

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES
DEPARTMENT**

FINANCIAL STATEMENTS AND SCHEDULES

(With Independent Auditors' Reports Thereon)

FISCAL YEAR ENDED JUNE 30, 2009



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2009**

Name	Title
Dorian Dodson	Secretary
Marisol Atkins	Deputy Cabinet Secretary
William Dunbar	Deputy Cabinet Secretary
Debra Pritchard	Director of Juvenile Justice Services
Marcella Ortega	Director of Administrative Services
Jared Rounsville	Acting Director of Protective Services
David Martinez	Director of Youth and Family Services
Marisol Atkins	Acting Director of Early Childhood Services
Crawford Spooner	Chief Information Officer



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Certified Public Accountants & Consultants

Principals

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Joseph A. Sisneros, C.P.A.

Managers

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Independent Auditors' Report

Mr. Hector Balderas,
New Mexico State Auditor
and
Dorian Dodson, Secretary,
Children, Youth and Families Department

We have audited the accompanying financial statements of the governmental activities, the general fund, the general fund budget comparison, and the aggregate remaining fund information of the Children, Youth and Families Department (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Department's non major governmental funds, the budgetary comparison for the components of the general fund and non major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

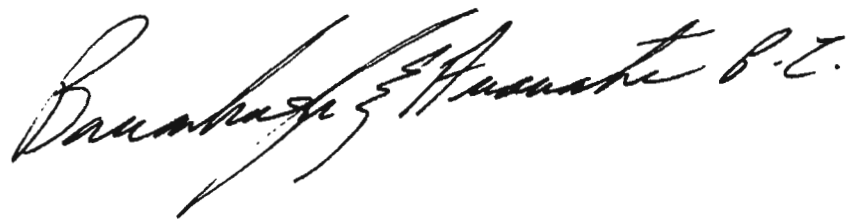
As discussed in Note 2, the basic financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Department as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non major governmental fund of the Department as of June 30, 2009, and the respective changes in financial position and respective budgetary comparisons for the components of the general fund and non major governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 4 through 11 are not a required part of the basic financial statements of the Department, but is supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund statements and budgetary comparisons of the Department. The accompanying Schedules listed in the Supplemental Section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Christopher E. Hunsaker B.C.", written in a cursive style.

December 11, 2009

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

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 as of and for the year ended June 30, 2009. 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.

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

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)
For the Year Ended June 30, 2009

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, 2009	Prior Year - June 30, 2008	Increase or (Decrease)	Percentage Change
Assets				
Current assets	\$58,909,926	\$62,801,109	\$ (3,891,183)	-6.20%
Capital assets	\$1,279,786	\$1,252,260	\$27,526	2.20%
Total assets	\$60,189,712	\$64,053,369	\$ (3,863,657)	-6.03%
Liabilities				
Current liabilities	\$49,457,560	\$46,695,637	\$2,761,923	5.91%
Long-term liabilities	\$2,128,711	\$1,799,985	\$328,726	18.26%
Total liabilities	\$51,586,271	\$48,495,622	\$3,090,649	6.37%
Net assets				
Invested in capital assets	\$1,279,786	\$1,252,260	\$27,526	2.20%
Restricted	14,128,211	20,003,356	(5,875,145)	-29.37%
Unrestricted	(6,804,556)	(5,700,869)	(1,103,687)	-19.36%
Total net assets	\$8,603,441	\$15,554,747	(\$6,951,306)	-44.69%
Program revenues and expenses				
Program revenues	\$197,592,506	\$185,277,870	\$12,314,636	6.65%
Program expenses	\$397,339,036	\$389,253,648	\$8,085,388	2.08%
Net revenue (expense)	(\$199,746,530)	(\$203,975,778)	\$4,229,248	2.07%
General revenues (expenses)				
General Fund appropriations	\$201,096,500	\$195,851,400	\$5,245,100	2.68%
Other sources	\$3,535,417	\$7,340,986	(\$3,805,569)	-51.84%
Other uses	(\$9,107,068)	(\$1,298,373)	\$7,808,695	601.42%
Total general revenues (expenses)	\$195,524,849	\$201,894,013	(\$6,369,164)	-3.15%
Reversion to State General Fund	(\$2,729,625)	(\$590,772)	\$2,138,853	362.04%
Change in net assets	(\$6,951,306)	(\$2,672,537)	\$4,278,769	160.01%
Beginning net assets	\$15,554,747	\$18,227,284	(\$2,672,537)	-14.66%
Ending net assets	\$8,603,441	\$15,554,747	(\$6,951,306)	44.69%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2009 are as follows:

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

- *Current Assets* decreased by \$3,891,183 or 6.20 percent. This net decrease consists of many changes over the prior year as follows: Investments at State Investment Council (decrease of \$14,284,513), accounts receivable (increase of \$6,665,483), and Due from Other Agencies (increase of \$3,893,933). Investment at State Investment Council (decrease of \$156,236), Supplies Inventory (decrease of \$10,932) and other assets (increase of \$1,082). The decrease in the Investment at State Investment Council balances are due to a transfer of non reverting fund balances of \$5,800,000 as a result of legislation in the Laws of 2009, Chapter 3. Section 4, a decrease in FY09 general fund allotments of 1.9% or \$3,947,200 as a result of the FY09 Solvency plan in the Law of 2009, Chapter 2, Section 4, and an increase cash payments to vendors of approximately 3,635,551 during the month of June 2009. Beginning with fiscal year 2005, the General Appropriation Act established the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting. Because of this change in accounting policy, the Department encouraged vendors to submit invoices for goods and services for payment before June 30, 2009. Since payments were made before year-end, cash outlay increased. Increases in amounts due from other agencies are amounts due from HSD in the Child Care TANF reimbursements and Pre K capital project reimbursements due from the Department of Finance and Administration (DFA), Local Government Unit. Decreases in accounts receivable are due to federal reimbursements received before year end.
- *Capital Assets and Investment In Capital Assets* increased by \$27,526 or 2.20 percent due to the purchase of data processing equipment during the fiscal year.
- *Total Assets* decreased by \$3,863,657 or 6.03 percent. See discussions under *Current Assets* and *Capital Assets and Investment in Capital Assets* above.
- *Current Liabilities* increased by \$2,761,923 or 5.91 percent due to increases in several of the liability accounts as follows: Due to State General Fund (increase of \$2,315,317); Due to Federal Government (increase of \$605,602); Deferred Revenues (increase of \$801,240); Compensated Absences (increase of \$767,029); Deficit State Fund Investment Pool (increase of \$1,497,203). Much of the increase in the due to state general fund liability was comprised of special appropriations that the department reverted as part of the fiscal year 2009 solvency plan and a supplemental appropriation of \$1,200,000 for Care and Support that was replaced with federal revenue. The deficit in the state fund investment pool occurred because of reductions to cash balances due to solvency plans noted above in addition to the change in the department's accounting policy encouraging vendors to submit invoices more timely thereby (decreasing balances by an additional \$4,424,468.) The amount due to the federal government increased as a result the completion of the 2001, 2002 Title IV-E Administrative and Training Cost audit. Unallowable costs were finalized resulting in an increased liability.
- *Long-Term Liabilities* increased by \$328,726 or 18.26 percent. The increase represents an increase in the recording of compensated absences due after one year.
- *Total Liabilities* increased by \$3,090,649 or 6.37 percent. See discussion under *Current Liabilities* above.
- *Restricted Net Assets* decreased by \$5,875,145 or 29.37 percent due mainly to decreases in the restrictions of the Children's Trust Fund – Permanent and Subsequent years expenditures. Decreases are a result of less investment income.
- *Unrestricted Net Assets* deficit increased by \$1,103,687 or 19.36 percent since restricted assets for non-reverting Pre Kindergarten and Regional Juvenile Services activities were reserved in the current year.
- *Total Net Assets* decreased by \$6,951,306 or 44.69 percent. See discussion under *Current Assets* and *Current Liabilities* above.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

- *Program Revenues* increased by \$12,314,636 or 6.65 percent. The majority of this increase was due to increased TANF funding that was received from the Human Services Department in the amount of \$7,200,000. The increased funding was a result of legislation that was enacted during the 2008 Special Session in House Bill 7 which allowed the department to increase the federal poverty level from 165% to 200% in the Child Care program. The department also experienced increased federal funding in the Protective Services and Program Support program areas, which was mainly due to increased funds received from the Title IV-E Foster Care and Adoption Assistance federal grant. The increases were approximately \$4,103,700. Lastly the department received \$1,200,000 due to an increase in the federal participation rate of 6.36% in the Title IV-E Foster Care and Adoption Assistance federal grant from the enactment of the American Recovery and Reinvestment Act (ARRA) that resulted in states receiving additional federal revenue explained in more detail below.
- *Program Expenses* increased by \$8,085,388 or 2.08 percent due mainly to an increase in the Care and Support expenditures. The majority of the increase was due to the increase in care and support as the agency received additional funding during the 2008 Special Session in the Child Care program. The increase in the federal poverty level from 165% to 200% allowed more families to qualify for these services.
- *Deficiency of Program Revenues over Program Expenses* decreased by \$4,229,248 or 2.07 percent. See discussion under *Program Revenues* and *Program Expenses* above.
- *General Fund Appropriations* increased by \$5,245,100 or 2.68 percent over the prior year's appropriations. This increase represents a net amount as the department originally received an additional \$9,169,100 in the HB 2 general fund appropriation. This amount was subsequently reduced by \$3,900,000 as a result of the FY09 solvency plan. Some of the increases were \$3,000,000 for Pre-Kindergarten services, \$1,000,000 for Home Visiting Programs, \$1,800,000 for foster care increases in the Protective Services program area.
- *Other Sources (Transfers In)* decreased by \$3,805,569 or 51.84 percent. The majority of the decrease is due a reduced compensation package over the prior year of \$2,352,600. Funds received from the Human Services Department, the Department of Workforce Solutions and the Department of Finance & Administration (HIPAA) decreased in FY 09 by \$367,105, \$341,359 and \$250,000. These decreases account for 94.4% of the total decrease experienced in FY 09. The balance of the decrease was from several agencies whose individual amounts were less than \$100,000 each.
- *Other Uses (Transfers Out)* increased by \$7,808,695 or 601.42 percent. The majority of this increase is due to fund balance transfers of \$5,800,000 to the Department of Finance and Administration as a result of the FY 09 solvency plan. In addition, the Department transferred additional Transformation Grant funds to departments in FY09 with the majority of the grant funds being transferred to the Human Services Department (\$2,169,019).
- *A Reversion to State General Fund* increased by \$2,138,853 or 362.04 percent. The additional reversion amount included \$1,366,367 in unspent special appropriations.
- *Change in Net Assets* increased by \$4,278,769 or 160.01 percent. See discussion under *Current Assets* above.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

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:

	Fund Balance			
	Current Year June 30, 2009	Prior Year June 30, 2008	Increase or (Decrease)	Percentage Change
General Fund				
Reserved	\$ 6,815,384	\$ 10,554,590	\$ (3,739,206)	-35.43%
General Fund				
Unreserved		-	-	
Total	\$ 6,815,384	\$ 10,554,590	\$ (3,739,206)	-35.43%

In the prior year's financial statements, other governmental funds accounted for 15.5 percent of total assets and 2.40 percent of total liabilities compared with 11.87 percent total assets and 2.91 percent total liabilities in the current year. A net decrease in the general fund reserves which resulted due to the transfer of non-reverting prior year fund balances totaling \$5,800,000 and current year fund balances reserved for subsequent year expenditures totaling approximately \$1,994,301.

GENERAL BUDGETARY HIGHLIGHTS

Due to downfall in the economy, the State of New Mexico did not receive anticipated revenues expected when appropriating general fund allocations for the FY09 operating budget cycle. To balance the budget in FY09 cuts were made. Legislation was passed to sweep accumulated fund balances in non-reverting funds in the Law of 2009, Chapter 3, Section 4. The Department's fund balances were reduced by \$5,800,000. In addition solvency plan legislation was passed in the Laws of 2009, Chapter 2, Section 1 that reduced agency FY09 budgets. The Department's budget was reduced by 1.9 % or \$3,947,200.

In fiscal year 2009, the Federal Government enacted ARRA that resulted in additional federal revenue available to states. During fiscal year 2009, the Department received additional revenue in the Title IV-E Foster Care and Adoption grant due to an increase in the federal participation rate. This rate was originally established at 70.88% and increased to 77.24%, a percentage increase of 6.36. This resulted in an additional \$1,200,000 in federal revenue. One additional fund was created to account for ARRA funds (89000). Federal funds were budgeted to carry out the provisions of ARRA. These funds are available from October 1, 2008 to December 31, 2010.

Original budgeted federal revenues and expenditures in the major funds increased from \$134,159,100 to \$150,077,087 during the year ended June 30, 2009. This was due to more federal funds being available as some of the department's federally funded programs incurred greater costs during the fiscal year. The original Other Sources budgeted revenues and expenditures for the major funds increased from \$46,389,400 to \$54,853,723 mainly due to more TANF dollars being transferred from the Human Services Department for child care eligibility costs.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

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 1978. Performance measures outlined in the General Appropriation Act, Laws of 2008, Chapter 3, Section 4 for the year ended June 30, 2009 were:

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
Youth and Family Services:			
Outcome	Percent of family providers participating in the child - and adult - care food program.	92.0%	94.9%
Outcome	Percent of children receiving state subsidy in Stars/Aim High programs level two through five or with national accreditation.	50.0%	69.2%
Outcome	Percent of licensed childcare providers participating in Stars/Aim High levels two through five or with national accreditation.	50.0%	68.9%
Outcome	Percent of domestic violence offenders who completed a batterer's intervention program	TBD	60.4%
Outcome	Percent of children in state funded pre-kindergarten showing measurable progress on the preschool readiness kindergarten tool	68.5%	Note#1
Output	Percent of clients readjudicated within two years of previous adjudication	5.8%	6.4%
Outcome	Percent of clients who complete formal probation	85.0%	91.0%
Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	70.0%	72.5%
Protective Services:			
Outcome	Percent of children in foster care for 12 months with no more than two placement settings.	86.7%	86.1%
Outcome	Percent of children reunified with their natural families in less than 12 months of entry into care.	78.0%	72.0%
Outcome	Percent of children adopted within 24 months from entry into foster care.	34.0%	28.3%
Output	Percent of children who are the subjects of substantiated maltreatment while in foster care.	0.57%	0.50%
Outcome	Percent of children who are the subjects of substantiated maltreatment within six months of a prior determination of substantiated maltreatment.	7.0%	6.6%
Juvenile Justice Services:			
Output	Percent of possible education credits earned by clients in juvenile justice division facilities.	45.0%	38.4%

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CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

Output	Percent of clients re-adjudicated within two years of previous adjudication.	5.8%	6.4%
Outcome		3.82%	4.0%
	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury.		
Outcome		11.5%	10.1%
	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities.		
Output		55.0%	49.0%
	Percent of youth in a juvenile justice services facility who are within one hundred miles of their family and home community.		
Outcome		TBD	3.7%
	Number of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility.		
Program Support:			
Output	Average vacancy rate for child welfare workers	12.0%	11.5%
Output	Average vacancy rate for child care eligibility interviewers	15.0%	4.64%

Note#1: FY 09 data is not available until Fall 2009. This is an annualized number.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Total capital assets, net of depreciation, for the Department makes up 2.0 percent of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2009 are \$7,095,705. The estimated amount to be paid from current General Fund appropriations within one year is \$4,966,994 or 70.0 percent, with \$2,128,711 or 30.0 percent due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2009. The Department has no other debt activity during the year.

NEXT YEAR'S BUDGET AND RATES

The Department depends primarily on appropriations from the New Mexico State General Fund. The State Legislature appropriated \$200,767,100 for the fiscal year 2010 operating budget in the Laws of 2009, Chapter 124, Section 4. This appropriation was reduced in the Laws of 2009, Chapter 124, Section 10 by \$174.8 to reflect reduced public property insurance and public liability insurance rates. There was no compensation package for exempt/classified staff, teachers, juvenile probation and parole officers appropriated for FY 10.

The Laws of 2009, Chapter 5, Item 15 reduced the capital appropriation for Pre-K classrooms by \$536,000. An additional \$25,000 reduction was incurred for Art in Public Places as per the Laws of 2007. Funds were appropriated to the General Services Department – Property Control Division (PCD) in the Laws of 2009, Chapter 125, Section 7, Item 2 in the amount of \$400,000 for the renovation and equipping of the Youth, Diagnostic and Development Center (YDDC) in accordance with the Missouri Model and implementation of Cambiar New Mexico in Albuquerque in Bernalillo County. There were no other capital outlay appropriations to CYFD or to the General Services Department – PCD in FY 10.

The Department will continue to receive ARRA federal funds FY10. The department will receive \$2,400,000 in increased federal participation rate in the Title IV-E Foster and Adoption Grant. In addition CYFD will receive \$17,816,534 in the Child Care Development Fund (CCDF) grant. Most of these funds are for additional child care slots in the existing Child Care program and 4% of these funds must be used to enhance quality requirements with a portion designated for infant and toddler care quality programs. Lastly CYFD will receive 513,137 in the Ameri-Corp program. This funding is available through December 31, 2010.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
For the Year Ended June 30, 2009

In FY10, The Department reorganized its operations to reflect emerging priorities and opportunities that will make the best and highest use of existing resources. The Department is currently operating under the new structure. The Department has been restructured to form four program areas. They are: Early Childhood Services, Youth and Family Services, Protective Services and Juvenile Justice Services. The Program Support area will continue to provide budget and finance, employee support and information technology services and will assume management of the entire vehicle fleet and background check operations. Some of the services provided by the Early Childhood Services program area include Pre-K, child care, family nutrition, home visiting and other early childhood development programming. The Youth and Family Services program area allows the department to integrate community-based probation and parole services with community-based transition, behavioral health, domestic violence, and other prevention and intervention services. It also allows the department to expand services for the older youth in our care through transition and independent living services. The Protective Services remains as is with the addition of the teen parenting program and the movement of Youth Services consultants to Youth and Family Services. The Juvenile Justice Services (facilities) program area became their own program area, separate from, but still integrated with, probation and parole and community corrections. The department has adopted the *Cambiar* New Mexico (Missouri) model which shifts the focus from a confinement and punishment environment to a rehabilitation and regionalization environment. The department continues to hold young people accountable while it provides for their rehabilitation and prepare them for healthy adulthood.

During fiscal year 2010, the department will close the Area 1 Facility in Springer, New Mexico. This facility was suited to serve low risk offenders and could not serve medium and high risk clients without significant and costly renovations as well as programmatic changes that would have significant non-recurring and recurring costs. The closure is a logical and practical decision based on the long term trend indication that low risk offenders are seldom committed to the Department by the courts.

In a special session that was convened in October 2009, legislation was passed that further reduces the department's FY 10 budget. Based on this legislation, the department reduced its FY 10 budget by six million twenty-three thousand dollars (\$6,023,000), which represented a three percent (3%) reduction of its total general fund budget. The department has submitted its plan to the Department of Finance and Administration (DFA) State Budget Division (SBD) and is awaiting their approval.

The Department will transfer and additional \$919,916 of fund balances from two of its non-recurring funds

The fiscal year 2011 Budget Request includes a general fund base request of \$201,750,400 - an increase of \$1,158,100 or .58 percent over fiscal year 2010. The general fund increase is due to the following items: a request to restore general fund in the amount of \$500,000 for care and support in the Protective Services program area; a request to offset an increase in Department of Information Technology (DoIT) telecommunication rates in the amount of \$845,500; and a request to offset an increase in DoIT Human Capital Management (HCM) rates in the amount of \$311,100. In order to keep the general fund base request within the FY 10 level, the department request included decreases of \$207,400 in contractual services and \$291,100 in other costs.

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**

Exhibit 1

Statement of Net Assets

June 30, 2009

ASSETS	<u>Governmental Activities</u>
Cash	\$ 61,700
Accounts receivable, net	46,696,558
Due from other agencies	9,922,826
Supplies inventory	289,449
Other assets	12,779
Investments at State Investment Council	1,926,614
Capital assets, net	<u>1,279,786</u>
Total assets	<u><u>60,189,712</u></u>
LIABILITIES	
Deficit State Fund Investment Pool	1,497,203
Accounts payable	27,719,561
Accrued payroll	2,922,171
Payroll taxes payable	790,144
Due to other agencies	1,696,416
Due to the fiduciary funds	-
Due to state general fund	3,020,130
Due to federal government	2,942,844
Other payroll related liabilities and withholdings	2,527,561
Deferred revenues	1,374,536
Compensated absences	4,966,994
Noncurrent liabilities	
Compensated absences due in more than one year	<u>2,128,711</u>
Total liabilities	<u><u>51,586,271</u></u>
NET ASSETS	
Invested in capital assets	1,279,786
Restricted for:	
Children's trust fund - permanent	5,922,090
Children's trust fund - special revenue	439,271
Day care fund	690,106
Client emergency miscellaneous	60,000
Subsequent years expenditures by applicable legislation and law	7,016,744
Unrestricted deficit	<u>(6,804,556)</u>
Total net assets	<u><u>\$ 8,603,441</u></u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Exhibit 2

Statement of Activities

Year Ended June 30, 2009

	<u>Governmental Activities</u>
Expenses:	
Health and Welfare	\$ (396,857,866)
Depreciation expense	(481,170)
Total program expense	<u>(397,339,036)</u>
Program Revenues:	
Operating grants and contributions	<u>197,592,506</u>
Net program expense	<u>(199,746,530)</u>
General Revenues:	
General fund and special appropriations	201,096,500
Interest	1,243,840
	<u>202,340,340</u>
Transfers	
Transfers from other State Agencies	2,291,577
Transfers to other State Agencies	(8,829,193)
Contributed asset to General Services Department	(277,875)
General fund reversion 2009 fiscal year	(2,729,625)
Net transfers	<u>(9,545,116)</u>
Change in net assets	(6,951,306)
Net assets, beginning of year	<u>15,554,747</u>
Net assets, end of year	<u><u>\$ 8,603,441</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Exhibit 3

**Balance Sheet
Governmental Funds**

June 30, 2009

	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
State Fund Investment Pool	\$ -	\$ 6,303,226	\$ 6,303,226
Cash	61,700	-	61,700
Accounts receivable, net	46,671,955	24,603	46,696,558
Due from other funds	14,526,223	587,479	15,113,702
Due from other agencies	9,233,247	689,579	9,922,826
Supplies inventory	289,449	-	289,449
Other assets	12,779	-	12,779
Investments at State Investment Council	-	1,926,614	1,926,614
	Total assets	\$ 9,531,501	\$ 80,326,854
LIABILITIES AND FUND BALANCES			
Deficit State Fund Investment Pool	\$ 7,799,633	\$ 796	\$ 7,800,429
Accounts payable	25,909,075	1,810,486	27,719,561
Accrued payroll	2,914,682	7,489	2,922,171
Payroll taxes payable	787,161	2,983	790,144
Due to other funds	15,011,200	102,502	15,113,702
Due to other agencies	1,696,416	-	1,696,416
Due to state general fund	3,020,130	-	3,020,130
Due to federal government	2,942,844	-	2,942,844
Other payroll related liabilities and withholdings	2,524,292	3,269	2,527,561
Deferred revenues	1,374,536	-	1,374,536
	Total liabilities	1,927,525	65,907,494
FUND BALANCES			
Reserved:			
Petty cash	1,700	-	1,700
Inventory	289,449	-	289,449
Children's trust funds - permanent	-	5,922,090	5,922,090
Children's trust fund - special revenue	-	439,271	439,271
Day care fund	-	690,106	690,106
Client emergency miscellaneous	60,000	-	60,000
By law or grant	2,949,924	552,509	3,502,433
Subsequent year's expenditures by appropriation	3,514,311	-	3,514,311
Unreserved and designated	-	-	-
	Total fund balances	7,603,976	14,419,360
	Total liabilities and fund balances	\$ 9,531,501	\$ 80,326,854

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Exhibit 4

**Reconciliation of the Governmental Fund Balance Sheet to the
Statement of Net Assets**

Year Ended June 30, 2009

Fund balances - total governmental funds		\$ 14,419,360
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental capital assets	\$ 4,326,236	
Less accumulated depreciation	<u>3,046,450</u>	1,279,786
Compensated absences recorded in the statement of net assets, not recorded in the governmental funds		<u>(7,095,705)</u>
Net assets of governmental activities		<u>\$ 8,603,441</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2009

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal funds	\$ 184,782,575	\$ 1,200,000	\$ 185,982,575
Other state funds	9,202,565	2,407,366	11,609,931
Interest and (loss) on investments	1,370,307	(126,467)	1,243,840
Total revenues	195,355,447	3,480,899	198,836,346
EXPENDITURES			
Current:			
Health and Welfare	382,157,788	13,809,570	395,967,358
Capital outlay	581,324	-	581,324
Total expenditures	382,739,112	13,809,570	396,548,682
Excess (deficiency) of revenues over expenditures	(187,383,665)	(10,328,671)	(197,712,336)
OTHER FINANCING SOURCES AND (USES)			
Transfers State General Fund Appropriations	188,703,700	10,484,800	199,188,500
Transfers Special Appropriations	1,908,000	-	1,908,000
Transfers from other State Agencies	2,291,577	-	2,291,577
Transfers to other State Agencies	(6,529,193)	(2,300,000)	(8,829,193)
General fund reversions	(2,729,625)	-	(2,729,625)
Total other financing sources and (uses)	183,644,459	8,184,800	191,829,259
Net change in fund balances	(3,739,206)	(2,143,871)	(5,883,077)
Fund balances, beginning of year	10,554,590	9,747,847	20,302,437
Fund balances, ending	\$ 6,815,384	\$ 7,603,976	\$ 14,419,360

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Exhibit 6

**Reconciliation of the Statement Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities**

Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ (5,883,077)

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	\$ 581,324	
Less current year depreciation	<u>481,170</u>	100,154
Disposal of fixed assets		(72,628)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Increase in accrued compensated absences		<u>(1,095,755)</u>
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Change in net assets of governmental activities		<u><u>\$ (6,951,306)</u></u>
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The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Exhibit 7

Statement of Revenues, Expenditures (Non GAAP)
Budget and Actual - Major Budgeted Fund

Year Ended June 30, 2009

General Fund				
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Adjusted		
Revenues				
General fund appropriation	\$ 191,811,700	\$ 190,611,700	\$ 190,611,700	\$ -
Federal funds	150,077,087	150,077,087	184,782,575	34,705,488
Other state funds	56,173,123	56,173,123	12,864,449	(43,308,674)
Total budgeted revenues	398,061,910	396,861,910	<u>\$ 388,258,724</u>	<u>\$ (8,603,186)</u>
Budgeted fund balance	<u>4,726,925</u>	<u>4,726,925</u>		
Total revenues and budget fund balance	<u>\$ 402,788,835</u>	<u>\$ 401,588,835</u>		
	Original	Adjusted	Expenditures	Variance Favorable (Unfavorable)
Expenditures				
Personnel services	\$ 127,730,452	\$ 127,730,452	\$ 127,158,543	\$ 571,909
Contractual services	69,054,406	69,054,406	61,254,900	7,799,506
Other costs	198,558,594	197,358,594	193,915,669	3,442,925
Other financing uses	7,445,383	7,445,383	6,529,193	916,190
Total budgeted expenditures	<u>\$ 402,788,835</u>	<u>\$ 401,588,835</u>	388,858,305	<u>\$ 12,730,530</u>
Plus entry to increase allowance for uncollectable accounts			350,000	
Less transfers to other agencies			(6,529,193)	
Plus entry to record additional accounts payable			60,000	
Total fund financial expenditures			<u>\$ 382,739,112</u>	
Reconciliation to GAAP basis				
Total actual budget revenue			\$ 388,258,724	
Less total actual GAAP expenditures			(382,739,112)	
Less General Fund reversion			(2,729,625)	
Less transfers to other agencies			(6,529,193)	
Net change in general fund balance			<u>\$ (3,739,206)</u>	

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Exhibit 8

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2009

	ASSETS	Agency <u>Funds</u>
Cash		\$ 44,147
State Fund Investment Pool		1,189,313
Due from other agencies		<u>223</u>
Total assets		<u>\$ 1,233,683</u>
	LIABILITIES	
Deposits held for others		<u>\$ 1,233,683</u>

The accompanying notes are an integral part of this financial statement.

Notes to Financial Statements

June 30, 2009

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements

June 30, 2009

NOTE 1. HISTORY AND FUNCTION

The Children, Youth and Families Department, 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 consists of five 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 (Continued)

June 30, 2009

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 and Area 1 (formally the New Mexico Boys' School), 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 Family 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; and,
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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by the Children, Youth and Families Department (Department or 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:

A. 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. Effective July 1, 2003, GASB 39 "Determining Whether Certain Organizations are Component Units" expands the criteria of component units. GASB 39 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2009.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The Juvenile Parole Board is administratively attached to the Department though 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.

B. Basic Financial Statements – GASB Statement 34

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as 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 Assets, 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 (including depreciation expense on capital assets) 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 net cost by function is normally covered by general revenue. Historically, the previous model did not summarize or present net cost by function or activity. Since the Department only has one program, it 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.

The fund financial statements are very similar to the financial statements presented in the previous model.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements – GASB Statement 34 (Continued)

Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department's only major fund is its general fund.

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 of the revised model 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.

C. 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.

Governmental funds are reported as major funds in the accompanying financial statements if they meet the following criteria.

- *Ten percent criterion.* An individual governmental fund reports at least 10 percent of *any* of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

The Department does not have any enterprise funds. The General Fund is the only major fund.

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 non-residential childcare settings. Resources include only federal, and is therefore non-reverting.
- 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 non-reverting to the State General Fund.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES (Continued)

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 non-reverting 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 non-reverting 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.

D. Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of Account Groups for fixed assets and long-term debt but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

E. 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The Department has elected not to follow subsequent private-sector guidance.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Continued)

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Amounts expended and billed for which payment is not expected to be received within 60 days are recorded as deferred revenue.

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 2009 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 deferred revenue by the recipient.

F. 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.

G. 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 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.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting (Continued)

For the year ended June 30, 2009 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 2006 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 2009 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. There are no multiyear budgets.

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 are 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. The two Permanent Funds for Children's Trust Funds are not budgeted as they have no expenditure activity.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. All current year encumbrances lapsed at year end. The Department did not have any encumbrances outstanding for multi-year appropriation at June 30, 2009.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
1-3	6.67	.83	30
4-6	8.00	1.00	30
7-10	9.99	1.25	30
11-14	12.00	1.50	30
15 th /Beyond	13.33	1.67	30

Thirty (30) days of accrued annual leave may be carried forward into the beginning of the next calendar year, and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty (30) days.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, on July 1 or January 1 of each year. However, sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2009, over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

The accrual for compensated absences is calculated at pay rates in effect at June 30, 2009, and include direct and incremental salary-related payments such as the employer's share of social security taxes. Accrued annual leave and vested sick pay are recorded as current and noncurrent liabilities in the Government-wide financial statements.

J. 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 purchased. Inventories are stated at the lower of average cost or market. Reported inventories are equally offset by fund balance reserve which indicates that they do not constitute "an available expendable resource" in the governmental fund financial statements.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Federal grants receivable (deferred 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, deferred 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 deferred 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 deferred revenue on its governmental fund and government wide balance sheets. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period under modified accrual accounting. Deferred 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 deferred 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.

L. Reservations and Designations

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation" for the Department's reservations of net assets.

Reservations of fund balance in the governmental fund statements are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for inventories. This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

Reserved for petty cash. This reserve was created for imprest petty cash funds.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Reservations and Designations (Continued)

Reserved for Client Emergency Miscellaneous Expenses. This reserve was created by NMSA 6-5-9 for the imprest Client Emergency Miscellaneous Expense Funds.

Reserved for Juvenile Community Corrections. This reserve was created by NMSA-33-9A.3 for the appropriations to carry out the purpose of the fund.

Reserved for Day Care Fund. This reserve was created to restrict the use of all resources contributed to or earned by the Day Care Fund.

Reserved for Children's Trust Fund. This reserve was created to restrict the use of all resources earned by or contributed to the Children's Trust Funds.

Reserved for Pre-Kindergarten. This reserve is authorized by NMSA 32A-23-I to carry out the provisions of the Pre-Kindergarten.

Reserved for Juvenile Services. This reserve is authorized by NMSA 32A-23-I to carry out the provisions of the Juvenile Services Act.

Reserved for subsequent years expenditures. This represents amounts from special appropriations which are for subsequent year expenditures in accordance with the applicable legislation.

Unreserved, Designated for Future Expenditures. This represents the Department funds it expects to have budgeted to cover federal program reductions in subsequent years which are made up of non-reverting funds as described in Note 2 C.

M. Net Assets

The government-wide Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets, restricted and unrestricted.

Investment in Capital Assets – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets.

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, or granting agency) limitation on their use.

Unrestricted Assets – represent unrestricted liquid assets. Unrestricted deficit results mainly from the recording of the compensation absences liability for which future state appropriations will pay the liability.

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 (Continued)

June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. Capital Assets

Property, plant and equipment purchased or acquired prior to the June 30, 2006 fiscal year at a value of \$1,000 or greater were capitalized. Effective for the June 30, 2006 fiscal year the capitalization policy was increased to \$5,000 for additions to property plant and equipment additions. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value. The Department capitalizes and depreciates software used for internal purposes. There was no internally developed software activity during the current fiscal year. The Department has no impaired assets at June 30, 2009.

Years	
Furniture/Fixtures	10
Data Processing Equipment (including Software)	6
Equipment	10
Vehicles	5
Buildings	25

The Department owns buildings on land which is owned by GSD-Property Control and the State Land Office.

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. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

P. Program Revenues

The Department classifies federal revenues and other state funds as program revenues in the Statement of Activities.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 3. CASH, STATE FUND INVESTMENT POOL, AND INVESTMENTS

Cash balances at financial institutions and on hand at June 30, 2009 consist of the following:

Bank accounts	\$ 60,500
Cash on hand	<u>1,200</u>
Total cash balance	<u>\$ 61,700</u>

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

General Fund balance (deficit)	\$ (7,799,633)
Non major Government Funds balances	<u>6,302,430</u>
Net balance (deficit)	<u>\$ (1,497,203)</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, 2009.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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

All funds on deposit with banking institutions were fully covered by Federal Deposit Insurance Corporation (FDIC) Insurance at June 30, 2009, as the bank balances indicate below.

	<u>Wells Fargo Bank</u>	<u>Bank of America</u>
Total amount of deposits in bank	\$ 58,806	\$ 48,882
Less:FDIC Coverage	<u>250,000</u>	<u>250,000</u>
Total uninsured public funds	<u>None</u>	<u>None</u>

CYFD investments held by the State Investment Council at June 30, 2009 were as follows:

	<u>Permanent Children Trust</u>	<u>Permanent CTF-Next Gen</u>
Large Cap Index	\$ 116,393	\$ 116,393
Non US Developed Markets Pool	32,993	32,993
Non US Emerging Markets Pool	8,328	8,328
US Core Bonds Pool	<u>805,593</u>	<u>805,593</u>
Total	<u>\$ 963,307</u>	<u>\$ 963,307</u>

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 value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair 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.

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, 2009.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 are as follows:

	General Fund
Federal Grants receivable	\$ 47,481,272
Accounts receivable - overpayment of benefits	2,968,276
Other receivables	637,260
Less: Contractual and collectability allowances	<u>(4,390,250)</u>
Total accounts receivable	<u>\$ 46,696,558</u>

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	\$ 4,040,250
Provision for doubtful accounts	<u>350,000</u>
Balance, end of year	<u>\$ 4,390,250</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 5. CAPITAL ASSETS

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Governmental activities:				
Depreciable Assets:				
Buildings and structures	\$ 997,792	\$ 254,656	\$ (48,845)	\$ 1,203,603
Data processing equipment	1,792,606	326,668	(200,445)	1,918,829
Equipment and machinery	653,372	-	(61,573)	591,799
Furniture and fixtures	638,771	-	(47,150)	591,621
Vehicles	20,384	-	-	20,384
Nondepreciable Assets:				
Livestock	<u>5,900</u>	<u>-</u>	<u>(5,900)</u>	<u>-</u>
Totals at historical cost	<u>4,108,825</u>	<u>581,324</u>	<u>(363,913)</u>	<u>4,326,236</u>
Less accumulated depreciation:				
Buildings and structures	328,158	44,028	(17,041)	355,145
Data processing equipment	1,448,245	309,286	(178,643)	1,578,888
Equipment and machinery	518,211	62,259	(51,914)	528,556
Furniture and fixtures	559,913	61,520	(43,687)	577,746
Vehicles	<u>2,038</u>	<u>4,077</u>	<u>-</u>	<u>6,115</u>
Total accumulated depreciation	<u>2,856,565</u>	<u>481,170</u>	<u>(291,285)</u>	<u>3,046,450</u>
Capital assets, net	<u>\$ 1,252,260</u>	<u>\$ 100,154</u>	<u>\$ (72,628)</u>	<u>\$ 1,279,786</u>

The Department does not have any debt related to capital assets as of June 30, 2009. The current year additions were paid from the General Fund as the expenditures from the Capital Project Fund did not meet the \$5,000 capitalization policy.

Depreciation expense was \$481,170 for the year ended June 30, 2009.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 6. RETIREMENT PLANS (STATE PERA AND ERA)

PERA 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, 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. 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 at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 4.78% to 7.42% (depending upon the division) of their gross salary. The Department is required to contribute from 16.59% to 25.72% (depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Department are established 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 years ending June 30, 2009, 2008, and 2007 were, \$14,170,720, \$13,439,792 and \$14,887,835 respectively, equal to the amount of the required contributions for each year.

ERA Pension Plan

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

Funding Policy. Plan members are required to contribute 7.9% of their gross salary. The Department is required to contribute 11.65% of the gross covered salary. The contribution requirements of plan members and the Department are established in Chapter 22, Article 11 NMSA 1978. The contribution requirements may be amended by acts of the legislature. The Department's contributions to ERA for the years ending June 30, 2009, 2008, and 2007 were, \$514,567, \$428,149 and \$255,301 respectively, equal to the amount of the required contributions for each year. Future contributions by the employee and the employer will increase in future years as required by legislation. The employer and employee contribution rates will increase to 12.40% and 8.65% for the Department for the 2010 fiscal year.

NOTE 7. POST-EMPLOYMENT BENEFITS

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,

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 7. POST-EMPLOYMENT BENEFITS (Continued)

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 www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-a5 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements from the contributions can be changed by the New Mexico State Legislature.

The Department's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$1,590,200, \$1,504,537 and \$1,432,550, respectively, which equal the required contributions for the employer and employee for the respective years ended.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 8. BUDGETARY BASIS

For the year ended June 30, 2009 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, 2009.

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 Assets are as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Compensated absences:				
Annual leave	\$ 4,913,796	\$ 4,411,217	\$ (3,634,094)	\$ 5,690,919
Compensatory leave	912,453	441,122	(128,039)	1,225,536
Sick leave	173,701	129,503	(123,954)	179,250
Total compensated absences	5,999,950	<u>\$ 4,981,842</u>	<u>\$ (3,886,087)</u>	7,095,705
Less current portion	<u>4,199,965</u>			<u>4,966,994</u>
Net long-term compensated absences	<u>\$ 1,799,985</u>			<u>\$ 2,128,711</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:

<u>Years Ending June 30:</u>	<u>Facilities</u>	<u>Equipment</u>
2010	\$ 8,361,080	\$ 836,500
2011	8,578,916	868,900
2012	8,773,436	868,900
2013	8,978,471	868,900
2014	<u>9,206,164</u>	<u>868,900</u>
Total	<u>\$ 43,898,067</u>	<u>\$ 4,312,100</u>

During the period ending June 30, 2009 facilities and equipment rent expenses amounted to \$8,839,543.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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 likely to be covered by insurance (through Risk Management Division) and accordingly a loss is not recorded. Losses identified are known and measurable that are not covered by Risk Management has been recorded in the financial statements.

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 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 Operating	06700	\$ 1,749,548	FACTS	48900	\$ 1,749,548
General Operating	06700	3,230,860	FACTS	49100	3,230,860
General Operating	06700	190,864	Family Nutrition	84000	190,864
FACTS	48900	4,375,353	General Operating	06700	4,375,353
FACTS	48900	1,840	FACTS	49100	1,840
FACTS	48900	24,603	ARRA	89000	24,603
Childcare Payments	49100	4,767,847	General Operating	06700	4,767,847
Childcare Payments	49100	25	FACTS	48900	25
CTF Expendable	78000	74,000	CTF Non-Expendable	78100	74,000
CTF Expendable	78000	6,589	General Operating	06700	6,589
JJDP Children's Justice	84100	135,953	General Operating	06700	135,953
JJDP Children's Justice	84100	49,330	Light	06800	49,330
ARRA	89000	796	FACTS	48900	796
Next Gen-Expendable	94800	3,899	Next Gen- Non- Expendable	94900	3,899
Pre-Kindergarten	20080	500,000	General Operating	06700	500,000
Juvenile Services	20090	2,195	JJDP Children's Justice	84100	2,195
Totals		<u>\$ 15,113,702</u>			<u>\$ 15,113,702</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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 amount due to the State General Fund for 2009 reversions are:

General Fund

	Reversion Calculation	General Fund
Fund balance SHARE funds 06700,48900 and 49100	\$ 6,595,085	\$ 6,595,085
Non reverting components of fund balances	-	2,949,924
Reversion for Special Appropriations	(1,366,367)	(1,366,367)
Restricted by law appropriation or the grant for future years for SHARE 06700,48900 and 49100		
- State Permanent and Land Income	(3,070,061)	-
- Domestic Violence Offenders	(145,540)	-
- Annie Casey Foundation	(298,710)	-
Reserved for SHARE 06700,48900 and 49100		
- Petty Cash	(1,700)	-
- Inventory	(289,449)	-
- CEME	(60,000)	-
Current Year Reversion	\$ 1,363,258	(1,363,258)
Total General fund - fund balance		\$ 6,815,384

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 13. REVERSIONS (Continued)

Current year reversions are calculated only for reverting accounts (See list at Note 2 C).

The balance in due to general fund is made up of:

- Calculated reversion for 2009	\$ 2,729,625
- Child Care licensing fees per NMSA 24-1-5	287,032
- PY reimbursements	2,988
- Child Care fees overpaid	<u>485</u>
 Total Due to State General Fund	 <u>\$ 3,020,130</u>

The balance in the General Fund reversion account is made up of:

- Calculated reversion for 2009	\$ 1,363,258
- Special Appropriations (See page 79 & 80)	<u>1,366,367</u>
 Total General Fund Reversion	 <u>\$ 2,729,625</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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; revenue earned from the Permanent Fund; Child Support Enforcement revenue from the Land Income Fund; amount from the Corrections Department for payments made by CYFD; 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.

A. 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	\$ 20,000	Dept of Health	06100	\$ 20,000
General Fund	06700	659,036	DFA	37600	659,036
General Fund	06700	46,063	Corrections	77000	46,063
General Fund	06700	3,484,487	Human Services Dept.	05200	3,484,487
General Fund	06700	243,910	Higher Education Dept	21600	243,910
General Fund	06700	12,920	Governors Com Disabilities	64500	12,920
General Fund	06700	113,408	State Treasurer	76100	113,408
General Fund	06700	2,985	Permanent Land Fund	60100	2,985
General Fund	06700	4,648,401	Human Services Dept.	97500	4,648,401
General Fund	06700	1,953	DPS	12800	1,953
Light Fund	06800	84	State Treasurer	80100	84
Total General Fund		<u>\$ 9,233,247</u>			<u>\$ 9,233,247</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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

Amount Due From Other Agencies			Other Agencies		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
<u>Special Revenue Funds</u>					
Children's Expend. Trust	78000	\$ 4,230	MVD - Child Plate	82500	\$ 4,230
Day Care	91100	<u>214,705</u>	DOH - Birth and Death	06100	<u>214,705</u>
Total Speical Revenue		<u>218,935</u>			<u>218,935</u>
<u>Permanent Funds</u>					
Children's Non-Expend. Trust Fund	78100	608	State Treasurer	80100	608
Children's Trust Fund	94900	<u>90</u>	State Treasurer	80100	<u>90</u>
Total Permanent Fund		<u>698</u>			<u>698</u>
<u>Capital Project Fund</u>					
Capital Projects	59700	<u>469,946</u>	DFA	34100	<u>469,946</u>
Total Governmental Funds		<u>9,922,826</u>			<u>9,922,826</u>
<u>Fiduciary Fund</u>					
Social Security	09600/49000	<u>223</u>	State Treasurer	80100	<u>223</u>
		<u>\$ 9,923,049</u>			<u>\$ 9,923,049</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

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

B. Due To Other State Agencies

Amount Due To Other Agencies			Other Agencies		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Operating	06700	\$ 141,733	HSD - JAS	05200	\$ 141,733
General Operating	06700	690	HSD	97600	690
General Operating	06700	645,370	ALTSD	27000	645,370
General Operating	06700	125,534	Department of Public Safety	12800	125,534
General Operating	06700	2,493	Department of Finance	34100	2,493
General Operating	06700	47,378	Department of Finance-CRB	01000	47,378
General Operating	06700	689,212	Human Services Dept	97500	689,212
General Operating	06700	<u>1,652,410</u>			<u>1,652,410</u>
Facts Protective	48900	<u>29,006</u>	ALTSD	27000	<u>29,006</u>
JJDP/Children's Justice	84100	<u>15,000</u>	Office of the Attorney General	17000	<u>15,000</u>
Total General Fund		<u><u>\$ 1,696,416</u></u>			<u><u>\$ 1,696,416</u></u>

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

NOTE 15. TRANSFERS TO/FROM OTHER STATE AGENCIES

The following is a summary of interagency cash transfers as a result of: the Citizens Review Board and compensation increase, PreK and HIPPA transfers from the Department of Finance and Administration; transfers to NM Indian Affairs, Adult Long Term Services Department, Human Services Department, Fund for the Handicapped, Department of Health, Public Education Department, and Commission on Higher Education for Behavioral Health Transformation Grant; Department of Health for School Mental Health; for payments to Judicial Courts and District Attorney's for the Juvenile Accountability Incentive Block Grant.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 15. TRANSFERS TO/FROM OTHER STATE AGENCIES (CONTINUED)

<u>Transfers to other Agencies</u>	<u>SHARE Number</u>	<u>Amount</u>
Department of Finance and Administration/CRB	34100	\$ (196,348)
Department of Finance and Administration	34101	(5,800,000)
NM Office of Indian Affairs	60900	(48,650)
Adult Long Term Services Department	62400	(78,989)
Human Services Department	63000	(2,169,019)
Department of Health	66500	(323,530)
Department of Education	92400	(29,483)
Commission on Higher Education	95000	(183,174)
		<u>(8,829,193)</u>
	<u>SHARE</u>	
	<u>Number</u>	<u>Amount</u>
<u>Transfers from other Agencies</u>		
Department of Finance and Administration - Comp pkg	34100	2,027,400
Human Services Department	63000	264,177
		<u>\$ 2,291,577</u>
Net transfers to other Agencies		<u>\$ (6,537,616)</u>

For the government wide financial statements \$277,875 was reclassified from the general fund other costs to a contributed asset to General Services Department (GSD) because the Department purchased vehicles which the title and ownership are in GSD's name.

NOTE 16. FUND BALANCE RESERVATIONS AND DESIGNATIONS

The reserves for petty cash, inventory, and client emergency miscellaneous are based on the offsetting asset balances.

The reserve for Children's Trust Funds represents the expendable and non-expendable balances in these funds that are restricted by statute NMSA 1978 24-19-1 to 24-19-9.

The reserve for Day Care Fund represents the fund balances that are restricted as to use by NMSA 24-14-29.

The reserve for subsequent years expenditures are based on the applicable legislation purposes designated by the laws (See pages 79-80). Any unencumbered or unexpended balances remaining at the revert to the State General Fund based on the applicable legislation.

The designation for State Permanent and Land Income funds is for purposes designated by NMSA 19-1-17 and the State Constitution, Article XIV, Section 1 and is non-reverting.

The designation for Domestic Violence Offender Treatment is for purposes designated by NMSA 34-15-2 and 31-12-12 and is non-reverting.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 16. FUND BALANCE RESERVATIONS AND DESIGNATIONS (Continued)

The reserved for the Casey foundation is for purposes required by a private foundation.

NOTE 17. 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. Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income of approximately \$185,000 is recognized in the general fund as a component of other state fund revenue.

The value of the Department's interest in the State Charitable, Penal and Reformatory Institutions Fund was 2/7^{ths} of the fair market value. Income of \$1,366,660 is recognized in the general fund as interest on investments.

NOTE 18. 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.

During the 2005 fiscal year the Federal Department of Health and Human Services, Office of the Inspector General conducted an audit of the 2001 and 2002 grants. This audit consisted had two components. The first related to Title IV-E training costs remitted to three universities as part of Joint Powers Agreements. The audit concluded training costs claimed were overstated. The Department appealed the results of the audit but was denied. Of the three universities one was able to pay it portion of the unallowable costs. This amount was remitted to the department. In the prior year, the Department requested and received a supplemental appropriation to cover the amount due to the federal government on behalf of the other two universities. In the current fiscal year the Department remitted \$1,235,888 to the federal government to satisfy this portion of the audit.

The other component of the audit related to unallowable Title IV-E administrative costs claimed by the Department. The Department appealed the results of this portion of the audit as well and have booked a liability of \$1,692,131 at June 30, 2009. As of October 23, 2009 our appeal was denied. The final liability amount due of \$1,875,995 and will be remitted to the federal government in FY10.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Financial Statements (Continued)

June 30, 2009

NOTE 19. ACCOUNTING STANDARD PRONOUNCEMENTS

In June 2007, GASB issued Statement 51, *Accounting and Financial Reporting for Intangible Assets*, which is effective for the Department's fiscal year ending June 30, 2010. The Department has not assessed the future impact on its financial statements due to this GASB pronouncement.

In March 2009, GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is effective for the Department's fiscal year ending June 30, 2011. This statement provides clearer, more structured fund balance classifications and clarifies the definitions of existing governmental fund types. The Department has not assessed the future impact on its financial statements due to this GASB pronouncement.

NOTE 20. SUBSEQUENT EVENTS

The Department has evaluated subsequent events through December 11, 2009, which is the date the financial statements have been issued and have determined an event requires disclosure to the financial statements which is the following:

On September 9, 2009 the Department has settled an American Civil Liberties Union (ACLU) law suit regarding improving health and safety services for youth in the Department's custody. The agreement outlines detailed improvements the Department will make in areas of accountability, quality assurance, safety and protection of youths in detention. In accordance with the agreement, the Department is required to pay \$500,000 in attorney's fees in fiscal year 2010. At June 30, 2009, the Department has recorded a liability of \$200,000 for the attorney's fees from the previous agreement with the ACLU. The ACLU will maintain a continuing monitoring presence in CYFD facilities through December 31, 2010 to ensure goals are met.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

June 30, 2009

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 and pages 52 to 62 represent the individual component parts budgeted to actual comparison:

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
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual
General Operating Account - Non GAAP
Year Ended June 30, 2009

Schedule 1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 147,961,400	\$ 147,961,400	\$ 147,961,400	\$ -
Federal funds	57,140,087	57,140,087	53,685,541	(3,454,546)
Other state funds	14,972,223	14,972,223	10,525,889	(4,446,334)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	220,073,710	220,073,710	<u>\$ 212,172,830</u>	<u>\$ (7,900,880)</u>
Budgeted fund balance	<hr/>	<hr/>		
	1,526,925	1,526,925		
Total revenues and budgeted fund balance	<hr/>	<hr/>		
	\$ 221,600,635	\$ 221,600,635		

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 127,149,652	\$ 127,149,652	\$ 126,699,822	\$ 449,830
Contract services	63,442,921	63,442,921	56,301,077	7,141,644
Other costs	26,562,679	26,562,679	25,329,530	1,233,149
Other financing uses	4,445,383	4,445,383	3,529,193	916,190
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 221,600,635</u>	<u>\$ 221,600,635</u>	211,859,622	<u>\$ 9,740,813</u>
Less transfers to other agencies			(3,529,193)	
Plus accounts payable entry			<hr/>	
			60,000	
Total GAAP expenditures			<hr/>	
			\$ 208,390,429	

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 2

**General Fund Accounts
Schedule of Expenditures
Budget and Actual - Non GAAP
Program Support - P576**

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 11,968,500	\$ 11,968,500	\$ 11,833,565	\$ 134,935
Contract services	2,277,800	2,277,800	1,960,101	317,699
Other costs	3,933,450	3,933,450	3,520,151	413,299
Other financing uses	3,891,583	3,891,583	3,019,045	872,538
	<u>32,065,333</u>	<u>32,065,333</u>	<u>29,332,862</u>	<u>2,732,471</u>
Total budgeted expenditures	<u>\$ 22,071,333</u>	<u>\$ 22,071,333</u>	<u>\$ 20,332,862</u>	<u>\$ 1,738,471</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 3

**General Fund Accounts
Schedule of Expenditures
Budget and Actual - Non GAAP
Juvenile Justice Services Division - P577**

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 52,398,952	\$ 52,398,952	\$ 52,363,353	\$ 35,599
Contract services	8,817,535	8,817,535	6,939,508	1,878,027
Other costs	8,734,211	8,734,211	8,110,942	623,269
Other financing uses	-	-	-	-
	-	-	-	-
Total budgeted expenditures	\$ 69,950,698	\$ 69,950,698	\$ 67,413,803	\$ 2,536,895

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 4

**General Fund Accounts
Schedule of Expenditures
Budget and Actual - Non GAAP
Protective Services Division - P578**

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 50,254,200	\$ 50,254,200	\$ 50,166,802	\$ 87,398
Contract services	10,289,247	10,289,247	8,461,628	1,827,619
Other costs	11,322,518	11,322,518	11,322,518	-
Other financing uses	240,000	240,000	196,348	43,652
Total budgeted expenditures	<u>\$ 72,105,965</u>	<u>\$ 72,105,965</u>	<u>\$ 70,147,296</u>	<u>\$ 1,958,669</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 5

**General Fund Accounts
Schedule of Expenditures
Budget and Actual - Non GAAP
Family Services Division -P580**

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 12,528,000	\$ 12,528,000	\$ 12,336,102	\$ 191,898
Contract services	42,058,339	42,058,339	38,939,840	3,118,499
Other costs	2,572,500	2,572,500	2,375,919	196,581
Other financing uses	313,800	313,800	313,800	-
	<u>313,800</u>	<u>313,800</u>	<u>313,800</u>	<u>-</u>
Total budgeted expenditures	<u>\$ 57,472,639</u>	<u>\$ 57,472,639</u>	<u>\$ 53,965,661</u>	<u>\$ 3,506,978</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 6

General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Special Appropriation - Light Account

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
Other state funds	\$ -	\$ -	\$ 3,647	\$ 3,647
	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures	-	-	-	-
Total budgeted expenditures	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 7

General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
FACTS Protective Services

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 21,406,400	\$ 20,206,400	\$ 20,206,400	\$ -
Federal funds	19,433,300	19,433,300	19,708,799	275,499
Other state funds	1,566,300	1,566,300	2,334,665	768,365
	42,406,000	41,206,000	\$ 42,249,864	\$ 1,043,864
 Total budgeted revenues				
 Budgeted fund balance	-	-		
 Total revenues and budgeted fund balance	\$ 42,406,000	\$ 41,206,000		
	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Other costs	\$ 42,406,000	\$ 41,206,000	\$ 40,999,864	\$ -
 Audit entry to increase allowance for doubtful accounts			50,000	
 Total GAAP expenditures			\$ 41,049,864	

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
FACTS Child Care Payments Account - P580

Schedule 8

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable <u>(Unfavorable)</u>
Revenues				
General fund appropriation	\$ 18,157,700	\$ 18,157,700	\$ 18,157,700	\$ -
Federal funds	30,471,400	30,471,400	69,057,027	38,585,627
Other state funds	39,634,600	39,634,600	-	(39,634,600)
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	88,263,700	88,263,700	<u>\$ 87,214,727</u>	<u>\$ (1,048,973)</u>
Budgeted fund balance	<hr/>	<hr/>		
	-	-		
Total revenues and budgeted fund balance	<u>\$ 88,263,700</u>	<u>\$ 88,263,700</u>		
				Variance
				Favorable
				<u>(Unfavorable)</u>
Expenditures				
Contract services	\$ 6,785	\$ 6,785	\$ 6,767	\$ 18
Other costs	88,256,915	88,256,915	86,907,960	1,348,955
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 88,263,700</u>	<u>\$ 88,263,700</u>	86,914,727	<u>\$ 1,348,973</u>
Audit entry to increase allowance for doubtful accounts			<hr/>	
			300,000	
Total GAAP expenditures			<u>\$ 87,214,727</u>	

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Juvenile Community Corrections Account - P577

Schedule 9

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 4,202,000	\$ 4,202,000	\$ 4,202,000	\$ -
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	4,202,000	4,202,000	<u>\$ 4,202,000</u>	<u>\$ -</u>
Budgeted fund balance	<u>3,200,000</u>	<u>3,200,000</u>		
Total revenues and budgeted fund balance	<u>\$ 7,402,000</u>	<u>\$ 7,402,000</u>		

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 351,100	\$ 351,100	\$ 345,214	\$ 5,886
Contract services	4,036,300	4,036,300	3,382,251	654,049
Other costs	14,600	14,600	6,637	7,963
Other financing uses	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 7,402,000</u>	<u>\$ 7,402,000</u>	<u>\$ 6,734,102</u>	<u>\$ 667,898</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Family Nutrition-Federal Child
Care Food Account - P580

Schedule 10

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
Federal funds	\$ 41,197,900	\$ 41,197,900	\$ 41,101,808	\$ (96,092)
Other state funds	-	-	248	248
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	<u>\$ 41,197,900</u>	<u>\$ 41,197,900</u>	<u>\$ 41,102,056</u>	<u>\$ (95,844)</u>

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Other costs	\$ 41,197,900	\$ 41,197,900	\$ 41,102,056	\$ 95,844
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Juvenile Justice & Delinquency Prevention - P580

Schedule 11

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 84,200	\$ 84,200	\$ 84,200	\$ -
Federal funds	1,834,400	1,834,400	1,229,400	(605,000)
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	<u>\$ 1,918,600</u>	<u>\$ 1,918,600</u>	<u>\$ 1,313,600</u>	<u>\$ (605,000)</u>

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 229,700	\$ 229,700	\$ 113,507	\$ 116,193
Contract services	1,568,400	1,568,400	1,096,550	471,850
Other costs	120,500	120,500	37,877	82,623
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 1,918,600</u>	<u>\$ 1,918,600</u>	<u>\$ 1,247,934</u>	<u>\$ 670,666</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Non-Major Funds

June 30, 2009

**SHARE
FUND #**

ACCOUNT

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.
94800	Children's Trust Fund Next Generation – This fund is used to account for general fund appropriations received for specific purposes.
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.
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 non-reverting fund.
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 non-reverting 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.

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. The activity for 2009 does not meet the requirements to capitalize the assets to the financial statements.
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STATE OF NEW MEXICO
 CHILDREN, YOUTH AND FAMILIES DEPARTMENT
 Combining Balance Sheet
 Non-Major Governmental Funds

June 30, 2009

	Children's Trust Fund	CTF Next Generation	Day Care	Pre-Kindergarten	Regional Juvenile Services	ARRA of 2009	Permanent Children's Trust Fund	Permanent CTF Next Gen	Capital Project Fund	Total Non-Major Governmental Funds
ASSETS										
State Fund Investment Pool	\$ 382,222	\$ 115	\$ 475,401	\$ 693,809	\$ 679,002	\$ -	\$ 3,546,712	\$ 525,965	\$ -	\$ 6,303,226
Due from other funds	80,589	3,899	-	500,000	2,195	796	-	-	-	587,479
Due from other agencies	4,230	-	214,705	-	-	-	608	90	469,946	689,579
Accounts receivable, net	-	-	-	-	-	24,603	-	-	-	24,603
Investments at SIC	-	-	-	-	-	-	963,307	963,307	-	1,926,614
Total assets	\$ 467,041	\$ 4,014	\$ 690,106	\$ 1,193,809	\$ 681,197	\$ 25,399	\$ 4,510,627	\$ 1,489,362	\$ 469,946	\$ 9,531,501
LIABILITIES AND FUND BALANCE										
Deficit State Fund Investment Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 796	\$ -	\$ -	\$ -	\$ 796
Vouchers payable	31,784	-	-	968,340	354,157	-	-	-	469,946	1,824,227
Due to other funds	-	-	-	-	-	24,603	74,000	3,899	-	102,502
Total liabilities	31,784	-	-	968,340	354,157	25,399	74,000	3,899	469,946	1,927,525
FUND BALANCES										
Reserved:										
Children's Trust Funds	435,257	4,014	-	-	-	-	4,436,627	1,485,463	-	6,361,361
Day Care fund	-	-	690,106	-	-	-	-	-	-	690,106
Designated for future years	-	-	-	225,469	327,040	-	-	-	-	552,509
Total fund balances	435,257	4,014	690,106	225,469	327,040	-	4,436,627	1,485,463	-	7,603,976
Total liabilities and fund balances	\$ 467,041	\$ 4,014	\$ 690,106	\$ 1,193,809	\$ 681,197	\$ 25,399	\$ 4,510,627	\$ 1,489,362	\$ 469,946	\$ 9,531,501

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non Major Governmental Funds

Year Ended June 30, 2009

	Children's Trust Fund	CTF Next Generation	Day Care	Pre-Kindergarten	Regional Juvenile Services	ARRA of 2009	Permanent Children's Trust Fund	Permanent CTF Next Gen	Capital Project Fund	Total Non-Major Governmental Funds
REVENUES										
Other state funds	\$ 134,963	\$ -	\$ 942,994	\$ 750,000	\$ -	\$ -	\$ 109,463	\$ -	\$ 469,946	\$ 2,407,366
Federal revenue	25,870	3,899	-	-	-	1,200,000	-	-	-	1,200,000
Interest (loss) on investments	160,833	3,899	942,994	750,000	-	-	(78,118)	(78,118)	-	(126,467)
Total revenues							31,345	(78,118)	469,946	3,480,899
EXPENDITURES										
Current operating										
Health and welfare	451,951	38,000	900,000	8,735,812	2,013,861	1,200,000	-	-	469,946	13,809,570
Total expenditures	451,951	38,000	900,000	8,735,812	2,013,861	1,200,000	-	-	469,946	13,809,570
Excess (deficiency) of Revenues over expenditures	(291,118)	(34,101)	42,994	(7,985,812)	(2,013,861)	-	31,345	(78,118)	-	(10,328,671)
OTHER FINANCING SOURCES AND (USES)										
General fund appropriations	220,700	-	-	8,190,300	2,073,800	-	-	-	-	10,484,800
Transfers in/(out)	-	-	(1,500,000)	(300,000)	(500,000)	-	-	-	-	(2,300,000)
Total other financing sources and (uses)	220,700	-	(1,500,000)	7,890,300	1,573,800	-	-	-	-	8,184,800
Net change in fund balances	(70,418)	(34,101)	(1,457,006)	(95,512)	(440,061)	-	31,345	(78,118)	-	(2,143,871)
Fund balances, beginning	505,675	38,115	2,147,112	320,981	767,101	-	4,405,282	1,563,581	-	9,747,847
Fund balances, ending	\$ 435,257	\$ 4,014	\$ 690,106	\$ 225,469	\$ 327,040	\$ -	\$ 4,436,627	\$ 1,485,463	\$ -	\$ 7,603,976

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 14

**Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Children's Trust Fund - P580**

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 220,700	\$ 220,700	\$ 220,700	\$ -
Other state funds	225,900	225,900	160,833	(65,067)
	446,600	446,600	<u>\$ 381,533</u>	<u>\$ (65,067)</u>
 Total revenues				
Budgeted fund balance	24,000	24,000		
 Total revenues and budgeted fund balance	<u>\$ 470,600</u>	<u>\$ 470,600</u>		
	<u>Budgeted Amounts</u>		<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 33,100	\$ 33,100	\$ 32,790	\$ 310
Contract services	416,900	416,900	408,857	8,044
Other costs	20,600	20,600	10,304	10,296
	470,600	470,600	<u>\$ 451,951</u>	<u>\$ 18,650</u>
 Total budgeted expenditures				

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 15

**Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual-Non GAAP**

CTF Next Generation - P580

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	3,899	3,899
			-	
Total budgeted revenues	-	-	<u>\$ 3,899</u>	<u>\$ 3,899</u>
 Budgeted fund balance	<u>38,000</u>	<u>38,000</u>		
 Total revenues and budgeted fund balance	<u>\$ 38,000</u>	<u>\$ 38,000</u>		

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ -	\$ -	\$ -	\$ -
Contract services	38,000	38,000	38,000	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
			-	
Total budgeted expenditures	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>38,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Day Care Fund -P580

Schedule 16

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
Other state funds	\$ 900,000	\$ 900,000	\$ 942,994	\$ 42,994
Budgeted fund balance	1,500,000	1,500,000		
Total revenues and budgeted fund balance	\$ 2,400,000	\$ 2,400,000		
	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Other costs	\$ 900,000	\$ 900,000	\$ 900,000	\$ -
Other financing uses	1,500,000	1,500,000	1,500,000	-
Total budgeted expenditures	\$ 2,400,000	\$ 2,400,000	2,400,000	\$ -

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 17

**Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual-Non GAAP**

Public Pre-Kindergarten - P580

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 8,190,300	\$ 8,190,300	\$ 8,190,300	\$ -
Federal funds	-	-	-	-
Other state funds	<u>1,000,000</u>	<u>1,000,000</u>	<u>750,000</u>	<u>(250,000)</u>
Total budgeted revenues	9,190,300	9,190,300	<u>\$ 8,940,300</u>	<u>\$ (250,000)</u>
Budgeted fund balance	<u>800,000</u>	<u>800,000</u>		
Total revenues and budgeted fund balance	<u>\$ 9,990,300</u>	<u>\$ 9,990,300</u>		

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 500,600	\$ 500,600	\$ 267,818	\$ 232,782
Contract services	8,643,500	8,643,500	8,426,437	217,063
Other costs	46,200	46,200	41,557	4,643
Other financing uses	<u>800,000</u>	<u>800,000</u>	<u>300,000</u>	<u>500,000</u>
Total budgeted expenditures	<u>\$ 9,990,300</u>	<u>\$ 9,990,300</u>	<u>9,035,812</u>	<u>\$ 954,488</u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule 18

**Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual-Non GAAP**

Regional Juvenile Services - P580

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 2,073,800	\$ 2,073,800	\$ 2,073,800	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	2,073,800	2,073,800	<u>\$ 2,073,800</u>	<u>\$ -</u>
Budgeted fund balance	<u>500,000</u>	<u>500,000</u>		
Total revenues and budgeted fund balance	<u>\$ 2,573,800</u>	<u>\$ 2,573,800</u>		

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ -	\$ -	\$ -	\$ -
Contract services	2,073,800	2,073,800	2,013,860	59,940
Other costs	-	-	-	-
Other financing uses	500,000	500,000	500,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 2,573,800</u>	<u>\$ 2,573,800</u>	<u>2,513,860</u>	<u>\$ 59,940</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP

ARRA of 2009

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds	-	1,200,000	1,200,000	-
Other state funds	-	-	-	\$ -
Total budgeted revenues	\$ -	\$ 1,200,000	\$ 1,200,000	\$ -

	<u>Budgeted Amounts</u>		<u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ -	\$ -	\$ -	\$ -
Contract services	-	-	-	-
Other costs	-	1,200,000	1,200,000	-
Other financing uses	-	-	-	-
Total budgeted expenditures	\$ -	\$ 1,200,000	\$ 1,200,000	\$ -

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Special Revenue Accounts
Schedule of Revenues and Expenditures
Budget and Actual - Non GAAP
Capital Project Fund

Schedule 20

Year Ended June 30, 2009

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Amended</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues				
Budgeted fund balance	\$ -	\$ 2,000,000	\$ 469,946	\$ (1,530,054)

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	Favorable (Unfavorable)
Expenditures				
Other costs	\$ -	\$ 2,000,000	\$ 469,946	\$ 1,530,054

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Combining Balance Sheet by Components of the
General Fund

June 30, 2009

ASSETS	General Operating	Special Appropriation - Light	FACTS Protective Services	FACTS Child Care Payments	Juvenile Community Corrections	Federal Childcare Food Account	JJDP/Children's Justice	Total General Fund
State Fund Investment Pool *	\$ 8,234,190	\$ 491,957	\$ -	\$ -	\$ 1,176,010	\$ -	\$ 187,675	\$ 10,089,832
Cash	61,700	-	-	-	-	-	-	61,700
Accounts receivable, net	12,955,849	-	2,420,688	23,079,931	-	7,176,020	1,039,467	46,671,955
Due from other funds	5,171,272	-	4,401,796	4,767,872	-	-	185,283	14,526,223
Due from other agencies	9,233,163	84	-	-	-	-	-	9,233,247
Supplies inventory	289,449	-	-	-	-	-	-	289,449
Other assets	12,779	-	-	-	-	-	-	12,779
Total assets	\$ 35,958,402	\$ 492,041	\$ 6,822,484	\$ 27,847,803	\$ 1,176,010	\$ 7,176,020	\$ 1,412,425	\$ 80,885,185
LIABILITIES AND FUND BALANCE								
Deficit State Fund Investment Pool *	\$ -	\$ -	\$ 205,805	\$ 16,400,536	\$ -	\$ 1,283,124	\$ -	\$ 17,889,465
Accounts payable	15,393,179	-	3,664,342	7,614,004	315,134	4,900,306	248,245	32,135,210
Due to other funds	9,785,742	49,330	1,750,369	3,232,700	-	190,864	2,195	15,011,200
Due to other agencies	1,652,410	-	29,006	-	-	-	15,000	1,696,416
Due to state general fund	1,817,241	-	1,202,404	485	-	-	-	3,020,130
Due to federal government	2,092,646	-	-	633,082	-	185,344	31,772	2,942,844
Deferred revenues	1,271,764	-	17,261	253	-	85,258	-	1,374,536
Total liabilities	\$ 32,012,982	\$ 49,330	\$ 6,869,187	\$ 27,881,060	\$ 315,134	\$ 6,644,896	\$ 297,212	\$ 74,069,801
FUND BALANCES								
Reserved:								
Petty cash	1,700	-	-	-	-	-	-	1,700
Inventory	289,449	-	-	-	-	-	-	289,449
Client emergency miscellaneous	60,000	-	-	-	-	-	-	60,000
By law or grant	-	442,711	-	-	860,876	531,124	-	2,949,924
Designated subsequent year's expenditures	3,514,311	-	(46,703)	(33,257)	-	-	-	3,514,311
Unreserved and designated (deficit):	79,960	-	(46,703)	(33,257)	-	-	-	-
Total fund balances	\$ 3,945,420	\$ 442,711	\$ (46,703)	\$ (33,257)	\$ 860,876	\$ 531,124	\$ 1,115,213	\$ 6,815,384
Total liabilities and fund balances	\$ 35,958,402	\$ 492,041	\$ 6,822,484	\$ 27,847,803	\$ 1,176,010	\$ 7,176,020	\$ 1,412,425	\$ 80,885,185

*Balance netted to State Fund Investment Pool of (\$7,799,633) on Exhibit 3.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
by Components of the General Fund

Year Ended June 30, 2009

	General Operating	Special Appropriation - Light	FACTS Protective Services	FACTS Child Care Payments	Juvenile Community Corrections	Federal Childcare Food Account	JJDP/Children's Justice	Total General Fund
REVENUES								
Federal funds	\$ 53,685,541	\$ -	\$ 19,708,799	\$ 69,057,027	\$ -	\$ 41,101,808	\$ 1,229,400	\$ 184,782,575
Other state funds	6,867,652	-	2,334,665	-	-	248	-	9,202,565
Interest	1,366,660	3,647	-	-	-	-	-	1,370,307
Total revenues	61,919,853	3,647	22,043,464	69,057,027	-	41,102,056	1,229,400	195,355,447
EXPENDITURES								
Current operating:								
Health and Welfare	207,809,105	-	41,049,864	87,214,727	3,734,102	41,102,056	1,247,934	382,157,788
Capital outlay	581,324	-	-	-	-	-	-	581,324
Total expenditures	208,390,429	-	41,049,864	87,214,727	3,734,102	41,102,056	1,247,934	382,739,112
Excess (deficiency) of Revenues over expenditures	(146,470,576)	3,647	(19,006,400)	(18,157,700)	(3,734,102)	-	(18,534)	(187,383,665)
OTHER FINANCING SOURCES AND (USES)								
General fund appropriations	146,053,400	-	20,206,400	18,157,700	4,202,000	-	84,200	188,703,700
Special appropriations	1,908,000	-	-	-	-	-	-	1,908,000
Transfers from other State Agencies	2,291,577	-	-	-	-	-	-	2,291,577
Transfers to other State Agencies	(3,529,193)	-	-	-	(3,000,000)	-	-	(6,529,193)
General fund reversions	(1,529,625)	-	(1,200,000)	-	-	-	-	(2,729,625)
Total other financing sources and (uses)	145,194,159	-	19,006,400	18,157,700	1,202,000	-	84,200	183,644,459
Net change in fund balances	(1,276,417)	3,647	-	-	(2,532,102)	-	65,666	(3,739,206)
Fund balances, beginning of year	5,221,837	439,064	(46,703)	(33,257)	3,392,978	531,124	1,049,547	10,554,590
Fund balances, ending	\$ 3,945,420	\$ 442,711	\$ (46,703)	\$ (33,257)	\$ 860,876	\$ 531,124	\$ 1,115,213	\$ 6,815,384

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Cash Accounts

Year Ended June 30, 2009

Name of Depository	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, 2009
General Fund:									
Wells Fargo Bank	Client Emergency Misc. Expenses	General	06700	Checking	No	\$ 55,425	\$ -	\$ 4,575	\$ 60,000
Wells Fargo Bank	NMBS - Petty Cash Fund	General	06700	Checking	No	442	(6)	64	500
N/A	Petty Cash	General	06700	Petty Cash	-	1,200	-	-	1,200
Total General Fund cash						\$ 57,067	\$ (6)	\$ 4,639	\$ 61,700
Fiduciary Funds:									
Wells Fargo Bank	NMBS - Boys' Resident Trust	Agency	99600	Checking	No	208	(48)	1	161
Wells Fargo Bank	NMBS - General Special Activity	Agency	99600	Super Now	Yes	2,731	(20)	-	2,711
Bank of America	YDDC - Girls' Resident Trust	Agency	99600	Checking	No	42,341	(4,714)	274	37,901
Bank of America	J. Paul Taylor - Resident Trust	Agency	99600	Checking	No	6,541	(3,167)	-	3,374
Total Fiduciary Funds cash						51,821	(7,949)	275	44,147
Total Department cash						\$ 108,888	\$ (7,955)	\$ 4,914	\$ 105,847

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 24
1 of 3

Schedule of Joint Powers Agreements

June 30, 2009

JPA Number (FY, Agency Cod, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning and Ending Dates of Agreement	Total Estimated Amount of Project Assigned	Amount Agency Contributed in FY	Audit Responsibility
97-690-0230-3	CYFD/Health Department Office of School Health	CYFD 100%	Continue the "School Mental Health Initiative" which targets behavior disordered kids in public schools	12/21/2000/Indefinite	CYFD 100%	\$ 320,000	CYFD 100%
02-690-5000-001	CYFD (Primary) / ClubHouse Inn & Suites (Secondary)	CYFD/100%	To assist Protective Service Division in assisting the development of staff. Specifically, the ClubHouse Inn & suites will provide lodging for PAID employees while they attend CORE training	4/30/02 until termination per MOU	CYFD 100%	\$ 83,600	CYFD 100%
07-924-P527-0004	CYFD - Family Services - Public Education Department	CYFD 100%	Professional Development	7/11/2000 - Indefinite	CYFD 100%	\$ -	CYFD 100%
08-630-7903-0020	Human Services Department	HSD 100%	TANF Domestic Violence	2/1/2006 - Indefinite	HSD 100%	\$ -	HSD 100%
06-690-6000-6003	State Investment Council	SIC 100%	Provide Investment Services	8/28/2007 - Indefinite	CYFD 100%	\$ -	SIC & CYFD 100%
MOU	CYFD JPPO District 2 - City of Albuquerque	CYFD	Keep Albuquerque Beautiful Program for community service projects in Albuquerque	12/21/2000 - Indefinite	CYFD 100%	\$ -	CYFD 100%
MOU	NIM Workforce Solutions, CYFD	CYFD	Assist in implementation of the Career Cluster Initiative	10/06/08 - 06/30/09	CYFD 100%	\$ -	NMWS
MOU	CYFD, ALTSD	CYFD	Transfer FACTS to ALTSD	09/01/2008 - 08/31/2010	CYFD 100%	\$ -	

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule of Joint Powers Agreements (Continued)

June 30, 2009

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning and Ending Dates of Agreement	Total Estimated Amount of Project Assigned	Amount Agency Contributed in FY	Audit Responsibility
	CYFD, Corrections	CYFD	Use of Camino Nuevo facility	07/01/2008 - 06/30/2009	CYFD 100%	\$ -	-
09-630-7903-0009 09- 630-9000-0009	HSD, CYFD	HSD	Domestic Violence Services to TANF clients	07/01/2008 - 10/06/2009	CYFD 100%	\$	HSD 100%
8457	Public Education Dept, CYFD, DFA, and Rutgers University	DFA	Rutgers University will evaluate the effectiveness of the PreK Program	07/01/2008 - 06/30/2009	DFA 100%	\$ 97,500	DFA 100%
09-630-7903-0015	HSD Behavioral Health Division, CYFD	HSD	Provide Behavioral Health Services to children	08/06/2008- 06/30/2011	HSD 100%	\$ -	HSD 100%
09-630-8000-0023	HSD, PED, DOIH, CYFD	HSD	Medicaid School-based services	07/01/2008- 06/30/2009	HSD 100%	\$ -	HSD 100%
09-630-7903-0021	HSD, CYFD	HSD	Transfer Domestic Violence Funds to CYFD	10/03/2008- 06/30/2009	HSD 100%	\$ -	HSD 100%
09-924-0086	PED, CYFD	PED	Provide Service Learning training	12/05/2008- 06/30/2009	HSD 100%	\$ -	PED 100%
09-924-0139	PED, CYFD	PED	Develop programs of study for JJ Clients	08/27/2008- 06/30/2009	CYFD 100%	\$ -	-
09-630-9000-0080	HSD, CYFD	HSD	TANF Parenting Education	10/07/2008 - 06/30/2009	CYFD 100%	\$ -	-
	DFA, CYFD	DFA	Transfer DV funds from DFA to CYFD	02/25/2009 - 06/30/2009	CYFD 100%	\$ -	-
	City of Albuquerque, CYFD	City	Fund a Community Cleanup Program	04/16/09 - 06/30/2009	CYFD 100%	\$ -	-

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2009

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning and Ending Dates of Agreement	Total Estimated Amount of Project Assigned	Amount Agency Contributed in FY	Audit Responsibility
09-924-0253	PED, CYFD	PED	Alternative programming for children with disabilities	03/05/2009 - 06/30/2009	CYFD 100%	\$ -	
09-630-7903-0089	HSD, CYFD	HSD	CAFAS tracking system	01/01/2009 - 12/31/2009	CYFD 100%	\$ -	
Subgrant 223601B	Univ of Oregon, CYFD	Univ.	Research to improve services to children with disabilities	1/23/2009 - 06/30/2009	CYFD 100%	\$ -	
09-631-0010-00059	DWS, CYFD	DWS	Dropout prevention	07/01/2008 - 06/30/2009	CYFD 100%	\$ -	
none	CYFD, DOH	CYFD	School-based Behavioral Health Services	07/01/2008 - 06/30/2009	DOH 100%	\$ 319,000	DOH

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Agency Funds

June 30, 2009

**SHARE
FUND #**

ACCOUNT

AGENCY FUNDS

99600	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 25

Schedule of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
<u>Resident Agency Accounts</u>				
<u>Assets</u>				
Cash	\$ 51,742	\$ 27,345	\$ 34,940	\$ 44,147
<u>Liabilities</u>				
Deposits held for others	\$ 51,742	\$ 27,345	\$ 34,940	\$ 44,147
<u>Children's Social Security Agency Funds</u>				
<u>Assets</u>				
State Fund Investment Pool	\$ 148,381	4,164,056	\$ 3,123,124	\$ 1,189,313
Due from other funds	792,909	-	792,909	-
Due from other agencies	2,849	223	2,849	223
Total Assets	\$ 944,139	\$ 4,164,278	\$ 3,918,882	\$ 1,189,536
<u>Liabilities</u>				
Deposits held for others	\$ 944,139	\$ 4,005,755	\$ 3,760,358	\$ 1,189,536

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS

The schedule below represents the status of special appropriations made by the New Mexico State Legislature

Z-Code	Amount Appropriated	Appropriation Adjustment	Adjusted Amount Appropriated	Cash Received to Date	Expenditures to Date	Amount to be Reversed	Balance as of 06/30/09	Program Area
Z81272	\$ 111,700	\$ -	\$ 111,700	\$ 111,700	\$ 83,148	\$ 28,552	\$ -	P576 reverts in 09
Z81273	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	P576 reverts in 09
Z81274	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ -	P576 reverts in 09
Z81275	\$ 3,700	\$ -	\$ 3,700	\$ 3,700	\$ -	\$ 3,700	\$ -	P576 reverts in 09
Z81276	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ -	P576 reverts in 09
Z81277	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ 4,652	\$ 348	\$ -	P576 reverts in 09
Z81278	\$ 200,000	\$ 4,300	\$ 195,700	\$ 200,000	\$ 179,957	\$ 20,043	\$ -	P578 reverts in 09
Z81279	\$ 5,000	\$ 400	\$ 4,600	\$ 5,000	\$ -	\$ 5,000	\$ -	P578 reverts in 09
Z81280	\$ 3,000	\$ 200	\$ 2,800	\$ 3,000	\$ -	\$ 3,000	\$ -	P578 reverts in 09
Z81281	\$ 50,000	\$ 3,700	\$ 46,300	\$ 50,000	\$ 46,300	\$ 3,700	\$ -	P577 reverts in 09
Z81282	\$ 27,000	\$ -	\$ 27,000	\$ 27,000	\$ 27,000	\$ -	\$ -	P577 reverts in 09
Z81283	\$ 25,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ -	\$ -	P580 reverts in 09
Z81284	\$ 10,000	\$ -	\$ 10,000	\$ 10,000	\$ 10,000	\$ -	\$ -	P580 reverts in 09
Z81285	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	\$ -	P580 reverts in 09
Z81286	\$ 100,000	\$ 3,700	\$ 96,300	\$ 100,000	\$ 49,995	\$ 50,005	\$ -	P577 reverts in 09

Special Appropriation

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 1
Best practices, character-building youth dance program statewide

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 2
Best practices, character-building youth dance program in Colfax, And Union counties

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 3
Best practices, character-building youth dance program in Dona Ana county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 4
Best practices, character-building youth dance program in Capitan county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 5
Best practices, character-building youth dance program in Luna county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 6
Best practices, character-building youth dance program in partnership with Tunquise charter school in Santa Fe

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 7
Programs for children of incarcerated adults

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 8
Programs that teaches experiential, adrenaline based, full contact personal self-defense skills to children and teens, including wheel chair users and children who are sight-or-hearing-impaired

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 9
Transportation costs for high-risk children and families to receive health care prevention and treatment services

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 10
Services for single teen mothers and their babies in a residential home

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 11
Contract with Roswell recreation to coordinate education science festival

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 12
Contract to increase social interaction of autistic children and young adults in Dexter

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 13
Child care services for homeless children in Dona Ana county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 14
Parent and child education in Dona Ana county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 15
Learning enrichment programs for youth existing detention facilities in Dona Ana county

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS

The schedule below represents the status of special appropriations made by the New Mexico State Legislature.

Z-Code	Amount Appropriated	Appropriation Adjustment	Adjusted Amount Appropriated	Cash Received to Date	Expenditures to Date	Amount to be Reversed	Balance as of 06/30/09	Program Area	
Z81287	\$ 30,000	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	\$ -	P580 reverts in 09	
Z81288	\$ 30,000	\$ -	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	\$ -	P580 reverts in 09	
Z81289	\$ 48,170	\$ -	\$ 48,170	\$ 48,200	\$ 48,170	\$ 30	\$ -	P577 reverts in 09	
Z81290	\$ 24,400	\$ 1,800	\$ 22,600	\$ 24,400	\$ -	\$ 24,400	\$ -	P578 reverts in 09	
Z80181	\$ 750,000	\$ -	\$ 750,000	\$ 750,000	\$ 744,536	\$ 5,464	\$ -	P580 reverts in 09	
Z80182	\$ 333,333	\$ -	\$ 333,333	\$ 333,333	\$ 333,333	\$ -	\$ -	P580 reverts in 09	
Z80183	\$ 300,000	\$ -	\$ 300,000	\$ 300,000	\$ 277,875	\$ 22,125	\$ -	P576 reverts in 09	
Z80623	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	\$ 1,200,000	\$ -	P578 reverts in 09	
Z80711	\$ 764,000	\$ 6,200	\$ 757,800	\$ -	\$ -	\$ -	\$ -	P576 reverts in 10	
Total Special Appropriations							\$ 1,366,367	\$ -	*Balance to be Designated in Audit

Social Appropriation

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 16
Jardín de los niños program in Dona Ana county

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 17
Domestic violence programs in Eddy and Otero counties

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 18
No child left inside program in Santa Fe

Laws of 2008, 48th Legislature, Chapter 06, Section 29, Item 19
Transitional living services for homeless, abused and neglected youth in Taos county

Laws of 2008, 48th Legislature, Chapter 3, Section 5, Item 81
Implementation of the Missouri Model for Juveniles

Laws of 2008, 48th Legislature, Chapter 3, Section 5, Item 82
To match the Los Alamos National Laboratory, foundation home visiting efforts, extension, Original Appropriation: Laws of 2008, Chapter 109, Section 5, Item 86. Extension of Time for Original Appropriation: Laws of 2007, Chapter 28, Item 83.

Laws of 2008, 48th Legislature, Chapter 3, Section 5, Item 83
Lease of Additional Vehicles

Laws of 2009, 49th Legislature, Chapter 124, Section 6, Item 23
To cover shortfall in Care and Support

Laws of 2009, 49th Legislature, Chapter 124, Section 7, Item 11
IT FACTS System Upgrade

CHILDREN, YOUTH AND FAMILIES DEPARTMENT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Schedule 27
 1 of 5

Year Ended June 30, 2009

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Number	Accrued or (Deferred) Revenue at June 30, 2008	Federal Receipts	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. Department of Agriculture						
Direct Programs						
Child and Adult Care Food Program 07	10.558	12-35-3511	\$ (3,333)	\$ -	\$ -	(3,333)
Child and Adult Care Food Program 08	10.558	12-35-3511	3,770,880	(12,311,015)	8,535,089	(5,046)
Child and Adult Care Food Program 09	10.558			(21,760,864)	27,132,886	5,372,022
Summer Food Service Program 07	10.559	12-35-3511	(92,954)	-	-	(92,954)
Summer Food Service Program 08	10.559	12-35-3511	1,683,861	(4,202,860)	2,523,327	4,328
Summer Food Service Program 09	10.559		-	(1,901,622)	3,737,279	1,835,657
State Administrative Expense 08	10.560	12-35-3511	429,385	(639,684)	404,082	193,783
State Administrative Expense 09	10.560	6NIM300306	-	(431,229)	497,539	66,310
Subtotal			5,787,839	(41,247,274)	42,830,202	7,370,767
U.S. Department of Agriculture						
Passed through NM Department of Education						
National School Lunch - NMBS 07-08	10.555	12-35-3523-93	3,500	(3,500)	-	-
National School Lunch - YDDC 07-08	10.555	12-35-3523-93	39,184	(39,184)	-	-
National School Lunch - JPTC 07-08	10.555	12-35-3523-93	15,553	(10,196)	-	5,357
National School Lunch - NMBS 08-09	10.555	12-35-3523-93	-	(14,148)	15,840	1,692
National School Lunch - YDDC 08-09	10.555	12-35-3523-93	-	(207,635)	253,778	46,143
National School Lunch - JPTC 08-09	10.555	12-35-3523-93	-	(54,214)	68,595	14,381
Subtotal			58,237	(328,877)	338,213	67,573
U.S. Department of Agriculture						
Passed through NM Human Services Department						
Education and Training 05	10.561	N/A	(11,552)	-	-	(11,552)
Education and Training 06	10.561	N/A	(9,336)	-	-	(9,336)
Education and Training 07	10.561	N/A	(986)	-	-	(986)
Education and Training 08	10.561	N/A	505,813	(656,063)	150,250	-
Education and Training 09	10.561	N/A	-	(300,500)	450,750	150,250
Subtotal			483,939	(956,563)	601,000	128,376
Total Department of Agriculture						
			6,330,015	(42,532,714)	43,769,415	7,566,716

CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Number	Accrued or (Deferred) Revenue at June 30, 2008	Federal Receipts	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. Department of Health and Human Services						
Direct Programs						
Children's Justice FY 07	93.643	G-0701NMCJA1	48,619	(60,491)	47,323	35,451
Children's Justice FY 08	93.643	G-0801NMCJA1	-	-	-	-
Headstart Collaboration Grant 07	93.600	06-CD0016/01	57,446	(78,505)	21,059	-
Headstart Collaboration Grant 08	93.600	06-CD0016/02	-	(20,002)	49,708	29,706
Child Care Developmental Funds Grant 08	93.596	G-0801NMCDDF	13,789,140	(18,649,313)	4,860,173	-
Child Care Developmental Funds Grant 09	93.596	G-0901NMCDDF	-	(14,626,748)	27,927,495	13,300,747
Child Care Developmental Funds Grant 09 - ARRA	93.713	G-0901NMCDD7	-	-	-	-
Promoting Safe and Stable Families	93.556	G-0701NMOOFP	1,176,480	(2,343,413)	1,166,933	-
Promoting Safe and Stable Families	93.556	G-0801NMOOFP	-	(1,056,178)	2,316,225	1,260,047
Promoting Safe and Stable Families	93.556	G-0901NMFPS	-	-	-	-
Promoting Safe and Stable Families (caseworker visits)	93.556	G-0611NMFPS	-	(13,030)	140,890	127,860
Promoting Safe and Stable Families (caseworker visits)	93.556	G-0811NMFPCV	-	-	-	-
Promoting Safe and Stable Families (caseworker visits)	93.556	G-0911NMFPCV	-	-	-	-
Child Abuse and Neglect (CAN) Part 1 04	93.669	G-0401NMCJA01	71,563	(71,563)	-	-
Child Abuse and Neglect (CAN) Part 1 05	93.669	G-0501NMCJA01	58,065	(226,822)	168,757	-
Child Abuse and Neglect (CAN) Part 1 06	93.669	G-0601NMCJA01	-	(29,576)	217,457	187,881
Child Abuse and Neglect (CAN) Part 1 07	93.669	G-0701NMCJA01	-	-	132,505	132,505
Child Abuse and Neglect (CAN) Part 1 08	93.669	G-0801NMCJA01	-	-	-	-
Community Based Family Resource Program 05	93.590	G-0501NMFPRG	155,813	(245,213)	89,400	-
Community Based Family Resource Program 06	93.590	G-0601NMFPRG	-	(173,955)	504,106	330,151
Community Based Family Resource Program 07	93.590	G-0701NMFPRG	-	-	-	-
Community Based Family Resource Program 08	93.590	G-0801NMFPRG	-	-	-	-
Title IV-E Foster Care 03	93.658	G-0301NMI401	1,346,560	-	-	1,346,560
Title IV-E Foster Care 04	93.658	G-0401NMI401	51,145	-	-	51,145
Title IV-E Foster Care 08	93.658	G-0801NMI401	4,652,299	(8,357,734)	3,705,435	-
Title IV-E Foster Care 09	93.658	G-0901NMI401	-	(14,522,016)	20,033,885	5,511,869
Title IV-E Foster Care 09 ARRA	93.658	G-0901NMI402	-	(303,520)	308,070	4,550
Title IV-E Adoptions 03	93.659	G-0301NMI407	(154,318)	-	-	(154,318)
Title IV-E Adoptions 04	93.659	G-0401NMI407	(81,474)	-	-	(81,474)
Title IV-E Adoptions 05	93.659	G-0501NMI407	139,040	-	-	139,040
Title IV-E Adoptions 08	93.659	G-0801NMI407	1,869,536	(4,644,035)	2,776,634	2,135
Title IV-E Adoptions 09	93.659	G-0901NMI407	-	(11,217,050)	12,439,560	1,222,510
Title IV-B CWS 08	93.645	G-0801NMI400	-	(887,441)	907,494	20,053
Title IV-B CWS 09	93.645	G-0901NMI400	-	(390,954)	448,228	-
Title IV-E Independent Living 07	93.674	G-0701NMI420	206,276	(236,577)	30,301	857,223
Title IV-E Independent Living 08	93.674	G-0801NMI420	-	(419,665)	551,452	131,787
Title IV-E Independent Living 09	93.674	G-0901NMI420	-	-	-	-
Education and Training Voucher Program	93.599	G-0701NMCETV	57,315	(122,207)	64,892	-
Education and Training Voucher Program	93.599	G-0801NMCETV	-	(81,115)	102,452	21,337
Education and Training Voucher Program	93.599	G-0901NMCETV	-	-	-	-
Subtotal			23,443,505	(79,225,351)	80,258,611	24,476,765

CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Number	Accrued or (Deferred) Revenue at June 30, 2008	Federal Receipts	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. Department of Health and Human Services						
Direct Programs						
Family Violence Prevention 07	93.671	G-0701NMFVPS	45,507	(944,218)	898,711	-
Family Violence Prevention 08	93.671	G-0801NMFVPS	-	(447,743)	32,167	(415,576)
Title XX SOSR 08	93.667	G-0801NMSOSR	215,216	(2,841,090)	2,625,874	-
Title XX SOSR 09	93.667	G-0801NMSOSR	-	(8,195,292)	8,304,406	109,114
Title XX 06 Katrina Fund	93.667	G-0601NMSOS2	-	-	-	-
Adoption Incentive Payment Program	93.603	G-0701NMAIPP	97,743	(287,554)	185,784	(4,027)
Adoption Incentive Payment Program	93.603	G-0801NMAIPP	-	(2,921)	3,469	548
Access & Visitation Program 06	93.597	G-0601NMSAVP	27,708	(27,708)	-	-
Access & Visitation Program 07	93.597	G-0701NMSAVP	19,113	(78,517)	80,887	21,483
Access & Visitation Program 08	93.597	G-0801NMSAVP	-	-	11,348	11,348
Access & Visitation Program 09	93.597	G-0901NMSAVP	-	-	-	-
Behavioral Health System Transformation Grant (carryover year 1)	93.243	6U79SM57464-02-01	42,263	(42,263)	-	-
Behavioral Health System Transformation Grant (year 2)	93.243	5-U79SM57464-02	-	-	-	-
Behavioral Health System Transformation Grant (carryover year 2)	93.243	5-U79SM057464-02-01	16,861	(484,782)	553,314	85,393
Behavioral Health System Transformation Grant (year 3)	93.243	5-U79SM057464-03	328,712	(1,614,964)	1,375,746	89,494
Behavioral Health System Transformation Grant (carryover year 3)	93.243	5-U79SM057464-04	-	-	794	794
Behavioral Health System Transformation Grant (year 4)	93.243	5-U79SM057464-04	-	-	1,110,686	1,110,686
Subtotal			793,123	(14,967,052)	15,183,186	1,009,257
U S Department of Health and Human Services						
Passed through NM Human Services						
Child Care Development Funds	93.596	G-0801NMCDDF	8,140,015	(16,232,205)	8,092,190	-
Child Care Development Funds	93.596	G-0901NMCDDF	-	(21,576,328)	31,527,110	9,950,782
TANF (Domestic Violence) FY 06	93. unknown	N/A	(71,327)	-	-	(71,327)
TANF (Domestic Violence) FY 08	93. unknown	N/A	592,045	(1,086,162)	-	(494,117)
TANF (Domestic Violence) FY 09	93. unknown	N/A	-	(2,050,637)	3,600,000	1,549,363
Subtotal			8,660,733	(40,945,332)	43,219,300	10,934,701
Total Department of Health and Human Services			32,897,361	(135,137,735)	138,661,097	36,420,723

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Number	Accrued or (Deferred) Revenue at June 30, 2008	Federal Receipts	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. Department of Justice						
Direct Programs						
Juvenile Accountability Incentive Block Grant	16.523	2005-JB-BX-0053	257,488	(279,264)	21,776	-
Juvenile Accountability Incentive Block Grant	16.523	2006-JB-FX-0054	-	(55,301)	364,728	309,427
Juvenile Accountability Incentive Block Grant	16.523	2007-JB-FX-0071	-	-	52,866	52,866
Juvenile Accountability Incentive Block Grant	16.523	2008-JB-FX-0008	-	-	-	-
Juvenile Accountability Incentive Block Grant	16.523	2009-JB-FX-0020	-	-	-	-
JJDP Formula Grant	16.540	2006-JF-FX-0047	45,915	(212,300)	166,384	(1)
JJDP Formula Grant	16.540	2007-JF-FX-0025	34,529	-	321,632	356,161
JJDP Formula Grant	16.540	2008-JF-FX-0005	-	-	11,790	11,790
JJDP Formula Grant	16.540	2009-JF-FX-0014	-	-	-	-
JJDP - Title V	16.540	2006-JP-FX-0054	-	-	26,250	26,250
JJDP - Title V	16.540	2007-JP-FX-0012	-	-	15,810	15,810
JJDP - Title V	16.540	2008-JP-FX-0055	-	-	-	-
JJDP - Title V	16.540	2009-JP-FX-0036	-	-	-	-
Enforcing the Underage Drinking Laws Block Grant	16.727	2006-AH-FX-0042	171,305	(192,640)	21,335	-
Enforcing the Underage Drinking Laws Block Grant	16.727	2007-AH-FX-0013	-	(3,591)	234,509	230,918
Enforcing the Underage Drinking Laws Block Grant	16.727	2008-AH-FX-0011	-	-	-	-
Enforcing the Underage Drinking Laws Block Grant	16.727	2009-AH-FX-0085	-	-	-	-
Enhancement - Facility Based Native American Program	16.727	2006-JL-FX-0293	10,130	(10,130)	-	-
Total Department of Justice			519,367	(753,226)	1,237,080	1,003,221

CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
Year Ended June 30, 2009

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Number	Accrued or (Deferred) Revenue at June 30, 2008	Federal Receipts	Federal Expenditures	Accrued or (Deferred) Revenue at June 30, 2009
U.S. Department of Education						
Passed through NM Department of Education						
Title I 08	84.013	N/A	136,220	(48,968)	-	87,252
Title I 09	84.013	N/A	-	-	178,437	178,437
Special Ed Idea B 07	84 unknown	N/A	-	-	309,278	309,278
Special Ed Idea B 08	84 unknown	N/A	-	(31,872)	1,383	(30,489)
Special Ed Idea B 09	84 unknown	N/A	-	-	49,542	49,542
Special Ed Idea B 09 ARRA	84 unknown	N/A	-	-	-	-
Carl Perkins 09	84 unknown	N/A	-	-	7,969	7,969
School Library Go Bond 08	84 unknown	N/A	10,511	-	(7,884)	2,627
Total Department of Education			146,731	(80,840)	538,725	604,616
Commission for National & Community Service						
Americorps Admin	94.003	07CAHNM001	52,151	(166,264)	164,293	50,180
Americorps Training (PDAT)	94.003	U08PTHNM001	40,729	(124,591)	115,213	31,351
Americorps Disability	94.007	08CDHNM001	24,679	(76,402)	57,842	6,119
Americorps Competitive	94.006	06ACHNM001	439,201	(1,066,435)	909,222	281,988
Americorps Competitive ARRA	94.006	09RCHNM002	-	-	-	-
Americorps Formula	94.006	06AFHNM001	191,309	(579,175)	529,688	141,822
Americorps Formula ARRA	94.006	09RFHNM001	-	-	-	-
Total Commission for National & Community Service			748,069	(2,012,867)	1,776,258	511,460
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 40,641,543	\$ (180,517,382)	\$ 185,982,575	\$ 46,106,736

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2009

Note A. Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on modified accrual basis of accounting, which is described in Note 2.E. to the Department's financial statements.

Federal grant revenues collected in advance of the period they are intended to finance expenditures are recorded as deferred revenues.

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

Note B. 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 schedule and per Exhibit 5	\$ 185,982,575
Federal financial assistance receivable per schedule	\$ 46,106,736
Deferred revenue relating to advances received per the schedules	<u>1,374,536</u>
Federal grants receivable per Note 4	<u>\$ 47,481,272</u>

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Notes to Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2009

Note C. Funds Passed through to Subrecipients

<u>CFDA Federal Program Title</u>	<u>Grantor</u>	<u>CFDA #</u>	<u>YTD EXP</u>
Federal expenditures include funds passed through to subrecipients as follows:			
Child and Adult Food Program	U.S. Department of Agriculture	10.558	\$ 35,116,359
Summer Food Service Program	U.S. Department of Agriculture	10.559	6,107,498
Juvenile Account Incentive Block Grant	U. S. Department of Justice	16.523	131,295
Enforcing the Underage Drinking Laws Block Grant	U. S. Department of Justice	16.727	211,148
Child Care Development Funds	U. S. Department of Health and Human Services	93.596	3,485
Headstart Collaboration Grant	U.S. Department of Health and Human Services	93.600	26,928
Behavioral Health System Transformation Grant	U.S. Department of Health and Human Services	93.243	235,716
Access and Visitation Grant	U.S. Department of Health and Human Services	93.597	55,000
CAPTA-Community Based Family Resource Program	U.S. Department of Health and Human Services	93.590	395,556
Family Preservation and Family Support	U.S. Department of Health and Human Services	93.556	2,416,750
Adoption Incentive Payment Program	U.S. Department of Health and Human Services	93.603	38,780
Child Abuse and Neglect (CAN) Part I	U.S. Department of Health and Human Services	93.669	133,465
Title IV-E Independent Living	U.S. Department of Health and Human Services	93.674	567,726
Title IV-E Foster care	U.S. Department of Health and Human Services	93.658	3,140,095
Children Justice	U.S. Department of Health and Human Services	93.643	17,866
TANF Domestic Violence	U.S. Department of Health and Human Services		3,190,316
Family Violence Prevention	U.S. Department of Health and Human Services	93.671	930,878
AmeriCorps Training	Passed Through NM Human Services Department		
AmeriCorps Competitive and Formula Grant	U. S. Commission for National & Community Service	94.003	37,550
AmeriCorps Disability	U. S. Commission for National & Community Service	94.006	1,460,477
AmeriCorps Disability	U. S. Commission for National & Community Service	94.007	72,195
AmeriCorps Disability	U. S. Commission for National & Community Service	94.009	38,850



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

Mr. Hector Balderas,
New Mexico State Auditor
and
Dorian Dodson, Secretary,
Children, Youth and Families Department

We have audited the financial statements of the governmental activities, the general fund, the general fund budget comparison, and the aggregate remaining fund information of the State of New Mexico Children, Youth and Families Department (the Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 11, 2009. We have also audited the financial statements of each of the Department's non major governmental funds, the budgetary comparison for the components of the general fund and non major funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs in Section B to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of 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 that are required to be reported under *Government Auditing Standards* as findings 07-01, 08-01 and 09-05. We noted certain matters that are required to be reported under Government Auditing Standards paragraphs 5.14 and 5.16 and section 12-6-5 NMSA 1978 which are described in the accompanying as findings accompanying schedule of findings and questioned costs as findings 08-02, 09-01, 09-02, 09-03, and 09-04.

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Department, State of New Mexico Office of the State Auditor, New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 11, 2009



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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Mr. Hector Balderas,
New Mexico State Auditor
and
Dorian Dodson, Secretary,
Children, Youth and Families Department

Compliance

We have audited the compliance of the State of New Mexico Children, Youth and Families Department (the Department) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of non compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-01 and 09-05.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as questioned costs as item 08-01 to be significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Department, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 11, 2009

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Status of Prior Year Audit Findings

Year Ended June 30, 2009

<u>Audit Finding Number</u>	<u>Description</u>	<u>Modified or Partially Resolved and Repeated</u>	<u>Resolved</u>	<u>Current Year Audit Finding No.</u>
07-01	Computer Conversion and Reconciliations	✓		07-01
06-06	Cash		✓	
06-10	Child Care Development Funds		✓	
08-02	Capital Assets	✓		08-02
08-01	Internal Audit Function	✓		08-01

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the State of New Mexico, Children, Youth and Families Department (Department).
2. The significant deficiency relating to the audit of the financial statements as reported in the Schedule of Findings and Questioned Costs is not considered to be material weakness.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. One significant deficiency relating to the audit of the major federal award programs is reported. The significant deficiency is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
6. There are three current year findings and a follow up of three prior year findings relating to the audit of internal control over major federal award programs that we are required to be reported under 510(a) of Circular A-133.
7. The programs tested as major programs included:

Program Name	CFDA Number
Summer Food Service Program	10.559
Child Care Development Fund	93.596
Title XX	93.667
Child and Adult Care Food Program	10.558
Promoting Safe and Stable Families	93.556
Title IV E Foster Care	93.658
Title IV E Foster Care ARRA	93.658
Title IV E Adoption	93.659
Title IV E Adoption ARRA	93.659
Behavioral Health System Transformation	93.243
TANF (Domestic Violence)	93.unknown
Child Abuse and Neglect	93.669

8. The threshold for distinguishing Type A and B programs was \$3,000,000.
9. The Department was determined to be a high-risk auditee.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit and Single Audit Finding (All Federal Programs)

07-01 Computer Conversion and Reconciliations

Condition:

Effective July 1, 2006, the Department had converted to a new accounting system (SHARE) which the grant module is not operational. The Department maintained subsidiary schedules to track federal draws and made the entries to properly record federal revenue to the general ledger as part of the year end audit process. We noted the reporting of ARRA disbursements was \$15,564 higher than amount in the ARRA fund disbursements.

Criteria:

The federal revenues should be reconciled by individual fund and component parts of the general fund before the year end audit process starts.

Effect:

\$15,564 was over reported as ARRA federal fund expenditures. The lack of the grant module to property record federal revenue to the SHARE general ledger increases the risk that federal reporting could be incorrect.

Cause:

The grant module has not been implemented during the current fiscal year. Insufficient resources were provided to the Department to implement the grant module and to perform timely reconciliations of federal revenues recorded to the SHARE general ledger to the draws during the year and corresponding entries during the year.

Recommendation:

The reconciliation of federal revenue to the draws and the effect of accounts payable to determine the amount due from the federal government is a time consuming effect. The Department needs to receive adequate resources to determine if the grant module of the new computer system can ensure the billings to the federal government and the corresponding recording of federal revenue, accounts payable, deferred revenue, and other corresponding entries are done timely to the SHARE general ledger.

Management Response:

The Department of Finance and Administration (DFA) manages the SHARE accounting system. Although many state agencies would benefit from the implementation of the Grants module, DFA is the agency that is responsible to request the funding and to implement the module. Beginning in October 2009, CYDF is participating in a work group sponsored by DFA comprised by various state agencies who received federal funding. This work group is tasked with determining individual agency needs to enhance the current Grants Module in the Share system to make it operable for all agencies. An implementation timeline has not yet been determined.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit and Single Audit Finding (All Federal Programs) (Continued)

07-01 Computer Conversion and Reconciliations (Continued)

Management Response (Continued):

During fiscal year 2009, the Department received additional revenue in the Title IV-E Foster Care and Adoption grant as a result of the enactment of American Recovery and Reinvestment Act. This additional revenue was an increase to the existing federal participation rate (FMAP). The original FMAP established was 70.88% and increased to 77.24%, a percentage increase of 6.36. Based on the spending level in October 2008, CYFD projected additional revenue for this increase of \$1,200,000 and processed the required Budget Adjustment Request in the ARRA fund. Throughout the fiscal year expenditure activity was recorded in the existing Title IVE Foster Care and Adoption fund (48900). Monthly expenditures equivalent to the 6.36% increase were transferred to the ARRA fund (89000) through a journal entry and were reported quarterly to the federal government. At June 30, 2009 actual expenditures equivalent to the 6.36% increase resulted in \$15,564 more than what was estimated. Since the BAR deadline had passed, CYFD could not increase the budget in the ARRA fund. The \$15,564 in expenditures therefore remain in the existing Title IVE Foster Care and Adoption fund. Quarterly financial status reports submitted to the Federal Government reported expenditures as required in total.

CYFD staff will continue its efforts to fully reconcile federal revenue recorded to federal grant draw downs on a quarterly basis. During FY09 CYFD began this process but due to budget shortfalls and a state wide hiring freeze was not able to acquire the resources necessary to fully implement this very time consuming process. CYFD will review its current process and staffing and reallocate exiting resources to fully implement this manual quarterly reconciliation processes. CYFD will continue to work independently from the SHARE system to validate, reconcile and record federal revenue, federal expenditures, deferred revenue, accounts payable and receivable transactions.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets

Condition:

During our physical observation of capital assets at the YDDC Albuquerque location, we found the following items:

- We noted the transfer of assets were not provided by the Albuquerque field office to the Santa Fe office which keeps the capital asset listing of record. Approximately \$19,200 of capital assets had been transferred to the John Paul Taylor Center with no notification to the Santa Fe Office.
- We observed fully depreciated assets, which the staff was unsure of how to dispose of the assets not being used. Of the sample items observed, there was approximately \$13,000 in fully depreciated assets that were on the capital assets listing that were not used by the facility.

During our testwork of capital asset disposals, we found that information was not provided timely from the Albuquerque field office to the Santa Fe office regarding the disposals of fully depreciated assets or transfers following items:

- CYFD Capital Action Asset Form for FYE 6/30/09 is dated September 9, 2009; three months after year end. Also, the disposal of tablet PC not received at OSA 39 days prior to disposal. The original cost is \$1,828.
- Capital Assets Manager, Santa Fe, missing Certification of proper erasure of a laptop notebook PC. Also, this was not received at OSA with notification of disposition of property. The original cost is \$1,179.
- Missing signatures for final approval for transfer of sterilization from YDDC to JTTP. CYFD Action Form was not complete. The value is \$2,395.
- Many of the individual areas complete their certification of inventory subsequent to the fiscal year end. This results in their documentation and disposal authorization provided to the Santa Fe office and to OSA without following required procedures and deadlines.

Criteria:

Per SAO Rule 2.2.2.10.V(1), states that at least 30 days prior to any disposition of property on the agency inventory list described in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member approving the action must be sent to the State Auditor.

Per SAO Rule 2.2.2.10.V(3), states that the agency will certify in writing the proper erasure of the hard drive and submit the certification along with the notification of the proposed disposition of property to the State Auditor at least 30 days prior to taking action.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets (Continued)

Criteria (Continued):

The Department is required to follow MAPs. This establishes the requirements that state agencies shall record and report state owned capital assets in accordance with state laws and regulations, state rule and Generally Accepted Accounting Principles. This also states the requirements for the transfer of assets both within state agency and between state agencies as well as the state assets should be disposed of in a manner consistent with state laws, rules and regulations. The Department is required to properly account for capital assets with an accurate annual inventory.

Cause:

The Department has not properly documented the transfer and disposal of items, including reporting to the OSA for assets disposed. This is due to lack of knowledge and understanding of the various requirements of capital assets management.

Effect:

Many of the CYFD Action Forms are received at year end or after year end making it difficult to comply with both the State Audit Rule and MAPs. This increases the risk that disposals of capital assets are not being recorded in the proper fiscal year. There are insufficient internal control procedures to meet the required documentation for the Department, as well as the Office of the State Auditor's rule on capital asset disposals.

Recommendation:

We recommend the Department provide authoritative information to the Capital Asset Manager as well as field capital asset coordinators. This knowledge is important for the Department staff to utilize at all stages of the Capital Assets processes. It would be important for the Department to have an Internal Audit function to be able to inquire and ensure through additional testwork thought the year to identify any issues in the future.

Management Response:

Errors noted in the review of the capital asset inventory at YDDC appear to be due to a new Capital Asset Coordinator who has not been fully trained. Training will be scheduled for this office as well as other offices throughout the state. Capital Asset Coordinator's and division managers will be reminded of the requirements of reporting capital asset transactions to the Capital Asset Administrator in a timely manner. The Capital Asset Administrator will continue to notify the State Auditor's office as required by Rule 2.2.2.10.V (1) of all capital outlay disposals.

During FY09 and in FY10 certain JJS facilities were closed and assets were transferred to different locations. Detail records for both transfers were kept by the Juvenile Justice Services (JJS) staff assigned to close the facilities. Some assets are being stored at the YDDC location until such time that JJS management determines where those assets should be transferred. CYFD does not agree that assets should be disposed off when they become fully depreciated but should be disposed of when it is determined they are obsolete or that they have no

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets (Continued)

Management Response (Continued):

use to the agency. CYFD has one Capital Asset Administrator and many Capital Asset Coordinators in the field to perform the tasks associated with the recoding, tagging, tracking, reporting and certifying of capital assets. Based on this structure and because of the limited volume of capital outlay transactions in the department, CYFD does agree that an internal audit function is feasible.

The process at CYFD is to perform annual certifications as close to year end as possible. This occurs in June or July each year. Certifications are conducted by Capital Asset Coordinators and are submitted to the Capital Asset Administrator. Necessary corrections are made to the capital asset inventory based on these certifications, usually between July 1 and September 30. Although capital asset transactions should be reported and changes should be made as they occur, the purpose of the certification is to validate that assets on the record exist as well as to note any transactions that require adjustment or correction. For future certifications, CYFD will assure that all certifications are received by the required due date and that supporting documentation is sufficient to support transfers and deletions.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-01 Disbursements

Condition:

- As part of a compliance testwork, four Travel and Per Diem expenditure vouchers were tested for compliance and appropriateness. One of the four Travel and Per Diem reimbursement vouchers was for \$2,260.04, which included a reimbursement for an alcoholic beverage for \$2.43. This expenditure was charged to a federal grant titled “Enforcing Underage Drinking Block Grant” (CFDA 16.727).
- As part of our expenditure testwork, we noted that the general fund travel advance account increased during the year. The detail report shows activity in the amount of \$1,082. The remaining amount of \$11,697 is the balance from the prior fiscal year.

Criteria:

- Section 6-5-6 (C) NMAC 1978 requires a State Agency to determine that a proposed expenditure is for a public benefit and purpose consistent with the related appropriation and is necessary to carry out the statutory mission of the state agency prior to committing the state to the transaction. Further, per the federal grant (CFDA 16.727) agreement, such expenditure is not allowable.
- The travel advance account should only include proper outstanding travel advance amounts. Travel advances need to be expensed or repaid when the employees submit their expense accounts.

Effect:

- The Department is not in compliance with Section 6-5-6 (C) NMAC 1978 and the federal grant (CFAD 16.727) agreement requirements.
- The travel advance account is overstated at year end.

Cause:

- The approval process did not appear to be sufficient in this instance.
- The travel advances are not being properly expensed from the account.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-01 Disbursements (Continued)

Recommendation:

- The Department needs to enhance its approval process to ensure compliance and appropriateness for such expenditures.
- The Department should determine what amounts are proper travel advances and expense the amounts that are not proper. The Department should ensure travel advances are expensed properly on a quarterly basis for the 2010 fiscal year.

Management's Response:

The department agrees that the reimbursement in question included \$2.43 for what is described on the vendor receipt as a "pale refill". The reimbursement in question covered two out of state trips for a period of twelve days and included twenty eight meal receipts. The request was prepared by the program staff, approved by division staff and audited by both Administrative Services and Department of Finance and Administration staff. All staff are aware that alcohol beverages are not reimbursable. Unfortunately the error was not detected in the three independent reviews. We consider this an isolated instance.

CYFD will enhance training efforts to encourage employees who travel to obtain separate receipts for alcohol purchases. Document preparers, approvers and pre-auditors will be reminded to thoroughly review detail charges on meal receipts. Meal receipts will be adjusted to exclude alcohol beverages.

At the beginning of FY09 recoupment travel vouchers for amounts advanced in FY08 were submitted to the Department of Finance and Administration (DFA) following the procedures directed by DFA. During a review of the travel advance general ledger account CYFD staff noted that the recoupment vouchers were not processed correctly. DFA was notified and the necessary fix was made to properly process recoupment vouchers. In the mean time vouchers processed before the fix resulted in an overpayment to certain CYFD staff. Amounts booked remain receivable from these CYFD staff. Procedures are in place to review general ledger accounts to assure receivable balances are accurate.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-02 Cash Reconciliations

Condition:

During our Cash audit test work; we found the following items pertaining to cash reconciliations:

- The NM Boys School – Cash Fund Account bank reconciliation presented two incorrect check numbers in their list of outstanding checks at fiscal year end.
- The NM Boys Resident Trust Account presented a reconciled balance amount of \$161. The student’s active accounts end of year balance was \$181. There is a difference in amount of \$20.
- The YDDC Girls Resident Trust Account – used the check sequence out of order during June 2009.

Criteria:

Per Section 6-5-2.1 J. NMSA 1978 states, “perform monthly reconciliations with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.”

Per Section 6-10-2 NMSA 1978 states, “the cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day’s business.”

Per 2.20.5.3 NMAC, “requires the division prescribe procedures, policies, and processing documents for use by state agencies in connection with fiscal matters and may require reports from state agencies as may be necessary to carry out its duties and functions.”

Per 2.20.5.8 C. (4) NMAC states, “cash records are reconciled timely each month to the division’s reports and to the state treasurer’s reports.”

Cause:

It appears that several of the Department’s bank reconciliations were not properly performed. Also, one of the Departments’ field offices used checks out of sequence.

Effect:

The Department is in noncompliance with the Public Money Act Section 6-5-2.1.J NMSA 1978; and NMAC Section 2.20.5.3 and Section 2.20.5.8 C (4).

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-02 Cash Reconciliations (Continued)

Recommendation:

We recommend the Department prepare accurate monthly bank reconciliations for their cash accounts. The Department needs to use their checks in sequential order for all of their cash accounts.

Management's Response:

The department agrees that accurate and timely bank reconciliations must be prepared. CYFD will enhance training activities to assure that facility staff preparing reconciliations are thoroughly trained and are providing the required supporting documentation to support amounts reported. Administrative Services staff will review documentation submitted and contact facility staff to explain deficiencies noted.

In the current year the Area 1 facility was closed and residents were transferred to other CYFD facilities. Resident account balances were transferred to other CYFD facilities and other checking accounts was closed.

CYFD agrees that checks were issued out of sequence in the YDDC Girls Resident Trust Account. There was an instance in which the check binder containing the current daily working allotment of sequential checks was locked in a filing cabinet with the key unavailable to the client trust custodian and the business manager was also away from the office with the backup key. A situation arose where a client was leaving out of state and it was urgent to issue a check at that time. In order to issue the check without access to the sequential check binder, the business manager backup person had to access checks from the safe where the supply of checks are stored. This caused a series of checks to be issued out of order. CYFD will counsel the client trust custodian on the critical nature of keeping her work issued keys on hand at all times. CYFD will also insure that there is a spare key to the current daily working allotment of sequential checks stored and labeled in the safe for access by the business manager back up person.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-03 Cell Phone Lost or Stolen

Condition:

During our compliance test work of cell phone expenditures, we found the following items:

- One instance where a cell phone issued to one of the Department's field offices was reported lost or stolen. However, calls were still being made from this cell phone two and a half months after it was reported. The charges made by the unknown caller were paid by the Department during this two and a half month period. The total amount of this invoice is \$130.19.

Criteria:

Compliance with the Department's policy on cell phones and the State Procurement Code.

Effect:

The Department overpaid cell phone expenditures for several months before a police report was properly made.

Cause:

The Department overlooked reviewing individual expenditure line-items during the approval process for cell phone charges.

Recommendation:

The Department needs to enhance its approval process to ensure compliance with the Department's Policy on Cell Phones and the State Procurement Code.

Management's Response:

Management concurs with the finding regarding cellular telephone accountability. A review was conducted by management to field office staff members where this instance occurred stressing the importance for safeguarding State of New Mexico assets. Staff members were reminded of the proper protocols to follow regarding the notification for lost or stolen property. Accordingly, administrative procedures at this field office were enhanced to ensure accountability for property and compliance with the Procurement Code. This instance has and will be used as a training tool to promote accountability within the agency.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-04 Payroll

Condition:

- During our testwork of payroll, one out of seventeen employee files were missing the required annual employee evaluation completed by the employee's anniversary date documented in the file.
- In addition, two out of the seventeen employee files tested were missing a Personnel Action Request (PAR) form. This form is to accompany the employee evaluation when placed in the file per Department policy.
- We also noted that one employee from our payroll testwork did not appear on the sick leave accrual report for the Department. The employee has a sick leave accrual of approximately 30 hours at year end.

Criteria:

Per 1.7.9.9(B) NMAC states the performance and development career employee shall be reviewed semi-annually and appraised by the immediate supervisor on an annual basis completed by the employee's anniversary date.

Per CYFD Policies and Procedures 4.9.1, required written justification is required for each salary request on a complete and accurate PAR Form with all required information and/or attachments, such as evaluations and any other documentation supporting the request to increase in pay.

All employees should be included on the sick leave accrual report to ensure that accrued compensated absences are complete.

Cause:

The Department did not monitor to ensure the evaluations and the PARs were included in the employee's file.

The Department's sick leave accrual query did not include all employees.

Effect:

The management and the CYFD HR department staff does not have the proper information timely to effectively make necessary decisions, if any. There are not proper checks and balances of internal control processes to monitor employees' evaluation are completed timely and the documentation is included in the file.

The sick leave accrual report did not include all employees. The missing employee would does not affect the accrual of sick leave in the financial statements.

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Year Ended June 30, 2009

B. Findings – Financial Statement Audit (Continued)

09-04 Payroll (Continued)

Recommendation:

We recommend the Department's Personnel Action Request forms and employee evaluations are documented in the employees' file. It would be important for the Department to have an Internal Audit function to ensure through additional testwork during the year to identify any issues in the future.

We also recommend the Department research the queries used for the sick leave accrual report to determine the reason for the missing employee in the report.

Management Response:

As indicated by the auditor, there was missing documentation in files in the test group. One employee was on administrative leave, then Family Medical Leave at the time the evaluation was due, therefore it was not possible for the Division to conduct an annual performance evaluation until his return.

All other findings including the receipt of PARS associated with the employee evaluations have been received and filed within the respective employees' file.

As a point of clarification, the PARS for closing an evaluation are used solely to request the entry of the score, and do not serve to request a salary (increase or otherwise) for the employee. Therefore, the rule cited does not apply to this situation. In other words, if a Division is requesting a change in salary (increase) for an employee, the division would submit as part of their justification, a copy of the employee's recent performance evaluation.

CYFD Human Resources has begun an internal audit of all personnel files in November of 2009 to ensure all appropriate documentation is included. In addition, HR staff will be reviewing the SHARE report related to employee evaluations to ensure that they are completed in a timely manner.

CYFD cannot explain why the employee in question was not included on the Leave Accrual Report. From a review of the employee record he was hired prior to June 30, 2009 and had a sick leave balance. Although the balance is not sufficient to be included in the accrual amount, the record should have been included in the report. A work order will be submitted to the SHARE helpdesk to research the variance noted in the Leave Accrual Report.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Finding relating to both the Financial Statements and all Federal Awards are 07-01 and 08-01:

08-01 Internal Audit Function – Significant Deficiency

Condition:

In the prior Fiscal Year, a fraud was detected that had been ongoing for several years. Approximately \$436,000 loss occurred in 2008. The fraud was perpetrated by employees that were not detected timely because there was no outside on-site internal audit of the program expenditures. The 2009 budget did not provide resources to establish an operating internal audit function.

Criteria:

Internal controls and procedures are in place to prevent and detect fraudulent activity; however employees can conspire to override the Department's internal controls. An active internal audit function can be used to detect and prevent fraudulent activity.

Effect:

The Department's internal audit function does not have adequate resources to perform on-site internal audits of the Department's various locations.

Cause:

The Department's internal audit function has not had resources allocated to conduct on-site internal audits of the Department's programs due to budgetary restrictions. The Department has many locations throughout the State. The employees at these locations have the ability to authorize and approve the disbursements. Even if there is separation of duties, collusion by employees can override that control.

Recommendation:

The Department's size and many locations need to have ongoing internal audits performed to assist the Department in preventing and detecting fraudulent activity. The internal audit reports and findings can also be provided to the Office of the State Auditor if any fraud is detected.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

C. Findings and Questioned Costs – Major Federal Award Programs Audit (Continued)

Finding relating to both the Financial Statements and all Federal Awards are 07-01 and 08-01:

08-01 Internal Audit Function – Significant Deficiency (Continued)

Management Response:

As stated in response to the 08-01 Internal Audit Function – Significant Deficiency finding, the Early Childhood Services Division implemented a major security enhancement within the service delivery system (FACTS). The enhancement being referred to is the modification and review of all security groups within the FACTS system. Modification of the child care worker security group consisted of eliminating child care workers and child care supervisors from having the ability to create and/or maintain a provider record. In addition, the Early Childhood Services Division implemented a procedural change in the way registered child care providers are entered and maintained in FACTS – this function is now completed in a centralized manner. As of that date registered providers are no longer created or maintained by any field office in the state but rather by staff within the Santa Fe central office.

The Early Childhood Services created an Improper Payment unit (to report error rates made on child care cases) as required by the Federal Child Care and Development Fund regulations. Although the unit was created, it has not been sufficiently staffed due to budget shortfall caused by economic downturn. The unit calls for a staff of four (three case reviewers and one supervisor). As a result of this reporting requirement, in approximately July 2008 one staff was assigned the duties of child care case reviews. The detailed federal reporting requirement can be found in Subpart K sections 98.100 through 98.102 of the CCDF Regulations 45 CFR 98 and 99. In December 2008 the Early Childhood Services division conducted a pilot case review exercise of 100 randomly selected child care cases throughout the state. The division's first report is due to the Administration of Children and Families Child Care Bureau by June 30, 2010. New Mexico is required to submit this report to ACF once every three years, however, the Early Childhood Services Division understands the need for ongoing child care case reviews and therefore has committed to yearly reviews.

In the past CYFD has requested additional FTE in the annual budget request to fund a Department wide internal audit unit. With dwindling state resources the department has not been successful in obtaining the required resources. The Department will make an effort to review existing resources to determine if resources can be identified and shifted to begin performing such reviews. The department will continue to report any fraudulent activity as required to the Office of the State Auditor.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

C. Findings and Questioned Costs – Major Federal Award Programs Audit (Continued)

09-05 Sub-Recipient Monitoring

TANF Domestic Violence and CFDA #93.671

Condition:

We noted the following from our testwork of 25 sub-recipients:

- A yellow book audit was not conducted for one non-profit organization (El Puente del Socorro) as required by the Department's policies and was not noted as an exception on the desk review. The report provided by the non-profit was not performed by a CPA firm and did not meet professional standards.

Criteria:

An audit with yellow book standards should be conducted by the external auditor (CPA) for the non-profit organization to ensure compliance with the programs funded by the Department.

Effect:

The lack of an audit with yellow book standards by a CPA firm for the non-profit organization indicates that improvement in desk reviews is needed to detect audit reports not performed by a CPA firm.

Questioned Costs:

None.

Cause:

An audit with yellow book standards for the non-profit organization was not performed by the external auditors and was not noted as an exception in the desk review.

Recommendation:

Audit reports for non-profit organizations performing contractual work with the Department should be received timely. Upon receiving the audit reports an internal desk review should be performed to ensure an audit with yellow book standards was conducted. All audit reports that have not been received should be requested by the Department. At present, the Department requires an audit with yellow book standards for an entity that receives more than \$250,000 in Department funds.

Management Response:

CYFD staff performing desk audits will be counseled on the requirements of the updated Accounting and Fiscal Standards. CYFD will assure that reports received by the sub recipient are proper as outlined in the Accounting and Fiscal Standards. Insufficient reports will not be accepted from sub recipients.

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Schedule of Findings and Questioned Costs

Year Ended June 30, 2009

D. Current Status of Prior Year Findings – Major Federal Award Programs Audit

<u>Prior Year Audit Finding Number</u>	<u>Description</u>	<u>Modified or Partially Resolved and Repeated</u>	<u>Resolved</u>	<u>Current Year Audit Finding No.</u>
07-01	Reconciliation of Federal Revenue	✓		07-01
06-10	Child Care Development Funds		✓	
08-01	Internal Audit Function	✓		08-01

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Exit Conference

June 30, 2009

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

An exit conference was held on December 14, 2009 to discuss the audit report and audit findings.

Those in attendance were as follows:

Children Youth and Families Department

Dorian Dodson	Secretary
Marcella Ortega	ASD Director/CFO
Rick Crespin	ASD – Deputy Director Budget/Finance
Annette Romero	Budget Director
Sandra Salazar	Bureau Chief
Reese McAlister	Federal Grant Manager
Frank Weissbarth	Chief Legal Counsel

Barracough & Associates, P.C.

John E. Barracough, Jr.	Principal
Douglas W. Fraser	Senior Audit Manager
Lynette Kennard	In-Charge

Office of the State Auditor

Carla Martinez	Deputy State Auditor
Rosemary Whitegeese	Audit Supervisor

