visiting | 7/1/2016 | 6/3/2017 | \$49,627,500 | 100% CYFD |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Schedule 10

| Federal Grant / Pass-Through Grantor / Program Title | Federal CFDA Number | Accrued (Unearned) Revenue at 06/30/17 | 16 Federal Revenue | 16 Federal Expenditures | Accrued (Unearned) Revenue at 06/30/17 | Amount to Subrecipients |
|--|---------------------------|--|--------------------------|-------------------------------|--|----------------------------|
| U.S. Department of Agriculture Direct Programs | | | | | | |
| Child Care Food Program 16 | 10.558 | \$ 2,858,630 | (11,006,948) | 8,148,319 | \$ 1 | \$ - |
| Child Care Food Program 17 | 10.558 | - | (23,591,874) | 26,597,599 | 3,005,725 | - |
| Summer Food Service Program 16 | 10.559 * | 1,577,458 | (4,468,318) | 2,890,860 | - | 2,890,860 |
| Summer Food Service Program 17 | 10.559 * | - | (1,409,054) | 3,391,300 | 1,982,246 | 3,130,506 |
| State Administrative Expense 15 | 10.561 | 7,016 | (7,016) | - | - | - |
| State Administrative Expense 16 | 10.561 | 265,935 | (617,718) | 351,784 | 1 | 41,032 |
| State Administrative Expense 17 | 10.561 | - | (405,490) | 762,215 | 356,725 | 13,345 |
| Subtotal | | 4,709,039 | (41,506,418) | 42,142,076 | 5,344,696 | 6,075,743 |
| U.S. Department of Agriculture Passed through NM Department of Education | | | | | | |
| National School Lunch - YDDC 15-16 | 10.555 * | 11,759 | (11,759) | - | - | - |
| National School Lunch - JPTC 15-16 | 10.555 * | 7,491 | (7,491) | - | - | - |
| National School Lunch - CN 15-16 | 10.555 * | 9,224 | (9,224) | - | - | - |
| National School Lunch - YDDC 16-17 | 10.555 * | - | (139,666) | 150,705 | 11,039 | - |
| National School Lunch - JPTC 16-17 | 10.555 * | - | (81,377) | 87,960 | 6,583 | - |
| National School Lunch - CN 16-17 | 10.555 * | - | (120,691) | 129,644 | 8,953 | - |
| Subtotal | | 28,474 | (370,208) | 368,309 | 26,575 | - |
| * These are part of the Child Nutrition Cluster, with total expenditures of | \$6,650,468.62 | | | | | |
| Total Department of Agriculture | | 4,737,513 | (41,876,626) | 42,510,385 | 5,371,271 | 6,075,743 |
| U.S. Department of Health and Human Services Direct Programs | | | | | | |
| Children's Justice FY14 | 93.643 | 66,345 | (118,117) | 51,772 | - | - |
| Children's Justice FY15 | 93.643 | - | (38,589) | 107,994 | 69,405 | - |
| Children's Justice FY16 | 93.643 | - | - | - | - | - |
| Headstart Collaboration Grant 15 | 93.600 | 62,911 | (62,918) | 7 | - | - |
| Headstart Collaboration Grant 16 | 93.600 | - | (45,406) | 61,420 | 16,014 | 15,201 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Schedule 10 (Continued)

| Federal Grant / Pass-Through Grantor / Program Title | Federal CFDA Number | Accrued (Unearned) Revenue at 06/30/17 | 16 Federal Revenue | 16 Federal Expenditures | Accrued (Unearned) Revenue at 06/30/17 | Amount to Subrecipients |
|---|---------------------------|--|--------------------------|-------------------------------|--|----------------------------|
| Child Care Developmental Funds Grant 14 | 93.596 | \$ 7,179,940 | \$ (15,877,992) | \$ 8,698,052 | \$ - | \$ 75,000 |
| Child Care Developmental Funds Grant 15 | 93.596 | 749,007 | (9,607,453) | 8,858,446 | - | 1,087,902 |
| Child Care Developmental Funds Grant 16 | 93.596 | 10,512,350 | (21,347,634) | 13,195,173 | 2,359,889 | 3,924,329 |
| Child Care Developmental Funds Grant 17 | 93.596 | - | (15,900,818) | 27,205,401 | 11,304,583 | - |
| Family Preservation and Family Support 14 | 93.556 | 22,455 | (22,455) | - | - | - |
| Family Preservation and Family Support 15 | 93.556 | 1,125,284 | (1,647,264) | 521,980 | - | 521,980 |
| Family Preservation and Family Support 16 | 93.556 | - | (1,177,318) | 2,102,997 | 925,679 | 1,485,547 |
| Promoting Safe and Stable Families (caseworker visits) 15 | 93.556 | 53,074 | (61,856) | 8,782 | - | - |
| Promoting Safe and Stable Families (caseworker visits) 16 | 93.556 | - | (72,976) | 113,381 | 40,405 | - |
| Adoption and Legal Guardianship Incentive Payment Program | 93.603 | - | - | - | - | - |
| Child Abuse and Neglect (CAN) Part I 12 | 93.669 | 47,293 | (47,293) | - | - | - |
| Child Abuse and Neglect (CAN) Part I 13 | 93.669 | 9,716 | (137,574) | 189,321 | 61,463 | 131,918 |
| Child Abuse and Neglect (CAN) Part I 14 | 93.669 | - | - | - | - | - |
| Child Abuse and Neglect (CAN) Part I 15 | 93.669 | - | - | - | - | - |
| Child Abuse and Neglect (CAN) Part I 16 | 93.669 | - | - | - | - | - |
| CAPTA-Community Based Family Resource Program 14 | 93.590 | 160,332 | (278,220) | 117,888 | - | - |
| CAPTA-Community Based Family Resource Program 15 | 93.590 | - | (105,205) | 191,156 | 85,951 | - |
| CAPTA-Community Based Family Resource Program 16 | 93.590 | - | - | - | - | - |
| Title IV-E Foster Care 03 | 93.658 | 1,346,560 | - | - | 1,346,560 | - |
| Title IV-E Foster Care 04 | 93.658 | 51,145 | - | - | 51,145 | - |
| Title IV-E Foster Care 10 | 93.658 | (361) | - | - | (361) | - |
| Title IV-E Foster Care 11 ARRA1 | 93.658 | (309) | - | - | (309) | - |
| Title IV-E Foster Care 13 | 93.658 | 1,011,154 | - | - | 1,011,154 | - |
| Title IV-E Foster Care 15 | 93.658 | 12,390 | - | - | 12,390 | - |
| Title IV-E Foster Care 16 | 93.658 | 2,823,181 | (6,171,560) | 3,555,384 | 207,005 | 1,721,264 |
| Title IV-E Foster Care 17 | 93.658 | - | (13,927,567) | 17,209,504 | 3,281,937 | 196,133 |
| Title IV-E Adoptions 03 | 93.659 | (154,318) | - | - | (154,318) | - |
| Title IV-E Adoptions 04 | 93.659 | (81,474) | - | - | (81,474) | - |
| Title IV-E Adoptions 05 | 93.659 | 139,040 | - | - | 139,040 | - |
| Title IV-E Adoptions 08 | 93.659 | 2,135 | - | - | 2,135 | - |
| Title IV-E Adoptions 09 ARRA | 93.659 | 103 | - | - | 103 | - |
| Title IV-E Adoptions 11 | 93.659 | (279,184) | - | - | (279,184) | - |
| Title IV-E Adoptions 13 | 93.659 | 103,769 | - | - | 103,769 | - |
| Title IV-E Adoptions 16 | 93.659 | 1,625,845 | (5,357,072) | 3,655,797 | (75,430) | - |
| Title IV-E Adoptions 17 | 93.659 | - | (16,116,024) | 17,221,851 | 1,105,827 | - |
| Title IV-B CWS 16 | 93.645 | 260,979 | (652,275) | 391,296 | - | - |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Schedule 10 (Continued)

| Federal Grant / Pass-Through Grantor / Program Title | Federal CFDA Number | Accrued (Unearned) Revenue at 06/30/17 | 16 Federal Revenue | 16 Federal Expenditures | Accrued (Unearned) Revenue at 06/30/17 | Amount to Subrecipients |
|---|---------------------------|--|--------------------------|-------------------------------|--|----------------------------|
| Title IV-B CWS 17 | 93.645 | \$ - | \$ (1,104,323) | \$ 1,104,323 | \$ - | \$ - |
| Chafee Foster Care Independence Program 15 | 93.674 | 143,052 | (386,156) | 243,104 | - | 84,130 |
| Chafee Foster Care Independence Program 16 | 93.674 | - | (260,071) | 437,093 | 177,022 | 312,946 |
| Education and Training Voucher Program 15 | 93.599 | 25,879 | (89,213) | 63,334 | - | 60,000 |
| Education and Training Voucher Program 16 | 93.599 | - | (60,313) | 101,295 | 40,982 | 101,295 |
| Family Violence Prevention 15 | 93.671 | 36,170 | (1,008,626) | 972,456 | - | 889,782 |
| Family Violence Prevention 16 | 93.671 | - | - | - | - | - |
| Title XX SOSR 16 | 93.667 | 349,653 | (2,814,720) | 2,384,432 | (80,635) | 1,022,913 |
| Title XX SOSR 17 | 93.667 | - | (6,313,835) | 7,657,713 | 1,343,878 | - |
| Access & Visitation Program 15 | 93.597 | 31,667 | (31,667) | - | - | - |
| Access & Visitation Program 16 | 93.597 | - | - | - | - | - |
| Families and Organizations Collaborating for a United System (FOCUS) | 93.104 | - | - | (4,132) | (4,132) | - |
| NM Communities of Care Expansion Grant (year 2) | 93.104 | 365,348 | (1,036,523) | 671,175 | - | - |
| NM Communities of Care Expansion Grant (year 3) | 93.104 | - | (291,541) | 788,820 | 497,279 | - |
| Healthy Transitions New Mexico (year 2) | 93.243 | 572,675 | (965,015) | 392,340 | - | 349,943 |
| Healthy Transitions New Mexico (year 3) | 93.243 | - | (209,422) | 746,516 | 537,094 | 607,670 |
| SAMHSA Treatment Drug Courts - NM SOAR (Year 2) | 93.243 | 112,507 | (206,712) | 94,205 | - | 70,583 |
| SAMHSA Treatment Drug Courts - NM SOAR (Year 3) | 93.243 | - | (110,586) | 217,501 | 106,915 | 161,041 |
| SAMHSA SYT Planning Project (Year 1) | 93.243 | 134,008 | (209,176) | 75,168 | - | 75,168 |
| SAMHSA SYT Planning Project (Year 2) | 93.243 | - | (35,472) | 171,018 | 135,546 | 164,454 |
| SAMHSA NM AWARE (Year 1) | 93.243 | 45,617 | (46,798) | 1,181 | - | 941 |
| SAMHSA NM AWARE (Year 2) | 93.243 | - | (44,540) | 101,111 | 56,571 | 84,259 |
| Behavioral Health System Transformation Grant (carryover year 4) | 93.243 | 97,607 | - | - | 97,607 | - |
| Behavioral Health System Transformation Grant (year 5) | 93.243 | 303,450 | - | - | 303,450 | - |
| Federal Home Visiting Competitive 2012 (year 2) | 93.505 | (3,030) | - | - | (3,030) | - |
| Federal Home Visiting Competitive 2013 (year 2) | 93.505 | 1,045,865 | (2,152,039) | 1,106,174 | - | 1,106,174 |
| Federal Home Visiting Competitive 2015 (year 1) | 93.505 | - | (439,308) | 2,780,388 | 2,341,080 | 411,846 |
| Federal Home Visiting Formula 2014 | 93.505 | 511,949 | (511,949) | - | - | - |
| Federal Home Visiting Formula 2015 | 93.505 | 89,380 | (720,094) | 1,006,850 | 376,136 | 1,006,850 |
| Federal Home Visiting Formula 2016 | 93.870 | - | - | 311,622 | 311,622 | 311,622 |
| Subtotal | | 30,711,159 | (127,821,685) | 124,881,289 | 27,770,763 | 15,980,891 |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Schedule 10 (Continued)

| Federal Grant / Pass-Through Grantor / Program Title | Federal CFDA Number | Accrued (Unearned) Revenue at 06/30/17 | 16 Federal Revenue | 16 Federal Expenditures | Accrued (Unearned) Revenue at 06/30/17 | Amount to Subrecipients |
|---|---------------------------|--|--------------------------|-------------------------------|--|----------------------------|
| U.S. Department of Health and Human Services Passed Through NM Human Services Department | | | | | | |
| Child Care Development Funds (TANF) 16 | 93.596 | \$ - | (7,631,875) | 7,631,875 | \$ - | \$ - |
| Child Care Development Funds (TANF) 17 | 93.596 | | (22,895,625) | 22,895,625 | - | - |
| Supportive Housing TANF 16 | 93.558 | 457,309 | (457,309) | - | - | - |
| Supportive Housing TANF 17 | 93.558 | | (582,832) | 894,565 | 311,733 | - |
| Pre-K TANF 17 | 93.558 | - | (14,100,000) | 14,100,000 | - | - |
| Homevisiting TANF 16 | 93.558 | | (5,000,000) | 5,000,000 | - | - |
| Homevisiting TANF 17 | 93.558 | - | | | - | - |
| Subtotal | | 457,309 | (50,667,641) | 50,522,065 | 311,733 | - |
| Total Department of Health and Human Services | | 31,168,468 | (178,489,326) | 175,403,354 | 28,082,496 | 15,980,891 |
| U.S. Department of Justice Direct Programs | | | | | | |
| JJDP Formula Grant 13 -Year 1 | 16.540 | 30,750 | (247,496) | 220,133 | 3,387 | 130,000 |
| JJDP Formula Grant 14 - Year 2 | 16.540 | 12,293 | (59,916) | 124,261 | 76,638 | 124,261 |
| JJDP Formula Grant 15 | 16.540 | - | (27,075) | 44,613 | 17,538 | 44,613 |
| JJDP Formula Grant 16 | 16.540 | - | - | - | - | - |
| Enforcing the Underage Drinking Laws Block Grant 08 | 16.727 | (1,067) | - | - | (1,067) | - |
| NM Prison Rape Elimination Act (PREA) 14 | 16.735 | 5,894 | (8,257) | 10,543 | 8,180 | - |
| Total Department of Justice | | 47,870 | (342,744) | 399,550 | 104,676 | 298,874 |
| U.S. Department of Education Passed through NM Department of Education | | | | | | |
| Race To The Top Early Learning Challenge Grant | 84.412 | 1,733,856 | (6,265,018) | 5,493,487 | 962,325 | 5,493,487 |
| Title I 08 | 84.013 | 87,252 | - | - | 87,252 | - |
| Title I 09 | 84.013 | 85,649 | - | - | 85,649 | - |
| Title I 10 | 84.013 | 46,993 | - | - | 46,993 | - |
| Title I 11 | 84.013 | 5,189 | - | - | 5,189 | - |
| Title I 12 | 84.013 | 8,867 | - | - | 8,867 | - |
| Title II 11 | 84.unknown | 1,150 | - | - | 1,150 | - |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Schedule 10 (Continued)

| Federal Grant / Pass-Through Grantor / Program Title | Federal CFDA Number | Accrued (Unearned) Revenue at 06/30/17 | 16 Federal Revenue | 16 Federal Expenditures | Accrued (Unearned) Revenue at 06/30/17 | Amount to Subrecipients |
|---|---------------------------|--|--------------------------|-------------------------------|--|----------------------------|
| Special Ed Idea B 07 | 84.unknown | \$ 309,278 | \$ - | \$ - | \$ 309,278 | - |
| Special Ed Idea B 08 | 84.unknown | - | - | - | - | - |
| Special Ed Idea B 09 | 84.unknown | 10,949 | - | - | 10,949 | - |
| Special Ed Idea B 10 | 84.unknown | 48,536 | - | - | 48,536 | - |
| Special Ed Idea B 11 | 84.unknown | 42,544 | - | - | 42,544 | - |
| Carl Perkins 10 | 84.unknown | 4,961 | - | - | 4,961 | - |
| Carl Perkins 14 | 84.unknown | - | - | - | - | - |
| Teacher Mentoring Program FY10 | 84.unknown | 350 | - | - | 350 | - |
| State Directed Activity Allocation FY11 | 84.unknown | - | - | - | - | - |
| Subtotal | | <u>2,385,574</u> | <u>(6,265,018)</u> | <u>5,493,487</u> | <u>1,614,043</u> | <u>5,493,487</u> |
| Total Department of Education | | <u>2,385,574</u> | <u>(6,265,018)</u> | <u>5,493,487</u> | <u>1,614,043</u> | <u>5,493,487</u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | <u>\$ 38,339,425</u> | <u>\$ (226,973,714)</u> | <u>\$ 223,806,775</u> | <u>\$ 35,172,486</u> | <u>\$ 27,848,995</u> |

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Example Entity under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Department.

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as due to federal government. Debit balances in federal revenue represent payments made to the federal awarding agency. Credit balances in federal expenditures represent correction to federal revenue.

The Department did not receive any noncash assistance, loan guarantees, or insurance from federal services during the current fiscal year.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the (identify basis of accounting) basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Example Entity has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Reconciliation to Governmental Funds Financial Statements

The Department receives federal revenue under case management and other contracts in which it has a vendor relationship. These amounts are excluded from the schedule of expenditures of federal awards.

| | |
|--|-----------------------|
| Federal Revenue Earned per Exhibit 5 | \$ 225,515,812 |
| Less: Federal Revenue Earned through Vendor Relationship | (1,709,036) |
| Total FY17 Federal Expenditures per Schedule | <u>\$ 223,806,776</u> |

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

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Wayne A. Johnson, New Mexico State Auditor
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund of NM Children, Youth and Families Department, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise NM Children, Youth and Families Department's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, 2017-007 and 2017-009 which we consider to be significant deficiencies.

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Wayne A. Johnson, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NM Children, Youth and Families Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-003, 2017-004, 2017-005, 2017-006, and 2017-008.

NM Children, Youth and Families Department's Response to Findings

NM Children, Youth and Families Department's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NM Children, Youth and Families Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2017

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

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Wayne A. Johnson, New Mexico State Auditor
Albuquerque, NM

Report on Compliance for Each Major Federal Program

We have audited NM Children, Youth and Families Department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NM Children, Youth and Families Department's major federal programs for the year ended June 30, 2017. NM Children, Youth and Families Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Wayne A. Johnson, New Mexico State Auditor

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

NM Children, Youth and Families Department's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. NM Children, Youth and Families Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-007 and 2017-009, which we consider to be significant deficiencies.

Monique Jacobson, Secretary
NM Children, Youth and Families Department and
Mr. Wayne A. Johnson, New Mexico State Auditor

NM Children, Youth and Families Department's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-007, 2017-009. NM Children, Youth and Families Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2017

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major program: Unmodified

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

Identification of Major Federal Programs:

| CFDA Numbers | Name of Federal Program |
|---------------------|----------------------------------|
| 93.667 | Social Services Block Grant |
| 10.555/10.559 | Child Nutrition Cluster |
| 93.596 | Child Care and Development Funds |

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

2017-001 Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Condition: During single audit testwork, multiple versions of the Schedule of Expenditures of Federal Awards (SEFA) in order to agree the schedule to work performed during the audit. Additionally, multiple versions of individual grant reconciliations related to the programs selected for single audit testing were required in order to agree the underlying detail to the final version of the SEFA to allow for testing.

Criteria: NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

Cause: Turnover of personnel involved in the federal grant reconciliation and SEFA preparation process.

Effect: Single audit testing was delayed and the timing of audit deliverables caused a delay in meeting audit milestones.

Recommendation: We recommend the Department ensure key staff involved in grant management are trained in the full grant reconciliation process, including preparation of the SEFA. We also recommend individual grant reconciliations for federal programs are reconciled on a monthly basis.

Management response: Key personnel retired in the months of July and August and, unfortunately, training regarding the SEFA was not completed. Training will be conducted by the Budget Director and Chief Financial Office throughout the year for all federal grant staff so that they understand each component necessary for the completion of the SEFA and continue to understand the full grant reconciliation process. The federal grants team will also be reconciling each federal grant on a monthly basis. This will also assist the agency to have information more readily available for budget projection, financial and audit review on a timely basis. This will be completed by June 30, 2018.

2017-002 Reclassification of Accounts Payable (Significant Deficiency)

Condition: During our testwork over accounts payable, we noted the Department is not performing a review of accounts payable to appropriately reclassify balances that are due to other entities that are part of the State of New Mexico primary government.

Criteria: To ensure proper elimination of intergovernmental payables and receivables that are recorded within funds of the State of New Mexico, the Department needs to identify balances owed to another component of the statewide comprehensive annual financial report and reclassify to the appropriate account. For example, balances owed to Educational Institutions that are included in the statewide comprehensive annual financial report for New Mexico should not be included in accounts payable, but should be included in the account created by the NM Department of Finance and Administration called “due to component units.”

Cause: Lack of reconciliation process to identify these transactions.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings (Continued)

2017-002 Reclassification of Accounts Payable (Significant Deficiency) (Continued)

Effect: A reclassification entry in the amount of \$4.2 million was necessary to identify these balances that will be eliminated at the statewide level and more fairly stated individual liability account balances.

Recommendation: Because Educational Institutions use a separate ERP system as their books of record, the Department needs to perform a review and reconciliation process to ensure these amounts are reclassified in the Departments financial statements.

Management response: The Chief Financial Officer and Administrative Services Financial Manager will review, in a timely manner, the details of accounts payable so that the information is properly classified for reporting purposes. This review will be done in a timely fashion and multiple employees will be trained on the need for this reclassification within the Administrative Services Office of Financial Management so that the agency is not reliant on one individual, whereby eliminating single point failures. This will be completed by June 30, 2018.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section III – Findings and Questioned Costs – Major Federal Programs

2017-001 Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency)

Federal Program: CFDA 93.667 – Social Services Block Grant
CFDA 93.596 – Child Care and Development Fund

Federal Agency: Department of Health and Human Services – for both

Federal Award Number:
93.667 G-1601NMSOSR and G-1701NMSOSR
93.596 G-1401NMCCDF/G-1501NMCCDF/G-1601NMCCDF/G-1701NMCCDF

Award Period:
93.667: 10/01/2015 – 9/30/2017, 10/01/2016 – 9/30/2018
93.596: 10/01/13 – 09/30/2015, 10/01/14 – 09/30/2016, 10/01/15 – 09/30/2017,
10/01/16 – 09/30/2018

Questioned Costs: None

Condition: During single audit testwork, multiple versions of the Schedule of Expenditures of Federal Awards (SEFA) in order to agree the schedule to work performed during the audit. Additionally, multiple versions of individual grant reconciliations related to the programs selected for single audit testing were required in order to agree the underlying detail to the final version of the SEFA to allow for testing.

Criteria: NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

Context: Multiple versions were received during the audit and multiple reconciliations were required.

Cause: Turnover of personnel involved in the federal grant reconciliation and SEFA preparation process.

Effect: Single audit testing was delayed and the timing of audit deliverables caused a delay in meeting audit milestones.

Recommendation: We recommend the Department ensure key staff involved in grant management are trained in the full grant reconciliation process, including preparation of the SEFA. We also recommend individual grant reconciliations for federal programs are reconciled on a monthly basis.

Management response: Key personnel retired in the months of July and August and, unfortunately, training regarding the SEFA was not completed. Training will take place throughout the year for all federal grant staff so that they understand each component necessary for the completion of the SEFA and continue to understand the full grant reconciliation process. The federal grants team will also be reconciling each federal grant on a monthly basis. This will also assist the agency to have information more readily available for budget projection, financial and audit review on a timely basis. This will be completed by June 30, 2018.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-007 (Previously 2016-006) Subrecipient Financial Monitoring (Significant Deficiency and Non-Compliance) (Repeated and Modified)

Federal agency: US Department of Agriculture
US Department of Health and Human Services
US Department of Health and Human Services

Federal program: CFDA 10.559 – Summer Food Program
CFDA 93.667 – Social Services Block Grant
CFDA 93.596 – Child Care and Development Fund

CFDA number:
10.559 12-35-3511
93.667 G-1601NMSOSR and G-1701NMSOSR
93.596 G-1401NMCCDF/G-1501NMCCDF/G-1601NMCCDF/G-1701NMCCDF

Award period:
10.559 10/01/2015 – 9/30/2016 and 10/01/2016 – 9/30/2017
93.667: 10/01/2015 – 9/30/2017, 10/01/2016 – 9/30/2018
93.596: 10/01/13 – 09/30/2015, 10/01/14 – 09/30/2016, 10/01/15 – 09/30/2017,
10/01/16 – 09/30/2018

Questioned Costs: None

Condition: During our testwork over subrecipient monitoring, we noted deficiencies pertaining to the Department's review of subrecipient audit reports and lack of adequate programmatic monitoring. The Department has not updated its agreements with respective subrecipients to include the required points under 2 CFR §200.331 Requirements for pass-through entities. The Department is not reviewing audit reports of subrecipients in a timely manner to allow appropriate communication with subrecipients about matters that need to be remedied.

Outlined below are the number of instances in which this occurred:

CFDA 10.559 – Summer Food Program – 8 out of 8 subrecipients tested.
CFDA 93.667 – Social Services Block Grant – 3 out of 3 subrecipients tested.
CFDA 93.596 – Child Care and Development Fund – 4 out of 4 subrecipients tested.

Management's Progress for Repeat Finding 2016-006:

The Contract Audit Unit within the Administrative Services Division is a unit that when fully staffed has four employees. During the fiscal year the unit started with two employees, then to one employee in the second quarter of the year and then no staff members by the third quarter. In the month of May and June 2017 two employees, the Chief Financial Officer and Financial Manager, put aside their day to day tasks to complete as many desk reviews as possible. With the concerted efforts the team was unable to review

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-007 (Previously 2016-006) Subrecipient Financial Monitoring (Significant Deficiency and Non-Compliance) (Repeated and Modified) (Continued)

Management’s Progress for Repeat Finding 2016-006 (Continued):

100% of the financials received by the vendors before the end of the fiscal year. Continued staff retirements throughout the division caused more shifting of focus for many of the Administrative Services Staff. Currently the Contract Audit Unit has been staffed with three employees and they are currently receiving training and beginning the desk reviews and setting up a schedule to complete site visits.

In December of every year, a compliance reminder letter is mailed to the contract vendors to submit financial information based on the dollar amount received by our agency as outlined in the Children, Youth and Families Department’s Administrative and Fiscal Standards. The Contract Audit Unit maintains a database of the vendors, when the financial information is received and when the desk review is complete.

The unit continues to monitor the vendors that have not submitted financial information and follow up with emails and phone calls to appropriate staff. This has proven to be an effective way of communication with the vendors as we have seen an increase in compliance from the vendors.

The unit will continue to modify their business process so that the financial information is received in a timely manner so that any necessary corrective actions can be communicated.

The Fiscal Year 2018 contract templates were revised to include attachment 6 “Federal Award Identification” to all fiscal year contracts. This attachment has the 13 key points as identified by UGG Title 2: Grants and Agreements Subpart D §200.331. This attachment will be included in the Summer Foods agreements in the coming year, as they have a different begin and end date then contracts processed through the Contract Development Unit of the Administrative Services Division.

Criteria: Guidance outlined by 2 CFR §200.331 Requirements for pass-through entities require pass through entities to monitor the activity of their subrecipients. This include a review of the subrecipients’ audit reports to determine if the federal money is properly reported and that controls are in place to disburse the federal money.

Additionally, agreements with subrecipients are required to contain key points to provide the subrecipient with appropriate information.

As the pass-through entity, the Department is also required to monitor the programmatic activities of its subrecipients, but the Department could not substantiate this monitoring for CFDA 93.667.

Context: We tested on a sample basis.

Effect: Subrecipients are not reporting the money they receive from the Department as federal expenditures.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-007 (Previously 2016-006) Subrecipient Financial Monitoring (Significant Deficiency and Non-Compliance) (Repeated and Modified) (Continued)

Cause: Turnover and inadequate staffing within the Contract Audit Unit. Additionally, program staff need make these endeavors a priority.

Repeat Finding: Yes, prior year finding 2016-006.

Recommendation: We recommend the Department continue to utilize its Desk Review control sheet more thoroughly to better document matters that need to be brought to the attention of the subrecipient. Additionally, more training should take place with program staff to emphasize the importance of financial monitoring, as well as programmatic monitoring.

Management's Response: The Contract Audit Unit within Administrative Services is currently staffed with three employees and they are all receiving training from the Chief Financial Officer and the Administrative Services Division Financial Manager on the desk and site review process within the agency. They will also receive training as it relates to the Federal requirements in 2 CFR §200.331. Administrative Services will continue to train and work with program staff within the agency to emphasize the importance of financial and programmatic monitoring. Multiple sessions have taken place conducted by the Chief Financial Officer and Financial Manager with program management and staff to talk about the importance of 2 CFR §200.331 and how it impacts the agency as a whole. This will be completed by June 30, 2018.

2017-009 Period of Performance (Significant Deficiency and Non-Compliance)

Federal agency: Department of Agriculture

Federal program: CFDA 10.559 – Summer Food Program

CFDA number: 10.559: 12-35-3511

Award period: 10.559: 10/01/2015 – 9/30/2016 and 10/01/2016 – 9/30/2017

Questioned costs: None

Condition: During single audit testwork, we identified costs which were charged to the grant outside of the grant's period of availability:

- 5 of the 5 transactions sampled had costs that were incurred prior to the start of the period of performance. These costs were not previously authorized by the Federal awarding agency or the pass-through entity.
- 2 of the 3 transactions sampled had costs incurred past the period of performance end date.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-009 Period of Performance (Significant Deficiency and Non-Compliance) (Continued)

Context: We tested on a sample basis.

Criteria: Guidance outlined by 2 CFR §200.309 details how a non-Federal entity may charge costs incurred during the period of performance.

Cause: Turnover of personnel involved in the federal grants department.

Effect: Costs were charged to grants outside their period of performance guidelines.

Recommendation: We recommend that the Department further familiarize themselves with period of performance requirements and can consistently apply to grant awards.

Management's response: The Budget Director and Chief Financial Officer will continue to work with the federal grants employees so that they understand the period of performance requirements as outlined in 2 CFR §200.309. Training related to period of performance will take place for key personnel reconciling the federal grants as well as employees reviewing the general ledger transactions and manual journal entries created by Department staff. This will be completed by June 30, 2018.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other

2017-003 Tracking of Cell Phones/Portable Electronics (Matter that doesn't rise to the level of a significant deficiency)

Condition: During our unpredictability testwork it was identified that cell phones and other portable electronics were not being tracked effectively within CYFD.

- Of the 10 cell phones/portable electronics sampled, five cell phones and one portable wireless device were not with the user identified on the CYFD tracking spreadsheet.
- One instance of an employee leaving their position and a new employee took possession of the phone. In this instance, CYFD failed to update the tracking spreadsheet with the new employee's information.

Criteria: To ensure that cell phones and other portable electronics are tracked appropriately to limit the opportunity of improper uses of cell phones.

Effect: If the tracking of these devices is not effective that increases the likelihood of abuse.

Cause: Ineffective processes over tracking portable electronic devices.

Recommendation: We recommend that CYFD updates its policies as it relates to the tracking of cell phones and other portable electronics. Per discussion with CYFD an update to policies and procedures is in process to move the responsibility of tracking this information to ASD. These policies have not yet been implemented but are in process.

Management response: The Telecommunication Officers (TO) position was vacated in February 2017. Since then, General Services had been utilizing a staff member from another department to perform the duties of the job, until a full time employee was hired in June of 2017. The new TO has been working diligently to validate the cell phone list and ensure its' accuracy. The General Services Staff Manager will work with the telecommunications officers and programs to ensure the policy is implemented and tracking of electronic devices is done timely and accurately.

The following are processes that will be put in place by December 1, 2017:

1. An Internal Purchase Request (IPR) form will be utilized when requesting a cell phone.
2. Three signatures will have to be obtained in order to process the IPR.
3. The TO will verify receipt of the cell phone to the end user when shipped outside of Santa Fe.
4. The TO will work closely with the programs to keep an accurate inventory record of equipment.
5. The TO will be cross referencing "HR separation lists" to ensure cell phones were turned back in and shut off when employees leave the agency.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-004 (Previously 2016-008) Use of State Issued Gas Credit Cards (Noncompliance with NM State Audit Rule) – Repeated and Modified

Condition: During our testwork over gas cards, which had charges of approximately \$389,000, we identified the matters below. In all instances the Department, did not provide supporting documentation to substantiate the purchase, so the description for services is based on the detail from the gas card reports from Wright Express.

- Two instances where “Auto Accessories” were purchased that totaled \$47.62.
- Two instances where “Food” was purchased that totaled \$28.09
- Six instances where the product description was not described in a manner that we could identify validity of the purchase:
 - Three were “Future Defined” which totaled \$75.53
 - Three were “General Automotive Merchandise” which totaled \$124.57
- One instance where the individual purchase exceeded \$100 – it was \$129.96 for an unidentifiable purchase.
- Three instances where the individuals had multiple pin numbers and the reason was not explained to us.
- 11 instances where one VIN had multiple card numbers associated with it and the reason was not explained to us.
- A fuel type other than regular unleaded was purchased, which amounted to \$3,529.04
- Car washes - two different cards/cars with three car washes in a given month.

Management’s Progress for Repeat Finding 2016-008:

The Fleet Coordinator position has been vacant since July of 2016. This vacancy has made it difficult for the division to ensure compliance and use of the WEX card along with other CARS duties. During the past fiscal year, each location for CYFD, had vehicle liaisons that were assigned the task of making sure vehicles were serviced properly, reservations were made and most importantly that the WEX receipts were attached to the Post Inspection Form printed out of the CARS system. Those receipts would have been reviewed by a Fleet Coordinator to ensure compliance on a timely basis but the position was vacant and no one was available to perform those reviews timely.

Since April of 2017, each location has been made responsible for scanning and emailing to the General Services Manager the receipts, which are now kept electronically. When reviewing the WEX invoice, charges that do not comply with the policy can be isolated. Corrective actions can be performed on a timely basis. In the past, receipts were mailed to the Administrative Services office located in the Old PERA building. The following are additional processes put in place to correct this audit finding:

1. Training is provided to the liaisons two times per year.
2. One-on-one training is available if necessary.
3. Processing and paying the WEX invoice has now been reassigned to Administrative Services, in the past another department had been processing the payment. Administrative Services has implemented checks and balances to ensure compliance with policy.
4. Emails are sent to the liaisons on a regular basis reminding them of their duties.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section IV – Other (Continued)

2017-004 (Previously 2016-008) Use of State Issued Gas Credit Cards (Noncompliance with NM State Audit Rule) – Repeated and Modified (Continued)

Criteria: The Department's Policies and Procedures #3.26, in accordance with New Mexico Administrative Code 1.5.3 NMSA 1978, identifies the following:

- 26.129: The Vehicle Coordinator review the monthly WEX Fuel Card account statement and exception report to ensure all transactions are authorized.
- 26.101: Cardholders may only purchase regular unleaded or alternative fuels only.
- 26.101: Total of \$25 per Transaction for car wash, twice a month. Oil changes are not allowed.

Effect: Noncompliance with NM Statutes and Department policies and procedures.

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

Recommendation: We recommend the Department continue to remind its employees of its policies and procedures pertaining to WEX fuel card usage. We did review documentation from the Vehicle Coordinator reminding employees about the allowable fuel types, but this was after the transactions took place.

Management's Response: The Fleet Coordinator position has been vacant since July of 2016. This vacancy has made it difficult for the division to ensure compliance and use of the WEX card along with other CARS duties. During the past fiscal year, each location for CYFD had vehicle liaisons that were assigned the task of making sure vehicles were serviced properly, reservations were made, and most importantly that the WEX receipts were attached to the Post Inspection Form printed out of the CARS system. Those receipts would have been reviewed by a Fleet Coordinator to ensure compliance on a timely basis but the position was vacant and no one was available to perform those reviews timely. The General Services Staff Manager will work with the Fleet Coordinator so that review of receipts is done on a timely basis. The manager will also ensure that communication with programs are done in a timely fashion so that training is continual. This will be completed by June 30, 2018.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-005 (Previously 2016-001) Procurement Process (Matter that does not rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS)) (Repeated and Modified)

Condition: During our testwork over the Department's procurement process and fully executed contracts, the Department brought to our attention two instances where the Department did not establish adequate purchase orders for each contract. In both instances, services were performed by the vendor even though the Department did not have a purchase order for the services. In both instances, the Department followed MAPS FIN 4.13 regarding State Procurement Code Violations and submitted a justification memo to State Purchasing Division.

Management's Progress for Repeat Finding 2016-001:

The Contract Development and Procurement Unit within Administrative Services developed and provided internal Contract and Procurement training in accordance with internal policies and procedures, the oversight agencies rules and regulations all pursuant to the State of New Mexico Procurement Code. The training continues to be enhanced and provided to each division's program administrative staff involved with the procuring of tangible goods and services.

Criteria: In accordance with MAPS FIN 4.1 Purchase Orders, encumbrances for goods or services should be properly documented, fully funded, and be related to a specific procurement.

Cause: Turnover within the Department's Contract Development Unit, including the contract manager supervisor, which did not allow for adequate internal controls.

Effect: Noncompliance with NM State MAPS. The total amount identified in violation related to one contract was \$162,564 (2 separate instances of \$96,817 and \$65,747) and the amount of violation related to the second contract was \$4,614.

Recommendation: We recommend the Department remind employees within the Contract Bureau about the procedures that are to be followed to ensure compliance with MAPS.

Management's response: The Contract Development and Procurement Unit within Administrative Services developed and provided internal Contract and Procurement training in accordance with internal policies and procedures, the oversight agencies rules and regulations all pursuant to the State of New Mexico Procurement Code. The training continues to be enhanced and provided to each division's program administrative staff involved with the procuring of tangible goods and services. The State Purchasing Division provided their "Procurement 101" training for all agency division program staff directly involved with the contract and purchasing process. The Chief Procurement Officer, Contract Development Supervisor and Purchasing Supervisor will continue to train the contract development and procurement unit staff of the procedures to ensure compliance with MAPS as well as continue internal training for all purchasing staff so that the same procedures are also understood. This will be completed by June 30, 2018.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section IV – Other (Continued)

2017-006 (Previously 2016-002) Improve Information Technology Controls (Matter that does not rise to the level of a significant deficiency) (Repeated and Modified)

Condition: During our IT related procedures for the Agency, we noted the following observations that could be strengthened by the Agency.

- The network password policies do not meet best practice.

Management's Response for Repeat Finding 2016-002:

CYFD IT changed the password policies in Novell e-Directory. This provided a 90 day expiration date as well as full complexity to include an upper case and lower case letter, a number and a special character.

Criteria: In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 4.1, Framework DS5 (Ensure System Security) provides that the need to maintain integrity of information and protect IT assets requires a security management process. This process includes establishing and maintaining vendor relationship and vendor management.

Cause: The password policies have not been evaluated for enhancement.

Effect: Unauthorized or malicious activity is performed on the Agency's technical infrastructure due to unauthorized workstation access and remains undetected for an extended period.

Recommendation: Novell / Active Directory Group policy should enforce the following password requirements:

- Minimum 12 characters
- Full complexity
- Expiration of 90 days

Management's response: In response to a previous audit, CYFD IT changed the password policies in Novell e-Directory. This provided a 90-day expiration date as well as full complexity to include an upper case and lower case letter, a number and a special character. ITD is evaluating the best practice of changing the minimum length from 8 characters to 12. The implementation would be done in a phased approach in order not to overload the network. The Chief Information Officer is overseeing the evaluation and implementation of changes in password requirements. This will be completed by June 30, 2018.

2017-008 Schedule of Joint Powers Agreements (Matter that does not rise to the level of a significant deficiency)

Condition: During our testwork over Joint Powers Agreements (JPAs), we identified 3 JPAs that were not included on the schedule of JPAs that was provided to us for testing.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section IV – Other (Continued)

2017-008 Schedule of Joint Powers Agreements (Matter that does not rise to the level of a significant deficiency) (Continued)

Criteria: In accordance with NMAC 2.2.2.10.V, all JPAs shall be listed in a supplementary schedule in the audit report.

Cause: The Department did not have a process in place to ensure that all JPAs within the Department were included on the schedule provided to us.

Effect: Schedule of JPAs was not complete initially, but has since been updated.

Recommendation: We recommend the Department establish a procedure to ensure all applicable JPAs are included in the respective schedule.

Management's response: The Contract Development Unit of Administrative Services will maintain a complete list of all contracts, agreements, and JPA's the Department has in each fiscal year. This list will better assist the division in tracking these transactions as well as the ability to produce a complete list as required by NMAC 2.2.2.10.V. The Chief Procurement Officer will work with the contract development staff to ensure the complete list of contracts, agreements and JPA's. This will be completed by June 30, 2018.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

Finding No. 2016-008 Use of State Issued Gas Credit Cards (Noncompliance with New Mexico State Audit Rule)

Status: Repeated and Modified as Finding 2017-004

Finding No. 2016-001 Procurement Process (Noncompliance with New Mexico State Audit Rule)

Status: Repeated and Modified as Finding 2017-005

Finding No. 2016-002 Information Technology Controls (Matter that does not rise to the level of a control deficiency)

Status: Repeated and Modified as Finding 2017-006

Finding No. 2016-003 Earmarking (Significant Deficiency/Federal Noncompliance)

Status: Resolved

Finding No. 2016-007 Special Provision – (Significant Deficiency and Noncompliance)

Status: Resolved

Finding No. 2016-004 Allowability – (Significant Deficiency and Federal Noncompliance)

Status: Resolved

Finding No. 2016-005 Eligibility- Benefit Payments – (Significant Deficiency/Federal Noncompliance)

Status: Resolved

Finding No. 2016-006 Subrecipient Monitoring – (Significant Deficiency/Federal Noncompliance)

Status: Repeated and Modified as Finding 2017-007

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

The financial statements were prepared by the Department from the Department's books and records.

An exit conference was held on October 31, 2017 to discuss the audit report and audit findings.

Those in attendance were as follows:

Children Youth and Families Department

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|---------------------|-------------------------|
| Monique Jacobson | Cabinet Secretary |
| Elena Tercero | Chief Financial Officer |
| Rosemary Whitegeese | Financial Manager |
| Jackie J. Hiatt | Budget Director |
| Anna Nolasco | Grant Manager |
| Billie Neese | Business Operations OTS |

CliftonLarsonAllen LLP

| | |
|---------------------------------------|---------------------------------|
| Georgie Ortiz, CPA, CGFM | Managing Principal – New Mexico |
| Laura Beltran-Schmitz, CPA, CGFM, CFE | Engagement Director |
| Jeff Roybal | Engagement Associate |

The financial statements were drafted by the Department with assistance from the Independent Public Accountant.