

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

FINANCIAL STATEMENTS AND SCHEDULES

(With Independent Auditors' Reports Thereon)

FISCAL YEAR ENDED JUNE 30, 2012



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

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

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CHILDREN, YOUTH AND FAMILIES DEPARTMENT

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2012**

Name	Title
Yolanda Berumen-Deines	Secretary
Jennifer Padgett	Deputy Secretary
Vacant	Director of Juvenile Justice Services
Renada L. Peery-Galon	Director of Administrative Services
Jared Rounsville	Director of Protective Services
Vacant	Director of Youth and Family Services
Diana Martinez-Gonzales	Director of Early Childhood Services
Damien Aragon	Chief Information Officer



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Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.
Katherine M. Rowe, C.P.A.
Rhonda G. Williams, C.P.A.

Independent Auditors' Report

Mr. Hector Balderas,
New Mexico State Auditor
and
Yolanda Berumen-Deines, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 10, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. The other schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



December 10, 2012

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Year Ended June 30, 2012

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, 2012. 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, 2012

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:

	<u>Current Year - June 30, 2012</u>	<u>Prior Year - June 30, 2011</u>	<u>Favorable or (Unfavorable)</u>	<u>Percentage Change</u>
Assets				
Current assets	\$ 53,688,389	\$ 57,222,587	\$ (3,534,198)	-6.18%
Capital assets	1,104,942	1,483,799	(378,857)	-25.53%
Total assets	<u>\$ 54,793,331</u>	<u>\$ 58,706,386</u>	<u>\$ (3,913,055)</u>	<u>-6.67%</u>
Liabilities				
Current liabilities	\$ 40,334,948	\$ 45,024,013	\$ (4,689,065)	-10.41%
Long-term liabilities	5,452,440	1,999,794	3,452,646	172.65%
Total liabilities	<u>\$ 45,787,388</u>	<u>\$ 47,023,807</u>	<u>\$ (1,236,419)</u>	<u>-2.63%</u>
Net assets				
Invested in capital assets	\$ 1,104,942	\$ 1,483,799	\$ (378,857)	-25.53%
Restricted	17,099,813	16,525,188	574,625	3.48%
Unrestricted	(9,198,812)	(6,326,408)	(2,872,404)	45.40%
Total net assets	<u>\$ 9,005,943</u>	<u>\$ 11,682,579</u>	<u>\$ (2,676,636)</u>	<u>-22.91%</u>
Program revenues and expenses				
Program revenues	\$ 168,603,502	\$ 194,035,790	\$ (25,432,288)	-13.11%
Program expenses	(360,440,110)	(371,964,161)	11,524,051	-3.10%
Net revenue (expense)	<u>(191,836,608)</u>	<u>(177,928,371)</u>	<u>(13,908,237)</u>	<u>7.82%</u>
General revenues (expenses)				
General Fund appropriations	195,171,900	185,967,200	9,204,700	4.95%
Other sources	1,539,070	1,716,422	(177,352)	-10.33%
Other uses	(1,483,979)	(3,653,325)	2,169,346	-59.38%
Total general revenues (expenses)	<u>\$ 195,226,991</u>	<u>\$ 184,030,297</u>	<u>\$ 11,196,694</u>	<u>6.08%</u>
Reversion to State General Fund	\$ (6,067,019)	\$ (5,989,242)	(77,777)	1.30%
Change in net assets	(2,676,636)	112,684	(2,789,320)	-2475.35%
Beginning net assets	<u>11,682,579</u>	<u>11,569,895</u>	<u>112,684</u>	<u>0.97%</u>
Ending net assets	<u>\$ 9,005,943</u>	<u>\$ 11,682,579</u>	<u>\$ (2,676,636)</u>	<u>-22.91%</u>

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Year Ended June 30, 2012

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2012 are as follows:

- *Current Assets* decreased by \$3,534,198 or 6.198 percent. This net decrease consists of many changes over the prior year as follows: State Fund Investment Pool increase of \$2,916,209, Accounts receivable, net (decrease of \$7,413,953) Due from Other Agencies increase of \$853,360 and Investments at State Investment Council increase of \$131,362.
- *Capital Assets and Investment In Capital Assets* decreased by \$378,857 or 25.53 percent due to budget constraints during the fiscal year and the increase in asset dispositions and depreciation expense.
- *Total Assets* decreased by \$3,913,055 or 6.67 percent. See discussions under *Current Assets* and *Capital Assets and Investment in Capital Assets* above.
- *Current Liabilities* decreased by \$4,689,065 or 10.41 percent due increases in several of the liability accounts as follows: Accounts payable (decrease of \$2,088,344), Due to State General Fund increase of \$274,439 Due to other state agencies (decrease of \$1,146,273), Due to federal government increase of \$677,021, Compensated Absence (decrease of \$343,825) and other payroll related liabilities and withholdings increase of \$2,733,339, a (decrease of \$4,795,422) in accrued payroll and an increase in lawsuit litigation accrual of \$3,600,000.
- *Long-Term Liabilities* increased by \$3,452,466 or 172.63 percent. The increase is due to a \$3.6 million litigation accrual.
- *Total Liabilities* decreased by \$1,236,599 or 2.63 percent. See discussion under *Current Liabilities* above.
- *Restricted Net Assets* increased by \$574,625 or 3.48 percent due mainly due to the increases in the restrictions of the Children's Trust Fund – Permanent and Special Revenue and increase in the Day Care and Pre-Kindergarten Funds.
- *Unrestricted Net Assets* deficit decreased by \$2,872,404 or 45.40 percent due mainly due to the lawsuit litigation accrual.
- *Total Net Assets* decreased by \$2,676,636 or 22.91 percent. See discussion under *Current Assets* and *Current Liabilities* above.
- *Program Revenues* decreased by \$25,432,288 or 13.11 percent. The majority of this decrease was due to the decreased funding received from FY 2011 to FY 2012 of \$13,794,518 from the enactment of the American Recovery and Reinvestment Act (ARRA) for Title IV-E Foster Care and Adoption Assistance, Child Care Development funds, and AmeriCorps funds. The department received a decrease of \$496,117 in Child Care Program Funds, a decrease of \$98,164 from the Permanent Land Fund, a decrease in Federal Revenue of \$3,390,219 and a decrease of Miscellaneous revenue of \$2,683,040 from and a decrease of \$1,410,700 from the Domestic Violence Offender Program.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

For the Year Ended June 30, 2012

- *Program Expenses* decreased by \$11,524,051 or 3.10 percent due mainly due to the decrease in the American Recovery and Reinvestment Act (ARRA) of \$13,885,035.
- *Deficiency of Program Revenues over Program Expenses* increased by \$13,908,237 or 7.82 percent. See discussion under *Program Revenues* and *Program Expenses* above.
- *General Fund Appropriations* increased by \$9,204,700 or 4.95 percent over the prior year's appropriations.
- *Other Sources (Transfers In)* decreased by \$177,352 or 10.33 percent. The Department of Finance and Administration (DFA) transfers in decreased by (\$517,179).
- *Other Uses (Transfers Out)* decreased by \$2,169,346 or 59.38 percent. In fiscal year 2012, the agency balance to the Department of Finance and Administration (DFA) decreased by (\$15,420). There were no transfers out for the Human Services Department decreasing the transfers out by (\$930,769); Adult Long Term Services Department decreased by (\$3,149) and there were no transfers out to Public Education Department decreasing the transfers out by (\$20,765).
- *A Reversion to State General Fund* the FY12 reversion increased by \$77,777 or 1.30 percent due to the cut back in budget spending for fiscal year 2012.
- *Change in Net Assets* decreased by \$2,789,320 or 2,475.35 percent due to the increase of \$3,600,000 in lawsuit litigation accrual.

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, 2012	Prior Year June 30, 2011	Increase or (Decrease)	Percentage Change
General Fund	-	\$ 7,204,648	\$ 6,721,752	\$ 482,896	7.18%
Reserved					
General Fund	-	\$ -	\$ -	\$ -	0.00%
Unreserved					
Capital Projects	\$	-	\$ -	-	0.00%
Total		\$ 7,204,648	\$ 6,721,752	\$ 482,896	7.18%

In the prior year's financial statements, other governmental funds accounted for 19.7 percent of total assets and 4.21 percent of total liabilities compared with 18.85 percent total assets and 3.53 percent total liabilities in the current year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

For the Year Ended June 30, 2012

GENERAL BUDGETARY HIGHLIGHTS

The State of New Mexico was challenged in fiscal year (FY) 2012 with the loss of hundreds of millions of dollars in federal stimulus money. The General Appropriation Act increased general fund spending overall for FY12, but appropriations adjusted for stimulus funds decreased by 2.5 percent. Laws of 2011, Chapter 179, included \$5.4 billion of general fund spending. Total spending was down 2.5 percent from the adjusted FY11 budget. This included \$368 million in American Recovery and Reinvestment Act (ARRA) funding. The general fund appropriation to Children, Youth and Families Department (CYFD) was \$196 million, a 7 percent increase over FY11. The increase replaced lost TANF funding for child care and prekindergarten and reduced the vacancy rate in the Protective Services Program.

In FY09, the Federal Government enacted ARRA that resulted in additional federal revenue available to states. During FY12, the Department had receipts of \$4,531 in Title IV-E Foster Care and Adoption grant. In State FY12, the Federal participation rate of 71.35% decreased to 69.36%, a percentage decrease of 1.99. In addition, there was Child Care Development Block ARRA funding receipts totaling \$107,389. The agency had receipts totaling \$923,913 in ARRA funding in FY12. All ARRA funds falls under the approved ARRA fund (89000). Federal funds were budgeted to carry out the provisions of ARRA. These funds are available from October 1, 2008 to September 30, 2011. Childhood Advisory Council extended ARRA funding though State FY14, of which CYFD had receipts of \$404,482 in FY12.

Original budgeted federal revenue and expenditures in the major funds decreased \$4,746,700 during the year ending June 30, 2012. This was due to a decrease in federal Title IV-E revenue. In F12, CYFD participated in a federal pilot review of the Title IV-E administrative costs. During the review process the Department discovered claims were being made for foster care pre-placement that did not qualify under Title IV-E. CYFD immediately discontinued submitting claims for foster care pre-placement. No federal disallowance action was taken due to the Department volunteering for this review.

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 2011, First Session, Chapter 179, Section 4 for the year ended June 30, 2012 were:

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
Youth and Family Services:			
Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	95.00%	92.80%
Outcome	Percent of domestic violence offenders who completed a batterer's intervention program	70.00%	---
Output	Percent of clients who complete formal probation	90.00%	90.70%

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

For the Year Ended June 30, 2012

Output	Percent of clients re-adjudicated within two years of previous adjudication	5.80%	6.60%
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Early Childhood Services:

Outcome	Percent of children receiving state subsidy in stars/aim high programs level two through five or with national accreditation	90.00%	90.70%
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Outcome	Percent of mothers participating in home visiting who are identified as having symptom of post-partum depression	baseline	22.20%
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Protective Services:

Outcome	Percent of children who are not the subject of substantiated maltreatment while in foster care.	99.68%	99.48%
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Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	93.00%	92.30%
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Outcome	Percent of children reunified with their natural families in less than 12 months of entry into care.	71.50%	67.30%
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Juvenile Justice Services:

Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury.	3.00%	1.4%
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Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities.	9.00%	12.40%
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Program Support:

Outcome	Percent vacancy rate for youth care specialist	8.00%	13.30%
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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

For the Year Ended June 30, 2012

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, 2012 are \$6,174,801. The estimated amount to be paid from current General Fund appropriations within one year is \$4,322,361 or 70.0 percent, with \$1,852,440 or 30.0 percent due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2012.

NEXT YEAR'S BUDGET AND RATE

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature appropriated \$207,732,600 for fiscal year (FY) 2013 operating budget in the Laws of 2012, Chapter 19, Section 4. The general fund increase included replacing nonrecurring funding for domestic violence and lost federal Title IV-E funding. Also, additional general fund was budgeted for childcare assistance, prekindergarten and home visiting programs. The Department received a supplemental appropriation for FY12 of \$1,800,000 to cover the loss in Title IV-E foster care funding in Laws of 2012, Chapter 19, Section 6. The supplemental was needed to maintain staffing and operating cost levels in the Protective Services Program. There was no compensation package for exempt/classified staff, teachers, juvenile probation and parole officers appropriated for FY13.

In FY13, funds were appropriated to the General Services Department – Property Control Division in the Laws of 2012, Chapter 64, Section 5, Paragraph 2. An amount of \$500,000 was appropriated for infrastructure improvements and code compliance upgrades at the Youth, Diagnostic and Development Center (YDDC) in Albuquerque in Bernalillo County and John Paul Taylor Center in Las Cruces in Dona Ana County. The funding will be used for renovations to the Loma Cottage at YDDC, ADA upgrades, parking lot resurfacing, generator and electrical upgrades, roof repairs and security cameras.

The FY14 budget request includes a base general fund base request of \$217,762,800 - an increase of \$10,030,200 or 4.8 percent over the FY13 operating budget. The general fund increase supports a Department vacancy rate of 7.4 percent, budgeting vacant positions at salary mid-point. The Department's full-time equivalent (FTE) vacancy rate was 16.3 percent in FY12. The high FTE vacancy rates have led to an increase in turnover contributed to burnout, high caseloads and more difficult cases and clients. In the first quarter of FY13, the Juvenile Justice Services Program had a vacancy rate of 20.2 percent and the Protective Services Program had a vacancy rate of 14.5 percent. The general fund increase includes \$2,155,200 as directed by the Department of Finance and Administration's Budget Division for health insurance premium rate increases and the pension swap of 1.5 percent. Also, the base general fund increase includes the following: \$1,000,000 to replace fund balance revenue from the permanent land fund; \$5,000,000 for childcare assistance; \$800,000 for registered home oversight; \$500,000 for client shelter care services; \$125,000 for employee accountability (leadership training and annual employee background checks); and \$450,000 to replace lost federal funding from the Adoption Incentive grant.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

For the Year Ended June 30, 2012

CYFD's budget request for FY14 includes an expansion request of \$2,625,000 to re-open the facility in Fort Stanton to accommodate future growth in the Department's secure juvenile facilities. The request reflects only 75 percent of cost projected to operate the facility. The Juvenile Justice Program anticipates opening the facility in October 2013. Also, CYFD is requesting special appropriations of \$500,000 for home visiting investment zones and \$710,000 for the configuration of SHARE accounts receivable and capital asset modules for CYFD's business needs. The Department's request focuses on preserving core services relating to the agency's priority for the safety and well-being of children, youth, families and New Mexico communities.

Through the General Services Department – Property Control Division, CYFD has requested funding in alignment with the Department's facilities master plan. The master plan calls for a system of smaller, regionally-based treatment-focused facilities that meet the vision, goals and objectives of the Cambiar New Mexico model initiated by the Juvenile Justice Services Program in 2008. The Department plans are to regionalize facilities in four areas of the state – the northeast, southeast, northwest and central. Phase I of the master plan priorities the southeast area of the state as the first region to be addressed. The Department's Infrastructure Capital Improvement Plan's (ICIP) first priority is \$3,155,154 for facility design and demolition of state owned property in Roswell. The ICIP's second priority is \$1,302,000 for YDDC Cambiar facility programmatic improvements.

The Department has submitted its annual information technology request for FY14 that includes \$3,454,200 to begin Phase III of the Enterprise Provider Information Constituent Services (EPICS) web-based system to replace the legacy Family Automated Client Tracking System (FACTS) that has been in place since 1997.

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

FINANCIAL SECTION

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

Exhibit 1

Statement of Net Assets

June 30, 2012

ASSETS	<u>Governmental Activities</u>
Cash	\$ 61,200
State Fund Investment Pool	22,346,972
Accounts receivable, net	17,575,829
Due from agency fund	140,578
Due from other agencies	10,682,594
Supplies inventory	318,026
Other assets	818
Investments at State Investment Council	2,562,372
Capital assets, net	<u>1,104,942</u>
Total assets	<u>54,793,331</u>
LIABILITIES	
Accounts payable	22,441,831
Accrued payroll	1,072,639
Payroll taxes payable	804,445
Due to other agencies	575,529
Due to state general fund	6,617,877
Due to federal government	1,853,195
Other payroll related liabilities and withholdings	2,647,071
Compensated absences	4,322,361
Noncurrent liabilities:	
Lawsuit litigation accrual	3,600,000
Compensated absences due in more than one year	<u>1,852,440</u>
Total liabilities	<u>45,787,388</u>
NET ASSETS	
Invested in capital assets	1,104,942
Restricted for:	
Children's trust fund - permanent	6,571,214
Children's trust fund - special revenue	743,431
Day care fund	1,086,351
Subsequent years expenditures by applicable legislation and law	8,698,817
Unrestricted (deficit)	<u>(9,198,812)</u>
Total net assets	<u>\$ 9,005,943</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, 2012

	Expense	Program Revenues Operating Grants and Contributions	Governmental Activities Net Program (Expense)
Governmental Activities:			
Health and Welfare	\$ (355,838,710)	\$ 167,016,114	\$ (188,822,596)
Public Safety	(4,168,114)	1,587,388	(2,580,726)
Depreciation expense	(433,286)	-	(433,286)
Total governmental activities	\$ (360,440,110)	\$ 168,603,502	(191,836,608)
General Revenues:			
General fund and special appropriations			195,171,900
Interest			1,566,125
Loss on disposal of capital assets			(27,055)
Total general revenues			196,710,970
Transfers			
Transfers from other State Agencies			1,199,243
Transfers to other State Agencies			(2,683,222)
General fund reversion 2012 fiscal year			(6,067,019)
Net transfers			(7,550,998)
Change in net assets			(2,676,636)
Net assets, beginning of year			11,682,579
Net assets, end of year			\$ 9,005,943

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, 2012

	General Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
State Fund Investment Pool	\$ 13,097,539	\$ 9,249,433	\$ 22,346,972
Cash	61,200	-	61,200
Accounts receivable, net	17,426,455	149,374	17,575,829
Due from other funds	10,810,690	878	10,811,568
Due from other agencies	10,509,206	173,388	10,682,594
Supplies inventory	318,026	-	318,026
Other assets	818	-	818
Investments at State Investment Council	-	2,562,372	2,562,372
	Total assets	\$ 12,135,445	\$ 64,359,379
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 20,885,989	\$ 1,555,842	\$ 22,441,831
Accrued payroll	1,070,383	2,256	1,072,639
Payroll taxes payable	801,752	2,693	804,445
Due to other funds	10,669,592	1,398	10,670,990
Due to other agencies	575,529	-	575,529
Due to state general fund	6,617,155	722	6,617,877
Due to federal government	1,754,365	98,830	1,853,195
Other payroll related liabilities and withholdings	2,644,521	2,550	2,647,071
	Total liabilities	1,664,291	46,683,577
FUND BALANCES			
Non-spendable fund balance			
Inventory	318,026	-	318,026
Children's trust fund - permanent	-	6,571,214	6,571,214
Spendable fund balance - Restricted	-	743,431	743,431
Children's trust fund - special revenue	-	-	-
Day care fund	-	1,086,351	1,086,351
By law or grant	2,669,236	-	2,669,236
Subsequent year's expenditures by appropriation	4,217,386	1,812,195	6,029,581
Committed	-	257,963	257,963
Assigned	-	-	-
Unassigned	-	-	-
	Total fund balances	10,471,154	17,675,802
	Total liabilities and fund balances	\$ 12,135,445	\$ 64,359,379

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, 2012

Fund balances - total governmental funds		\$ 17,675,802
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental capital assets	\$ 4,454,058	
Less accumulated depreciation	<u>(3,349,116)</u>	1,104,942
Lawsuit litigation accrual		(3,600,000)
Compensated absences recorded in the statement of net assets, not recorded in the governmental funds		<u>(6,174,801)</u>
Net assets of governmental activities		<u>\$ 9,005,943</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, 2012

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal funds	\$ 161,609,941	\$ 539,205	\$ 162,149,146
Other state funds	5,169,297	1,285,059	6,454,356
Interest and gain on investments	1,428,409	137,716	1,566,125
Total revenues	<u>168,207,647</u>	<u>1,961,980</u>	<u>170,169,627</u>
EXPENDITURES			
Current:			
Health and Welfare	341,212,955	11,516,934	352,729,889
Public Safety	4,168,114	-	4,168,114
Capital outlay	81,484	-	81,484
Total expenditures	<u>345,462,553</u>	<u>11,516,934</u>	<u>356,979,487</u>
Excess (deficiency) of revenues over expenditures	<u>(177,254,906)</u>	<u>(9,554,954)</u>	<u>(186,809,860)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers State General Fund Appropriations	185,288,800	9,883,100	195,171,900
Transfers Special Appropriations	-	-	-
Transfers from other State Agencies	1,199,243	-	1,199,243
Transfers to other State Agencies	(2,683,222)	-	(2,683,222)
General fund reversions	(6,067,019)	-	(6,067,019)
Total other financing sources and (uses)	<u>177,737,802</u>	<u>9,883,100</u>	<u>187,620,902</u>
Net change in fund balances	482,896	328,146	811,042
Fund balances, beginning of year	<u>6,721,752</u>	<u>10,143,008</u>	<u>16,864,760</u>
Fund balances, ending	<u>\$ 7,204,648</u>	<u>\$ 10,471,154</u>	<u>\$ 17,675,802</u>

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, 2012

Net change in fund balances - total governmental funds	\$	811,042
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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	\$ 81,484	
Less current year depreciation	<u>(433,286)</u>	(351,802)

Disposal of capital assets		(27,055)
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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.

Lawsuit litigation accrual		(3,600,000)
Decrease in accrued compensated absences	<u>491,179</u>	

Change in net assets of governmental activities	\$	<u>(2,676,636)</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 and Expenditures (Non GAAP)
Budget and Actual - Major Budgeted Fund

Year Ended June 30, 2012

General Fund				
	Budgeted Amounts		Actual	Variance
	Original	Adjusted		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 185,288,800	\$ 185,288,800	\$ 185,288,800	\$ -
Federal funds	169,658,500	181,477,321	161,609,941	(19,867,380)
Other state funds	5,079,800	5,113,653	7,796,949	2,683,296
Total budgeted revenues	360,027,100	371,879,774	\$ 354,695,690	\$ (17,184,084)
Budgeted fund balance	-	382,225		
Total revenues and budget fund balance	\$ 360,027,100	\$ 372,261,999		
Expenditures				
Personnel services	\$ 119,870,500	\$ 117,910,947	\$ 114,070,442	\$ 3,840,505
Contractual services	51,484,600	60,317,111	51,980,674	8,336,437
Other costs	188,432,000	191,264,341	178,708,437	12,555,904
Other financing uses	240,000	2,769,600	2,683,222	86,378
Total budgeted expenditures	\$ 360,027,100	\$ 372,261,999	347,442,775	\$ 24,819,224
Plus entry to increase allowance for uncollectable accounts			703,000	
Less budgetary transfers to other agencies			(2,683,222)	
Total fund financial expenditures			\$ 345,462,553	
Reconciliation to GAAP basis				
Total actual budget revenue			\$ 354,695,690	
Less total actual GAAP expenditures			(345,462,553)	
Less General Fund reversion			(6,067,019)	
Less transfers to other agencies			(2,683,222)	
Net change in general fund balance			\$ 482,896	

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, 2012

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 29,935
State Fund Investment Pool	752,805
Due from other agencies	<u>180</u>
Total assets	<u><u>\$ 782,920</u></u>
LIABILITIES	
Deposits held for others	\$ 642,342
Due to other funds	<u>140,578</u>
Total liabilities	<u><u>\$ 782,920</u></u>

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

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

Notes to Financial Statements

June 30, 2012

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STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2012

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 consist of six divisions as follows:

1. The Administrative Services Division provides administrative support, for the other CYFD divisions. Such support is provided in financial management and accounting, budget preparation, tracking and estimating, property management, federal grants management contracts management, and personnel services.
2. The Juvenile Justice Services Division oversees institutionalized juveniles in six community treatment centers and reintegration centers, the Youth Diagnostic and Development Center, which is responsible for providing intervention (juvenile probation and parole) services for approximately 27,000 boys and girls referred to CYFD for alleged delinquent acts, as well as services for their families;

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 1. HISTORY AND FUNCTION (CONTINUED)

3. The Protective Services Division responds to community allegations that children have been abused, neglected, or exploited, and, if these allegations are substantiated, to develop with these families a plan for services designed to prevent repeated maltreatment;
4. The Early Childhood Services Division supports family development, early care and education activities through Child Care, Child Care Licensing and Family Nutrition, and whose programs are centered around the philosophy that prevention is the most desirable solution to many social problems; 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.
6. Youth and Family Services Division integrates community-based probation and aftercare services with community-based transition, behavioral health, domestic violence, and other prevention and intervention services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by 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, 2012.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

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

Joint Venture

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

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

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

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

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, 2012

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, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (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, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (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, 2012

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 2012 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, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting (Continued)

For the year ended June 30, 2012 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 2011 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 2012 there are reconciling items between the budgetary basis and the GAAP financial statements for the governmental funds. See the reconciliations of budgetary basis to GAAP on the applicable budgetary schedules.

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings 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 except for the Early Childhood Care and Education Fund. The two Permanent Funds for Children's Trust Funds are not budgeted as they have no expenditure activity.

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, 2012.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>	<u>Days Earned Per Month</u>	<u>Days of Maximum Accrual</u>
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, 2012, 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, 2012, 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 non spendable fund balance 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, 2012

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 yearend 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. GASB Statement 54

The Department follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the Department's net assets.

The effect of GASB Statement 54 on the Department's fund balance is that the reserve for inventories and petty cash are no longer presented but inventory and the permanent Children's Trust Fund are a non spendable fund balance. Spendable fund balance is shown by most binding constraints which is restricted by an external resource or enabling legislation.

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

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

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

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. GASB Statement 54 (Continued)

Restricted 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.

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

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

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

Assigned. 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, 2012

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, 2012.

	<u>Years</u>
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, 2012

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

Cash balances at financial institutions and on hand at June 30, 2012 consist of the following:

Bank accounts	\$ 60,000
Cash on hand	<u>1,200</u>
Total cash balance	<u><u>\$ 61,200</u></u>

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

General Fund balance	\$ 13,097,539
Non major Government Funds balances	<u>9,249,433</u>
Net balance	<u><u>\$ 22,346,972</u></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, 2012.

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

Notes to Financial Statements (Continued)

June 30, 2012

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, 2012, as the bank balances indicate below.

	<u>Wells Fargo Bank</u>	<u>Bank of America</u>
Total amount of deposits per bank	\$ 55,127	\$ 34,363
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, 2012 were as follows:

	<u>Permanent Children Trust</u>	<u>Permanent CTF-Next Gen</u>
Large Cap Index	\$ 170,835	\$ 170,835
Non US Developed Markets Pool	40,633	40,633
Non US Emerging Markets Pool	10,452	10,452
US Core Bonds Pool	<u>1,059,266</u>	<u>1,059,266</u>
Total	<u>\$ 1,281,186</u>	<u>\$ 1,281,186</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 market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to change in market interest rates. CYFD has exposure to interest rate risk by its investment in the Core Bond with the State Investment Council. Exposure to interest rate risk in the State Funds Investment Pool is limited due to its investments in short-term maturing securities.

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

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2012

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

General Fund Investment Pool Not Reconciled (Continued)

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Children, Youth and Families Department balances at the business unit/fund level is not possible.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. DFA/FCD management believes that these changes will allow for the completion of a timely and accurate reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

DFA/FCD is responsible to reconcile the General Fund Investment Pool by State law (Section 6-5-9 NMSA 1978).

The Department has compensating internal controls in place to account for deposits and expenditures and the balance of the General Fund Investment Pool is materially correct at June 30, 2012. Adjustments, if any to the Departments financial statements until this reconciliation process is complete, cannot be determined

Interest in the General Fund Investment Pool

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

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

Notes to Financial Statements (Continued)

June 30, 2012

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

Interest in the General Fund Investment Pool (Continued)

At June 30, 2012 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool \$22,346,972.

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

Credit Risk – The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2012.

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, 2012.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 are as follows:

	General Fund
Federal Grants receivable	\$ 20,279,978
Accounts receivable - overpayment of benefits	4,534,843
Other receivables	38,911
Less: Contractual and collectability allowances	(7,277,903)
Total accounts receivable	\$ 17,575,829

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	\$ 6,574,903
Provision for doubtful accounts	703,000
Balance, end of year	\$ 7,277,903

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 5. CAPITAL ASSETS

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental activities:				
Depreciable Assets:				
Buildings and structures	\$ 987,574	\$ 81,484	\$ (8,066)	\$ 1,060,992
Data processing equipment	2,369,553	-	(80,252)	2,289,301
Equipment and machinery	534,073	-	(29,105)	504,968
Furniture and fixtures	605,286	-	(26,873)	578,413
Vehicles	20,384	-	-	20,384
	<u>4,516,870</u>	<u>81,484</u>	<u>(144,296)</u>	<u>4,454,058</u>
Totals at historical cost				
Less accumulated depreciation:				
Buildings and structures	359,469	40,971	(3,097)	397,343
Data processing equipment	1,519,975	388,238	(58,166)	1,850,047
Equipment and machinery	534,073	-	(29,105)	504,968
Furniture and fixtures	605,285	-	(26,873)	578,412
Vehicles	14,269	4,077	-	18,346
	<u>3,033,071</u>	<u>433,286</u>	<u>(117,241)</u>	<u>3,349,116</u>
Total accumulated depreciation				
Capital assets, net	<u>\$ 1,483,799</u>	<u>\$ (351,802)</u>	<u>\$ (27,055)</u>	<u>\$ 1,104,942</u>

The Department does not have any debt related to capital assets as of June 30, 2012. The current year additions were paid from the General Fund as the expenditures from the Capital Project Fund did not meet the capitalization criteria.

Depreciation expense was \$433,286 for the year ended June 30, 2012. Since capital assets are not specifically identified by function, the depreciation expense is unallocated in the Statement of Activities.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 6. RETIREMENT PLANS (STATE PERA AND ERA)

Public Employees Retirement Association's Pension Plan

Plan Description. Substantially all of the Department full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, 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's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 4.78% to 8.92% (depending upon the division) of their gross salary. The Department is required to contribute from 16.59% 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, 2012, 2011, and 2010 were, \$10,905,812, \$12,692,218 and \$12,652,931, respectively, which equal the amount of the required contributions for each fiscal year.

Educational Retirement Board's 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 (ERB) 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. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P. O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy. Plan members earning \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members earning more than \$20,000 annually were required to contribute 11.15% of their gross salary in fiscal year 2012 and will be required to contribute 9.40% of their gross salary in fiscal year 2013. The Department has been and is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, in fiscal years 2012 and 2013. In fiscal year 2012, the Department contributed 9.15% of the gross covered salary of employees earning more than \$20,000 annually. In fiscal year 2013, the Department will contribute 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The Department's contributions to ERB for the years ending June 30, 2012, 2011, and 2010 were, \$460,855, \$542,816, and \$560,629, respectively, which equal the amount of the required contributions for each fiscal year.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 7. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Notes to Financial Statements (Continued)

June 30, 2012

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

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act (10-12B-1 NMSA 1978), during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.500%	1.250%

Also, employers joining the program after January 1, 1998 are 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, 2012, 2011 and 2010 were \$2,699,962, \$2,612,854, and \$1,577,529, respectively, which equal the required contributions for the employer and employee for the respective fiscal years ended.

NOTE 8. BUDGETARY BASIS

For the year ended June 30, 2012, 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, 2012.

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

Notes to Financial Statements (Continued)

June 30, 2012

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:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Compensated absences:				
Annual leave	\$ 5,215,654	\$ 3,980,157	\$(4,192,859)	\$ 5,002,952
Compensatory leave	1,028,505	398,016	(691,663)	734,857
Sick leave	421,821	106,574	(91,403)	436,992
	<u>6,665,980</u>	<u>\$4,484,747</u>	<u>\$(4,975,925)</u>	<u>6,174,801</u>
Total compensated absences				
	<u>4,666,186</u>			<u>4,322,361</u>
Less current portion				
Net long-term compensated absences	<u>\$ 1,999,794</u>			<u>\$ 1,852,440</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>
2013	\$ 9,057,786	\$ 713,300
2014	9,248,159	713,300
2015	9,444,661	713,300
2016	9,645,409	713,300
2017	<u>8,172,743</u>	<u>713,300</u>
Total	<u>\$ 45,568,758</u>	<u>\$ 3,566,500</u>

During the period ended June 30, 2012 facilities and equipment rent expenses amounted to \$9,595,121.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 11. CLAIMS AND JUDGMENTS

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

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

The Department is involved in several pending legal matters. Although the possibility of loss exists in some of these cases, any potential loss is likely to be covered by insurance (through Risk Management Division) and accordingly a loss is not recorded. There is one judgment that is not covered by Risk Management. The judgment found the Department's contemptuous conduct deprived the plaintiffs of family relationships. CYFD is currently appealing the judgment and the case will go to court in 2013. An accrual for a loss of \$3.6 million has been recorded in the June 30, 2012 government wide financial statements. The accrual is not recorded in the governmental general fund, as under modified accrual accounting, long term liabilities are not recorded.

Long-Term Litigation Liability			
Beginning Balance	Additions	Deletions	Ending Balance
\$ -	\$ 3,600,000	\$ -	\$ 3,600,000

NOTE 12. DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds represent interfund receivables and payables from components of the general fund 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 except for \$140,578 which is due from the agency fund.

Amount Due from Other Funds			Amount Due to Other Funds		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Fund	06700	\$ 6,784,410	FACTS	48900	\$ 6,784,410
General Fund	06700	1,886,752	FACTS	49100	1,886,752
General Fund	06700	10,000	JJDP/Childrens Justice	84100	10,000
FACTS	48900	1,400,000	General Fund	06700	1,400,000
FACTS	48900	140,578	Rep Payee for SSA/SSI	49000	140,578
FACTS	48900	504	ARRA	89000	504
FACTS	49100	16	ARRA	89000	16
FACTS	49100	550,026	General Fund	06700	550,026
CTF Expendable	78000	774	CTF Non-Expendable	78100	774
JJDP/Childrens Justice	84100	38,404	Rep Light	06800	38,404
CTF Next Gen Expendable	94800	104	CTF Next Gen Non-Expendable	94900	104
Total		<u>\$ 10,811,568</u>			<u>\$ 10,811,568</u>

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

Notes to Financial Statements (Continued)

June 30, 2012

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 2012 reversions are:

General Fund

	Reversion Calculation	General Fund
Fund balance SHARE funds 06700, 48900 and 49100	\$ 10,602,431	\$ 10,602,431
Non reverting components of fund balances	-	2,669,236
Non-spendable fund balance	(318,026)	-
Restricted by law appropriation or the grant for future years for SHARE 06700, 48900 and 49100		
-State Permanent and Land Income	(3,780,538)	-
-Domestic Violence Offenders	(136,757)	-
-Annie Casey Foundation	(240,091)	-
-Client Emergency	(60,000)	-
Current Year Reversion	\$ 6,067,019	(6,067,019)
Total General fund - fund balance		\$ 7,204,648

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

Notes to Financial Statements (Continued)

June 30, 2012

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 2012	\$ 6,067,019
Child Care licensing fees per NMSA 24-1-5	185,465
Reclassify Accounts Payable	286,227
Stale Dated Warrants	26,539
Facts Protective Services	28,947
Facts Child Care	22,573
JJDP Children's Justice	385
Non major funds due to	<u>722</u>
 Total Due to State General Fund	 <u><u>\$ 6,617,877</u></u>

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

Major fund reversion	
General Operating	\$ 6,565,250
Facts Protective Services	28,947
Facts Child Care	22,573
JJDP Children's Justice	385
Total Major Fund	<u><u>\$ 6,617,155</u></u>

Non Major fund reversion	
Children's Trust Fund	\$ 685
Pre-Kindergarten	31
ARRA of 2009	6
Total Non Major Funds	<u><u>\$ 722</u></u>

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 14. DUE FROM AND DUE TO OTHER STATE AGENCIES

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

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	\$ 1,200,443	Department of Finance	34100	\$ 1,200,443
General Fund	06700	972,372	Public Education Dept	21600	972,372
General Fund	06700	2,115,476	Human Services Dept	05200	2,115,476
General Fund	06700	3,905	DPS	12800	3,905
General Fund	06700	12,920	Governors Commission	64500	12,920
General Fund	06700	117,463	State Treasurer	76100	117,463
Child Care Fund	49100	6,084,376	Human Services Dept	05200	6,084,376
Light Fund	06800	118	State Treasurer	80100	118
Children Justice	84100	<u>2,133</u>	DPS	12800	<u>2,133</u>
Total General Fund		<u>\$ 10,509,206</u>			<u>\$ 10,509,206</u>

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

Notes to Financial Statements (Continued)

June 30, 2012

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

A. Due From 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	\$ 2,095	MVD - Child Plate	82500	\$ 2,095
Day Care	91100	<u>170,415</u>	DOH - Birth and Death	06100	<u>170,415</u>
Total Special Revenue		<u>172,510</u>			<u>172,510</u>
<u>Permanent Funds</u>					
Children's Non-Expend. Trust Fund	78100	774	State Treasurer	80100	774
Children's Trust Fund	94900	<u>104</u>	State Treasurer	80100	<u>104</u>
Total Permanent Fund		<u>878</u>			<u>878</u>
<u>Capital Project Fund</u>					
Capital Projects	59700	<u>-</u>	DFA	34100	<u>-</u>
Total Non Major Governmental Funds		<u>\$ 173,388</u>			<u>\$ 173,388</u>
<u>Fiduciary Fund</u>					
Social Security	09600/49000	<u>180</u>	State Treasurer	80100	<u>180</u>
		<u>\$ 10,682,774</u>			<u>\$ 10,682,774</u>

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

Notes to Financial Statements (Continued)

June 30, 2012

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

B. Due To Other State Agencies

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

Amount Due to Agencies			Other Agencies		
Fund Name	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Operating	06700	\$ 182,057	HSD	05200	\$ 182,057
General Operating	06700	217,795	ALTSD	27000	217,795
General Operating	06700	46,549	Dept. of Public Safety	12800	46,549
General Operating	06700	35,548	Dept. of Finance-CRB	34100	35,548
General Operating	06700	<u>52,147</u>	Public Education Dept	67200	<u>52,147</u>
		534,096			534,096
Facts Protective	48900	29,006	ALTSD	27000	29,006
Children Justice	84100	<u>12,427</u>	Dept. of Public Safety	12800	<u>12,427</u>
Total General Fund		<u>\$ 575,529</u>			<u>\$ 575,529</u>

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 15. TRANSFERS TO/FROM OTHER STATE AGENCIES

The following is a summary of interagency cash transfers as a result of: the HIPPA transfers from the Department of Finance and Administration; transfers to Adult Long Term Services Department, Public Education Department and Human Services Department.

<u>Transfers to other Agencies</u>	<u>SHARE Number</u>	<u>Amount</u>
Department of Finance and Administration/CRB	34100	\$ (153,639)
Adult Long Term Services Department	62400	<u>(2,529,583)</u>
Transfers to other agencies		<u>\$ (2,683,222)</u>

NOTE 16. GASB STATEMENT 54

The Department follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement 54 distinguishes fund balances between amounts that are considered nonspendable, such as fund balance associated with inventories and the Children's Trust Fund, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, spendable fund balance amounts are reported in the following classifications:

Restricted. Amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed. Amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned. Amounts intended to be used by the Department for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned. The residual classification for the Department's general fund and includes all amounts not contained in the other classifications.

The definitions of the *general fund* and *permanent fund* type also are clarified by the GASB Statement 54. Definitions are as follows:

General fund. Should be used to account for and report all financial resources not accounted for and reported in another fund.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 16. GASB STATEMENT 54 (Continued)

Special revenue funds. Are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds. Are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt service funds. Are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent funds. Should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Department's programs, that is, for the benefit of the Department or its citizenry.

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

The restricted fund balance for subsequent years expenditures are based on the applicable legislation purposes designated by the laws. Any unencumbered or unexpended balances remaining at year end 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.

The restricted fund balance 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.

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

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 17. FUNDS HELD IN TRUST BY OTHERS (Continued)

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 \$117,896 is recognized in the general fund as a component of other state fund revenue.

The Department has a 2/7th interest in the State Charitable, Penal and Reformatory Institutions Fund. Income of \$1,403,632 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.

NOTE 19. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has published Statements No. 67, *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*. These standards revise existing guidance for governments that provide their employees with pension benefits. Significant change is the requirement to record each governmental entity's pro rate share of unfunded actuarial accrued liability (UAAL) on its financial statements including multi-employer cost sharing plans. The Public Employees Retirement Association (PERA) and the Educational Retirement Board (ERB), are multi-employer cost sharing plans. The changes arising from these statements are significant and the Department will comply with these changes as implementation information is provided by the State of New Mexico, PERA, and ERB. The implementation date for Statement No. 68, most relevant to the Department is for FY 2015.

The status of the PERA Plan at June 30, 2011, the most recent audited financial statements available, has an unfunded accrued actuarial liability of approximately \$4.97 billion.

The status of the ERB Plan at June 30, 2011, the most recent audited financial statements available, has an unfunded accrual liability of approximately \$5.68 billion.

NOTE 20. SUBSEQUENT EVENTS

The Department has evaluated subsequent events through December 10, 2012, which is the date the financial statements have been issued and have determined no events require disclosure or adjustment to the financial statements.

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

June 30, 2012

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 51 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

Schedule 1

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

General Operating Account

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 136,694,500	\$ 135,994,500	\$ 135,994,500	\$ -
Federal funds	50,852,200	62,055,869	50,458,874	(11,596,995)
Other state funds	3,206,000	3,239,853	5,819,222	2,579,369
	<u>190,752,700</u>	<u>201,290,222</u>	<u>\$ 192,272,596</u>	<u>\$ (9,017,626)</u>
Budgeted fund balance	<u>-</u>	<u>241,025</u>		
Total revenues and budgeted fund balance	<u>\$ 190,752,700</u>	<u>\$ 201,531,247</u>		

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 119,701,900	\$ 117,736,147	\$ 113,982,795	\$ 3,753,352
Contract services	47,457,000	55,574,359	47,981,053	7,593,306
Other costs	23,353,800	25,451,141	21,194,193	4,256,948
Other financing uses	240,000	2,769,600	2,683,222	86,378
	<u>\$ 190,752,700</u>	<u>\$ 201,531,247</u>	185,841,263	<u>\$ 15,689,984</u>
Audit entry to increase allowance for doubtful accounts			-	
Less transfers to other agencies			<u>(2,683,222)</u>	
Total GAAP expenditures			<u>\$ 183,158,041</u>	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 10,708,900	\$ 10,093,613	\$ 9,931,112	\$ 162,501
Contract services	1,706,800	1,636,800	1,560,955	75,845
Other costs	4,066,500	4,751,787	4,533,921	217,866
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 16,482,200</u>	<u>\$ 16,482,200</u>	<u>\$ 16,025,988</u>	<u>\$ 456,212</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Expenditures</u>	Variance Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 31,405,000	\$ 31,254,401	\$ 30,975,773	\$ 278,628
Contract services	4,320,400	5,123,040	4,429,098	693,942
Other costs	4,211,900	4,130,916	3,665,047	465,869
Other financing uses	-	-	-	-
Total budgeted expenditures	<u>\$ 39,937,300</u>	<u>\$ 40,508,357</u>	<u>\$ 39,069,918</u>	<u>\$ 1,438,439</u>

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable <u>(Unfavorable)</u>
Expenditures				
Personnel services & benefits	\$ 49,116,000	\$ 47,586,750	\$ 45,647,913	\$ 1,938,837
Contract services	10,522,300	10,771,630	8,727,248	2,044,382
Other costs	9,567,200	10,678,150	8,870,999	1,807,151
Other financing uses	240,000	2,769,600	2,683,222	86,378
	<u>\$ 69,445,500</u>	<u>\$ 71,806,130</u>	<u>\$ 65,929,382</u>	<u>\$ 5,876,748</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 21,173,400	\$ 20,886,932	\$ 19,851,756	\$ 1,035,176
Contract services	23,180,200	26,720,499	25,210,741	1,509,758
Other costs	2,569,900	3,242,166	2,767,806	474,360
Other financing uses	-	-	-	-
Total budgeted expenditures	<u>\$ 46,923,500</u>	<u>\$ 50,849,597</u>	<u>\$ 47,830,303</u>	<u>\$ 3,019,294</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 Expenditures
Budget and Actual - Non GAAP

Early Childhood Services-P782

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Expenditures				
Personnel services & benefits	\$ 7,298,600	\$ 7,914,451	\$ 7,576,241	\$ 338,210
Contract services	7,727,300	11,322,390	8,053,011	3,269,379
Other costs	2,938,300	2,648,122	1,356,420	1,291,702
Other financing uses	-	-	-	-
	-	-	-	-
Total budgeted expenditures	\$ 17,964,200	\$ 21,884,963	\$ 16,985,672	\$ 4,899,291

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

Special Appropriation - Light Account

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)																				
	<u>Original</u>	<u>Amended</u>		<u>(Unfavorable)</u>																				
Revenues																								
Other state funds	\$ -	\$ -	\$ 1,134	\$ 1,134																				
<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;"><u>Budgeted Amounts</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Actual</u></th> <th style="text-align: center; border-bottom: 1px solid black;">Variance Favorable (Unfavorable)</th> </tr> <tr> <th></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Original</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Amended</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>Expenditures</u></th> <th style="text-align: center; border-bottom: 1px solid black;"><u>(Unfavorable)</u></th> </tr> </thead> <tbody> <tr> <td>Expenditures</td> <td style="text-align: right; border-bottom: 1px solid black;">-</td> <td style="text-align: right; border-bottom: 1px solid black;">-</td> <td style="text-align: right; border-bottom: 1px solid black;">-</td> <td style="text-align: right; border-bottom: 1px solid black;">-</td> </tr> <tr> <td style="padding-left: 20px;">Total budgeted expenditures</td> <td style="text-align: right; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-bottom: 3px double black;">\$ -</td> </tr> </tbody> </table>						<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)		<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	<u>(Unfavorable)</u>	Expenditures	-	-	-	-	Total budgeted expenditures	\$ -	\$ -	\$ -	\$ -
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)																				
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	<u>(Unfavorable)</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 8

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

FACTS Protective Services - P578

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 19,045,100	\$ 19,745,100	\$ 19,745,100	\$ -
Federal funds	21,360,000	21,360,000	20,835,441	(524,559)
Other state funds	1,873,800	1,873,800	1,976,587	102,787
	<u>42,278,900</u>	<u>42,978,900</u>	<u>\$ 42,557,128</u>	<u>\$ (421,772)</u>
Total budgeted revenues				
Budgeted fund balance	<u>-</u>	<u>-</u>		
Total revenues and budgeted fund balance	<u>\$ 42,278,900</u>	<u>\$ 42,978,900</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	(Unfavorable)
Expenditures				
Other costs	<u>\$ 42,278,900</u>	<u>\$ 42,978,900</u>	\$ 42,442,807	<u>\$ 536,093</u>
Audit entry to increase allowance for doubtful accounts			<u>191,000</u>	
Total GAAP expenditures			<u>\$ 42,633,807</u>	

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 9

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

FACTS Child Care Payments Account - P782

Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
Revenues				
General fund appropriation	\$ 26,788,500	\$ 26,788,500	\$ 26,788,500	\$ -
Federal funds	54,705,700	54,705,700	50,139,962	(4,565,738)
Other state funds	-	-	4	4
	81,494,200	81,494,200	\$ 76,928,466	\$ (4,565,734)
Total revenues				
Budgeted fund balance	-	-		
Total revenues and budgeted fund balance	\$ 81,494,200	\$ 81,494,200		
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended	Expenditures	
Expenditures				
Contract services	\$ -	\$ -	\$ -	\$ -
Other costs	81,494,200	81,494,200	76,416,466	5,077,734
	\$ 81,494,200	\$ 81,494,200	76,416,466	\$ 5,077,734
Total budgeted expenditures				
Audit entry to increase allowance for doubtful accounts			512,000	
Total GAAP expenditures			\$ 76,928,466	

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 10

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

Juvenile Community Corrections Account - P580

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 2,658,600	\$ 2,658,600	\$ 2,658,600	\$ -
Other state funds	-	-	2	2
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	2,658,600	2,658,600	<u>\$ 2,658,602</u>	<u>\$ 2</u>
Budgeted fund balance	<hr/>	141,200		
	<hr/>	<hr/>		
Total revenues and budgeted fund balance	<u>\$ 2,658,600</u>	<u>\$ 2,799,800</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 60,400	\$ 66,600	\$ 66,477	\$ 123
Contract services	2,596,100	2,721,100	2,529,356	191,744
Other costs	2,100	12,100	9,763	2,337
Other financing uses	<hr/>	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 2,658,600</u>	<u>\$ 2,799,800</u>	<u>\$ 2,605,596</u>	<u>\$ 194,204</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 11

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

Family Nutrition-Federal Child
Care Food Account - P782

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
Federal funds	\$ 41,197,900	\$ 41,197,900	\$ 38,588,278	\$ (2,609,622)
Other state funds	-	-	-	-
Total budgeted revenues	\$ 41,197,900	\$ 41,197,900	\$ 38,588,278	\$ (2,609,622)
Expenditures				
Other costs	\$ 41,197,900	\$ 41,197,900	\$ 38,574,125	\$ 2,623,775

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 12

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

Juvenile Justice & Delinquency Prevention - P580

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 102,100	\$ 102,100	\$ 102,100	\$ -
Federal funds	1,542,700	2,157,852	1,587,386	(570,466)
Other state funds	-	-	-	-
	<u>\$ 1,644,800</u>	<u>\$ 2,259,952</u>	<u>\$ 1,689,486</u>	<u>\$ (570,466)</u>
Total budgeted revenues	<u>\$ 1,644,800</u>	<u>\$ 2,259,952</u>	<u>\$ 1,689,486</u>	<u>\$ (570,466)</u>

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 108,200	\$ 108,200	\$ 21,170	\$ 87,030
Contract services	1,431,500	2,021,652	1,470,265	551,387
Other costs	105,100	130,100	71,083	59,017
Other financing uses	-	-	-	-
	<u>\$ 1,644,800</u>	<u>\$ 2,259,952</u>	<u>\$ 1,562,518</u>	<u>\$ 697,434</u>
Total budgeted expenditures	<u>\$ 1,644,800</u>	<u>\$ 2,259,952</u>	<u>\$ 1,562,518</u>	<u>\$ 697,434</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, 2012

**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 is 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.
11520	Early Childhood Care and Education – This fund is created by NMSA 32A-23A-6 and is used to implement the State Early Childhood Care and Education Act. This is a non-reverting fund that had no budget for fiscal year 2012.

PERMANENT FUNDS

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

CAPITAL PROJECT FUND

59700	Capital Project Fund – This fund is used to account for the projects of Children, Youth and Families Department and funded by appropriations or transfers from other state agencies. The activity for 2012 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, 2012

	Children's Trust Fund	CTF Next Generation	Day Care	Pre-Kindergarten	Regional Juvenile Services	ARRA of 2009	Early Childhood Care and Education	Permanent Children's Trust Fund	Permanent CTF Next Gen	Capital Project Fund	Total Non-Major Governmental Funds
ASSETS											
State Fund Investment Pool*	\$ 438,849	\$ 27,826	\$ 915,936	\$ 2,505,092	\$ 672,181	\$ 63,809	\$ 250,000	\$ 3,776,913	\$ 505,708	\$ 93,119	\$ 9,249,433
Due from other funds	774	104	-	-	-	-	-	-	-	-	878
Due from other agencies	2,095	-	170,415	-	-	-	-	774	104	-	173,388
Accounts receivable, net	11,205	-	-	-	-	126,965	-	11,204	-	-	149,374
Investments at SIC	142,491	142,492	-	-	-	-	-	1,138,695	1,138,694	-	2,562,372
Total assets	\$ 595,414	\$ 170,422	\$ 1,086,351	\$ 2,505,092	\$ 672,181	\$ 190,774	\$ 250,000	\$ 4,927,586	\$ 1,644,506	\$ 93,119	\$ 12,135,445
LIABILITIES AND FUND BALANCE											
Deficit State Fund Investment Pool*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	21,720	-	-	1,057,573	307,474	91,418	-	-	-	85,156	1,563,341
Due to other funds	-	-	-	-	-	520	-	774	104	-	1,398
Due to other state agencies	-	-	-	-	-	-	-	-	-	-	722
Due to state general fund	685	-	-	31	-	6	-	-	-	-	98,830
Due to federal government	-	-	-	-	-	98,830	-	-	-	-	-
Total liabilities	22,405	-	-	1,057,604	307,474	190,774	-	774	104	85,156	1,664,291
FUND BALANCES											
Non-spendable - permanent	-	-	-	-	-	-	-	4,926,812	1,644,402	-	6,571,214
Restricted	-	-	-	-	-	-	-	-	-	-	-
Children's Trust Funds	573,009	170,422	-	-	-	-	-	-	-	-	743,431
Day Care fund	-	-	1,086,351	-	-	-	-	-	-	-	1,086,351
Subsequent year's expenditures	-	-	-	1,447,488	364,707	-	250,000	-	-	7,963	1,812,195
Committed	-	-	-	-	-	-	-	-	-	-	257,963
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	573,009	170,422	1,086,351	1,447,488	364,707	-	250,000	4,926,812	1,644,402	7,963	10,471,154
Total liabilities and fund balances	\$ 595,414	\$ 170,422	\$ 1,086,351	\$ 2,505,092	\$ 672,181	\$ 190,774	\$ 250,000	\$ 4,927,586	\$ 1,644,506	\$ 93,119	\$ 12,135,445

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, 2012

	Children's Trust Fund	CTF Next Generation	Day Care	Pre-Kindergarten	Regional Juvenile Services	ARRA of 2009	Early Childhood Care and Education	Permanent Children's Trust Fund	Permanent CTF Next Gen	Capital Project Fund	Total Non-Major Governmental Funds
REVENUES											
Other state funds	\$ 146,827	\$ -	\$ 769,742	\$ 34	\$ -	\$ -	\$ 250,000	\$ 118,456	\$ -	\$ -	\$ 1,285,059
Federal revenue	-	-	-	-	-	539,205	-	-	-	-	539,205
Interest (loss) on investments	38,428	33,608	-	-	-	-	-	32,840	32,840	-	137,716
Total revenues	185,255	33,608	769,742	34	-	539,205	250,000	151,296	32,840	-	1,961,980
EXPENDITURES											
Current operating	249,289	-	750,000	7,862,869	1,296,429	539,205	-	-	-	819,142	11,516,934
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	249,289	-	750,000	7,862,869	1,296,429	539,205	-	-	-	819,142	11,516,934
Excess (deficiency) of Revenues over expenditures	(64,034)	33,608	19,742	(7,862,835)	(1,296,429)	-	250,000	151,296	32,840	(819,142)	(9,554,954)
OTHER FINANCING SOURCES AND (USES)											
General fund appropriations	221,400	-	-	8,221,700	1,440,000	-	-	-	-	-	9,883,100
Transfers from other State Agencies	-	-	-	-	-	-	-	-	-	-	-
Transfer to other State Agencies	-	-	-	-	-	-	-	-	-	-	-
General fund reversions	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	221,400	-	-	8,221,700	1,440,000	-	-	-	-	-	9,883,100
Net change in fund balances	157,366	33,608	19,742	358,865	143,571	-	250,000	151,296	32,840	(819,142)	328,146
Fund balances, beginning	415,643	136,814	1,066,609	1,088,623	221,136	-	-	4,775,516	1,611,562	827,105	10,143,008
Fund balances, ending	\$ 573,009	\$ 170,422	\$ 1,086,351	\$ 1,447,488	\$ 364,707	\$ -	\$ 250,000	\$ 4,926,812	\$ 1,644,402	\$ 7,963	\$ 10,471,154

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**

Children's Trust Fund - P580

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 221,400	\$ 221,400	\$ 221,400	\$ -
Other state funds	155,400	155,400	185,255	29,855
Total revenues	376,800	376,800	\$ 406,655	\$ 29,855
Budgeted fund balance	-	-		
Total revenues and budgeted fund balance	\$ 376,800	\$ 376,800		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	
Expenditures				
Personnel services & benefits	\$ 30,100	\$ 32,200	\$ 32,090	\$ 110
Contract services	319,900	319,900	200,198	119,702
Other costs	26,800	24,700	17,001	7,699
Other financing uses	-	-	-	-
Total budgeted expenditures	\$ 376,800	\$ 376,800	\$ 249,289	\$ 127,511

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 16

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

CTF Next Generation - P580

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	33,608	33,608
Total budgeted revenues	-	-	\$ 33,608	\$ 33,608
Budgeted fund balance	-	-		
Total revenues and budgeted fund balance	\$ -	\$ -		

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

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

Day Care Fund -P782

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
Other state funds	\$ 750,000	\$ 750,000	\$ 769,742	\$ 19,742
Budgeted fund balance	-	-		
Total revenues and budgeted fund balance	\$ 750,000	\$ 750,000		
Expenditures				
Other costs	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Other financing uses	-	-	-	-
Total budgeted expenditures	\$ 750,000	\$ 750,000	\$ 750,000	\$ -

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

Public Pre-Kindergarten - P782

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 8,221,700	\$ 8,221,700	\$ 8,221,700	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	34	34
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	8,221,700	8,221,700	<u>\$ 8,221,734</u>	<u>\$ 34</u>
 Budgeted fund balance	 <hr/>	 <hr/>		
Total revenues and budgeted fund balance	<u>\$ 8,221,700</u>	<u>\$ 8,221,700</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 195,800	\$ 227,800	\$ 216,188	\$ 11,612
Contract services	7,973,400	7,941,400	7,634,419	306,981
Other costs	52,500	52,500	12,262	40,238
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 8,221,700</u>	<u>\$ 8,221,700</u>	<u>\$ 7,862,869</u>	<u>\$ 358,831</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 19

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

Regional Juvenile Services - P580

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 1,440,000	\$ 1,440,000	\$ 1,440,000	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	1,440,000	1,440,000	<u>\$ 1,440,000</u>	<u>\$ -</u>
 Budgeted fund balance	 <hr/>	 <hr/>		
Total revenues and budgeted fund balance	<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ -	\$ -	\$ -	\$ -
Contract services	-	1,390,000	1,246,429	143,571
Other costs	1,440,000	50,000	50,000	-
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 1,440,000</u>	<u>\$ 1,440,000</u>	<u>\$ 1,296,429</u>	<u>\$ 143,571</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 20

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

ARRA of 2009

Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds	-	629,722	539,205	(90,517)
Other state funds	-	-	-	-
	<u>-\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total budgeted revenues	<u>-</u>	<u>629,722</u>	<u>539,205</u>	<u>(90,517)</u>

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Expenditures</u>	Variance Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ -	\$ 35,426	\$ 35,426	\$ -
Contract services	-	594,346	503,779	90,567
Other costs	-	-	-	-
Other financing uses	-	-	-	-
	<u>-\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total budgeted expenditures	<u>-</u>	<u>629,772</u>	<u>539,205</u>	<u>90,567</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 21

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

Capital Project Fund

Year Ended June 30, 2012

	<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	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance budgeted		<u>\$ 827,105</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Expenditures
Expenditures				
Contract services	\$ -	\$ 827,105	\$ 819,142	\$ 7,963
Other costs	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ -</u>	<u>\$ 827,105</u>	<u>\$ 819,142</u>	<u>\$ 7,963</u>

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

SUPPLEMENTAL SECTION

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Combining Balance Sheet by Components of the
General Fund

June 30, 2012

	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
ASSETS								
State Fund Investment Pool *	\$ 2,953,750	\$ 483,626	\$ 5,656,957	\$ 1,550,138	\$ 738,989	\$ 470,520	\$ 1,243,559	\$ 13,097,539
Cash	61,200	-	-	-	-	-	-	61,200
Accounts receivable, net	10,215,090	-	2,992,524	231,632	-	3,522,069	465,140	17,426,455
Due from other funds	8,681,162	-	1,541,082	550,042	-	-	38,404	10,810,690
Due from other agencies	4,422,579	118	-	6,084,376	-	-	2,133	10,509,206
Supplies inventory	318,026	-	-	-	-	-	-	318,026
Other assets	818	-	-	-	-	-	-	818
Total assets	\$ 26,652,625	\$ 483,744	\$ 10,190,563	\$ 8,416,188	\$ 738,989	\$ 3,992,589	\$ 1,749,236	\$ 52,223,934
LIABILITIES AND FUND BALANCE								
Deficit State Fund Investment Pool *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	11,751,536	-	3,301,002	6,234,038	169,265	3,669,815	276,989	25,402,645
Due to other funds	1,950,026	38,404	6,784,410	1,886,752	-	-	10,000	10,669,592
Due to other agencies	534,096	-	29,006	-	-	-	12,427	575,529
Due to state general fund	6,565,250	-	28,947	22,573	-	-	385	6,617,155
Due to federal government	1,159,666	-	170,580	306,082	-	116,970	1,067	1,754,365
Deferred revenue	-	-	-	-	-	-	-	-
Total liabilities	21,960,574	38,404	10,313,945	8,449,445	169,265	3,786,785	300,868	45,019,286
FUND BALANCES								
Nonspendable fund balance - inventory	318,026	-	-	-	-	-	-	318,026
Restricted	-	445,340	-	-	569,724	205,804	1,448,368	2,669,236
By law or grant	4,217,386	-	-	-	-	-	-	4,217,386
Subsequent year's expenditures appropriations	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	156,639	-	(123,382)	(33,257)	-	-	-	-
Total fund balances	4,692,051	445,340	(123,382)	(33,257)	569,724	205,804	1,448,368	7,204,648
Total liabilities and fund balances	\$ 26,652,625	\$ 483,744	\$ 10,190,563	\$ 8,416,188	\$ 738,989	\$ 3,992,589	\$ 1,749,236	\$ 52,223,934

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, 2012

	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	\$ 50,458,874	\$ -	\$ 20,835,441	\$ 50,139,962	\$ -	\$ 38,588,278	\$ 1,587,386	\$ 161,609,941
Other state funds	3,192,704	-	1,976,587	4	2	-	-	5,169,297
Interest	1,427,275	1,134	-	-	-	-	-	1,428,409
Total revenues	55,078,853	1,134	22,812,028	50,139,966	2	38,588,278	1,587,386	168,207,647
EXPENDITURES								
Current operating:								
Health and Welfare	183,076,557	-	42,633,807	76,928,466	-	38,574,125	-	341,212,955
Public Safety	-	-	-	-	2,605,596	-	1,562,518	4,168,114
Capital outlay	81,484	-	-	-	-	-	-	81,484
Total expenditures	183,158,041	-	42,633,807	76,928,466	2,605,596	38,574,125	1,562,518	345,462,553
Excess (deficiency) of Revenues over expenditures	(128,079,188)	1,134	(19,821,779)	(26,788,500)	(2,605,594)	14,153	24,868	(177,254,906)
OTHER FINANCING SOURCES AND (USES)								
General fund appropriations	135,994,500	-	19,745,100	26,788,500	2,658,600	-	102,100	185,288,800
Special appropriations	-	-	-	-	-	-	-	-
Transfers from other State Agencies	1,199,243	-	-	-	-	-	-	1,199,243
Transfers to other State Agencies	(2,683,222)	-	-	-	-	-	-	(2,683,222)
General fund reversions	(6,067,019)	-	-	-	-	-	-	(6,067,019)
Total other financing sources and (uses)	128,443,502	-	19,745,100	26,788,500	2,658,600	-	102,100	177,737,802
Net change in fund balances	364,314	1,134	(76,679)	-	53,006	14,153	126,968	482,896
Fund balances, beginning of year	4,327,737	444,206	(46,703)	(33,257)	516,718	191,651	1,321,400	6,721,752
Fund balances, ending	\$ 4,692,051	\$ 445,340	\$ (123,382)	\$ (33,257)	\$ 569,724	\$ 205,804	\$ 1,448,368	\$ 7,204,648

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Cash Accounts
Year Ended June 30, 2012

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, 2012
General Fund:									
Wells Fargo Bank	Client Emergency Misc. Expenses	General	06700	Checking	No	\$ 55,127	\$ (923)	\$ 5,796	\$ 60,000
N/A	Petty Cash	General	06700	Petty Cash	-	1,200	-	-	1,200
Total General Fund cash						56,327	(923)	5,796	61,200
Fiduciary Funds:									
Bank of America	YDDC - Girls' Resident Trust	Agency	99600	Checking	No	17,762	(1,778)	290	16,274
Bank of America	YDDC - Girls' Resident Activity	Agency	99600	Checking	No	8,679	-	(110)	8,569
Bank of America	J. Paul Taylor - Resident Trust	Agency	99600	Checking	No	7,922	(2,830)	-	5,092
Total Fiduciary Funds cash						34,363	(4,608)	180	29,935
Total Department cash						\$ 90,690	\$ (5,531)	\$ 5,976	\$ 91,135

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements

June 30, 2012

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
09-690-00-07700	CYFD - Torrance County	CYFD	Domestic Violence	CYFD 100%	7/1/2008 - 06/30/2012	\$ 80,274.00	CYFD 100%
09-690-00-07743	CYFD - Luna County	CYFD	Domestic Violence	CYFD 100%	7/1/2008 - 06/30/2012	\$ 142,152.00	CYFD 100%
09-690-00-07745	CYFD - Administrative Office of the Courts	CYFD	PS Adoption	CYFD 100%	7/1/2008 - 06/30/2012	\$ 210,000.00	CYFD 100%
09-690-00-08037	CYFD - San Juan county	CYFD	Juvenile Justice	CYFD 100%	7/1/2008 - 06/30/2013	\$ 843,150.00	CYFD 100%
09-690-00-08407	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	7/1/2008 - 06/30/2012	\$ 143,500.00	CYFD 100%
09-690-00-08831	CYFD - New Mexico State University	CYFD	Other	CYFD 100%	7/1/2008 - 06/30/2012	\$ 215,104.00	CYFD 100%
09-690-00-09667	CYFD - City of Farmington	CYFD	Other	CYFD 100%	4/16/2009 - 06/30/2012	\$ 780,391.00	CYFD 100%
09-690-00-09695	CYFD - City of Truth or Consequences	CYFD	DV Capital Improvements	CYFD 100%	4/20/2009 - 06/30/2012	\$ 26,424.00	CYFD 100%
09-690-00-09697	CYFD - City of Alamogordo	CYFD	Domestic Violence	CYFD 100%	4/20/2009 - 06/30/2012	\$ 124,657.00	CYFD 100%
09-690-00-09703	CYFD - Sandoval County	CYFD	Domestic Violence Capital Improvements	CYFD 100%	4/20/2009 - 06/30/2012	\$ 340,058.00	CYFD 100%
09-690-00-09704	CYFD - City of Las Cruces	CYFD	Domestic Violence Capital Improvements	CYFD 100%	4/20/2009 - 06/30/2012	\$ 635,384.00	CYFD 100%
09-690-00-09705	CYFD - Taos County	CYFD	Domestic Violence Capital Improvements	CYFD 100%	4/20/2009 - 06/30/2012	\$ 9,998.00	CYFD 100%
09-690-00-09706	CYFD - Chaves County	CYFD	Domestic Violence Capital Improvements	CYFD 100%	4/20/2009 - 06/30/2012	\$ 3,134.00	CYFD 100%
10-690-00-10044	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	7/1/2009 - 06/30/2013	\$ 165,500.00	CYFD 100%
10-690-00-10048	CYFD - Bernalillo County Metro Detention Center	CYFD	YF Non-secure Alternatives	CYFD 100%	7/1/2009 - 06/30/2013	\$ 51,900.00	CYFD 100%
10-690-00-10177	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2009 - 06/30/2012	\$ 896,475.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

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
10-690-00-10274	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	7/1/2009 - 06/30/2013	\$ 100,000.00	CYFD 100%
10-690-00-10301	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	7/1/2009 - 06/30/2013	\$ 81,000.00	CYFD 100%
10-690-00-10335	CYFD - Torrance County	CYFD	EC Home Visiting	CYFD 100%	7/1/2009 - 06/30/2013	\$ 83,000.00	CYFD 100%
10-690-00-11119	CYFD - Jicarilla Apache Nation Behavioral Health Department	CYFD	YF Domestic Violence	CYFD 100%	11/1/2009 - 06/30/2012	\$ 90,000.00	CYFD 100%
10-690-00-11235	CYFD - Rio Arriba County	CYFD	YF Community Corrections	CYFD 100%	12/15/2009 - 06/30/2013	\$ 60,000.00	CYFD 100%
10-690-00-11384	CYFD - University of New Mexico	CYFD	YF Juvenile Accountability	CYFD 100%	2/3/2010 - 09/30/2015	\$ 356,855.00	CYFD 100%
10-690-9999-00-01005	CYFD - Eastern New Mexico University	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2009 - 06/30/2013	\$ 251,484.00	CYFD 100%
10-690-9999-00-01007	CYFD - New Mexico State University	CYFD	EC TTAP	CYFD 100%	7/1/2009 - 06/30/2013	\$ 707,356.00	CYFD 100%
10-690-9999-00-01011	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2009 - 06/30/2013	\$ 292,575.00	CYFD 100%
11-624-3000-0029	ALTSD - CYFD	ALTSD	Wide and Local Area Network Support	ALTSD 100%	7/1/2010 - 06/30/2013	\$ -	ALTSD 100%
11-630-7903-0004	Human Services Department - CYFD	HSD	Other	HSD 100%	7/1/2010 - 06/30/2012	\$ -	HSD 100%
11-690-00-11235	CYFD - Public Safety Department of New Mexico	CYFD	YF - EUD	CYFD 100%	7/1/2010 - 08/31/2012	\$ 60,000.00	CYFD 100%
11-690-00-11637	CYFD - City of Las Cruces	CYFD	Domestic Violence Capital Improvements	CYFD 100%	5/3/2010 - 06/30/2012	\$ 332,833.00	CYFD 100%
11-690-00-11844	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2010 - 06/30/2013	\$ 987,898.00	CYFD 100%
11-690-00-11845	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2010 - 06/30/2013	\$ 245,072.00	CYFD 100%
11-690-00-11861	CYFD - Western New Mexico University	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2010 - 06/30/2013	\$ 234,358.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

IPA 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
11-690-00-11862	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2010 - 06/30/2013	\$ 75,000.00	CYFD 100%
11-690-00-11865	CYFD - Santa Fe Community College	CYFD	EC TTAP	CYFD 100%	7/1/2010 - 06/30/2013	\$ 335,627.00	CYFD 100%
11-690-00-11866	CYFD - San Juan college - Family Resource Center	CYFD	EC TTAP	CYFD 100%	7/1/2010 - 06/30/2013	\$ 325,032.00	CYFD 100%
11-690-00-12406	CYFD - Grant County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 55,708.00	CYFD 100%
11-690-00-12407	CYFD - Rio Arriba County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 167,500.00	CYFD 100%
11-690-00-12408	CYFD - Los Alamos County of	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 79,500.00	CYFD 100%
11-690-00-12415	CYFD - San Miguel County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 01/31/2013	\$ 106,000.00	CYFD 100%
11-690-00-12418	CYFD - Curry County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 54,895.00	CYFD 100%
11-690-00-12419	CYFD - Sandoval County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 233,400.00	CYFD 100%
11-690-00-12420	CYFD - Lea County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 66,750.00	CYFD 100%
11-690-00-12421	CYFD - Taos County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 98,250.00	CYFD 100%
11-690-00-12422	CYFD - City of Las Cruces	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 194,690.00	CYFD 100%
11-690-00-12423	CYFD - Chaves County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 117,200.00	CYFD 100%
11-690-00-12424	CYFD - McKinley County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 117,200.00	CYFD 100%
11-690-00-12425	CYFD - Bernalillo County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 207,750.00	CYFD 100%
11-690-00-12427	CYFD - City of Raton	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 48,750.00	CYFD 100%
11-690-00-11862	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2010 - 06/30/2013	\$ 75,000.00	CYFD 100%
11-690-00-11865	CYFD - Santa Fe Community College	CYFD	EC TTAP	CYFD 100%	7/1/2010 - 06/30/2013	\$ 335,627.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

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
11-690-00-11866	CYFD - San Juan college - Family Resource Center	CYFD	EC TTAP	CYFD 100%	7/1/2010 - 06/30/2013	\$ 325,032.00	CYFD 100%
11-690-00-12406	CYFD - Grant County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 55,708.00	CYFD 100%
11-690-00-12407	CYFD - Rio Arriba County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 167,500.00	CYFD 100%
11-690-00-12408	CYFD - Los Alamos County of	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 79,500.00	CYFD 100%
11-690-00-12415	CYFD - San Miguel County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 01/31/2013	\$ 106,000.00	CYFD 100%
11-690-00-12418	CYFD - Curry County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 54,895.00	CYFD 100%
11-690-00-12419	CYFD - Sandoval County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 233,400.00	CYFD 100%
11-690-00-12420	CYFD - Lea County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 66,750.00	CYFD 100%
11-690-00-12421	CYFD - Taos County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 98,250.00	CYFD 100%
11-690-00-12422	CYFD - City of Las Cruces	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 194,690.00	CYFD 100%
11-690-00-12423	CYFD - Chaves County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 117,200.00	CYFD 100%
11-690-00-12424	CYFD - McKinley County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 117,200.00	CYFD 100%
11-690-00-12425	CYFD - Bernalillo County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 207,750.00	CYFD 100%
11-690-00-12427	CYFD - City of Raton	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 48,750.00	CYFD 100%
11-690-00-12429	CYFD - Lincoln County	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 87,000.00	CYFD 100%
11-690-00-12431	CYFD - City Of Santa Fe	CYFD	YF Non-secure Alternatives	CYFD 100%	9/1/2010 - 12/31/2012	\$ 127,000.00	CYFD 100%
11-690-00-12450	CYFD - University of New Mexico	CYFD	YF Juvenile Accountability	CYFD 100%	9/1/2010 - 06/30/2012	\$ 100,000.00	CYFD 100%
11-690-00-12594	CYFD - Torrance County	CYFD	YF Non-secure Alternatives	CYFD 100%	7/1/2010 - 12/31/2012	\$ 50,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

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
11-690-00-12711	CYFD - New Mexico State University	CYFD	PS -Title IV-E	CYFD 100%	10/28/2010 - 06/30/2013	\$ 10,067.00	CYFD 100%
11-690-00-13020	CYFD - Valencia County	CYFD	YF Non-secure Alternatives	CYFD 100%	1/1/2011 - 12/31/2012	\$ 50,000.00	CYFD 100%
11-690-00-13244	CYFD - Ada Melton	CYFD	Juvenile Justice	CYFD 100%	3/28/2011 - 07/31/2012	\$ 29,549.00	CYFD 100%
11-690-9999-00-12820	CYFD - Region Education Cooperative IX	CYFD	EC PreK and Child Development	CYFD 100%	12/10/2010 - 06/30/2012	\$ 677,665.00	CYFD 100%
12-630-9000-0019	Human Services Department - CYFD	HSD	Childcare Programs	HSD 100%	7/1/2011 - 06/30/2012	\$ -	HSD 100%
12-690-00-13273	CYFD - Eastern New Mexico University	CYFD	PS -Title IV-E	CYFD 100%	7/1/2011 - 06/30/2012	\$ 148,432.00	CYFD 100%
12-690-00-13274	CYFD - Western New Mexico University	CYFD	PS -Title IV-E	CYFD 100%	7/1/2011 - 06/30/2012	\$ 140,016.00	CYFD 100%
12-690-00-13282	CYFD - New Mexico Abilities	CYFD	Other	CYFD 100%	7/1/2011 - 06/30/2012	\$ 29,794.44	CYFD 100%
12-690-00-13293	CYFD - Region Education Cooperative IX	CYFD	Juvenile Justice	CYFD 100%	7/1/2011 - 06/30/2012	\$ 12,000.00	CYFD 100%
12-690-00-13294	CYFD - Ada Melton	CYFD	Juvenile Justice	CYFD 100%	7/1/2011 - 06/30/2012	\$ 25,000.00	CYFD 100%
12-690-00-13306	CYFD - New Mexico State University	CYFD	PS - Transitional Living	CYFD 100%	7/1/2011 - 06/30/2012	\$ 40,000.00	CYFD 100%
12-690-00-13309	CYFD - Pueblo of Zuni	CYFD	Other	CYFD 100%	7/1/2011 - 06/30/2014	\$ 23,000.00	CYFD 100%
12-690-00-13323	CYFD - Rocky Mountain Youth Corps	CYFD	YF AmeriCorps	CYFD 100%	8/1/2011 - 08/30/2012	\$ 275,000.00	CYFD 100%
12-690-00-13324	CYFD - Families and Youth Incorporated	CYFD	YF AmeriCorps	CYFD 100%	8/31/2011 - 07/31/2012	\$ 165,645.00	CYFD 100%
12-690-00-13325	CYFD - The Wellness Coalition	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/30/2012	\$ 352,000.00	CYFD 100%
12-690-00-13326	CYFD - Teach for America New Mexico	CYFD	YF AmeriCorps	CYFD 100%	8/1/2011 - 07/31/2012	\$ 232,358.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

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
12-690-00-13333	CYFD - Cooperative Ed Services	CYFD	JIS - Education	CYFD 100%	7/1/2011 - 06/30/2012	\$ 18,041.25	CYFD 100%
12-690-00-13334	CYFD - Central Region Education Cooperative	CYFD	Juvenile Justice	CYFD 100%	7/1/2011 - 06/30/2012	\$ 12,000.00	CYFD 100%
12-690-00-13337	CYFD - New Mexico Abilities	CYFD	Information Technology Services	CYFD 100%	7/1/2011 - 06/30/2012	\$ 63,536.40	CYFD 100%
12-690-00-13338	CYFD - New Mexico Abilities	CYFD	ITS - System Admin	CYFD 100%	7/1/2011 - 06/30/2012	\$ 75,499.00	CYFD 100%
12-690-00-13341	CYFD - New Mexico Abilities	CYFD	Juvenile Justice	CYFD 100%	7/1/2011 - 06/30/2012	\$ 11,973.00	CYFD 100%
12-690-00-13342	CYFD - New Mexico Highlands University	CYFD	PS - Title IV-E	CYFD 100%	7/1/2011 - 06/30/2012	\$ 2,067,278.00	CYFD 100%
12-690-00-13345	CYFD - New Mexico State University	CYFD	PS - Title IV-E	CYFD 100%	7/1/2011 - 06/30/2012	\$ 1,571,484.00	CYFD 100%
12-690-00-13385	CYFD - Navajo Nation	CYFD	PS Home Studies	CYFD 100%	NULL - 06/30/2014	\$ 446,277.00	CYFD 100%
12-690-00-13386	CYFD - University of New Mexico	CYFD	YF Early Intervention	CYFD 100%	7/1/2011 - 06/30/2012	\$ 63,100.00	CYFD 100%
12-690-00-13496	CYFD - Office of the State Auditor	CYFD	AS - Budget Division	CYFD 100%	5/12/2011 - 05/31/2012	\$ 70,470.00	CYFD 100%
12-690-00-13597	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	7/1/2011 - 06/30/2012	\$ 255,676.00	CYFD 100%
12-690-00-13614	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2011 - 09/30/2013	\$ 351,512.00	CYFD 100%
12-690-00-13616	CYFD - Gallup-McKinley County Schools	CYFD	EC PreK and Child Development	CYFD 100%	7/1/2011 - 09/30/2013	\$ 349,392.00	CYFD 100%
12-690-00-13761	CYFD - New Mexico Abilities	CYFD	Other	CYFD 100%	7/1/2011 - 06/30/2013	\$ 10,000.00	CYFD 100%
12-690-00-13798	CYFD - Avance New Mexico	CYFD	YF AmeriCorps	CYFD 100%	8/1/2011 - 08/14/2012	\$ 184,130.00	CYFD 100%
12-690-00-13799	CYFD - San Juan County Partnership	CYFD	YF AmeriCorps	CYFD 100%	8/1/2011 - 08/14/2012	\$ 61,689.00	CYFD 100%
12-690-00-13800	CYFD - Earth Care International	CYFD	YF AmeriCorps	CYFD 100%	8/31/2011 - 08/31/2012	\$ 196,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

JP A 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
12-690-00-13801	CYFD - New Mexico Corrections Department	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/31/2012	\$ 155,380.00	CYFD 100%
12-690-00-13802	CYFD - New Mexico Highlands University	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/31/2012	\$ 5,260.00	CYFD 100%
12-690-00-13803	CYFD - New Mexico School for the Deaf	CYFD	YF AmeriCorps	CYFD 100%	9/15/2011 - 09/14/2012	\$ 131,000.00	CYFD 100%
12-690-00-13987	CYFD - Rio Grande Community Farm	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/31/2012	\$ 146,331.00	CYFD 100%
12-690-00-13988	CYFD - Eco Servanis	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/31/2012	\$ 167,037.00	CYFD 100%
12-690-00-13994	CYFD - Rio Grande Community Development Corporation	CYFD	YF AmeriCorps	CYFD 100%	9/1/2011 - 08/14/2012	\$ 41,000.00	CYFD 100%
12-690-00-14042	CYFD - National Indian Youth Leadership Project, Inc.	CYFD	YF AmeriCorps	CYFD 100%	8/31/2011 - 08/31/2012	\$ 36,000.00	CYFD 100%
12-690-00-14044	CYFD - Santa Clara Pueblo	CYFD	YF Early Intervention	CYFD 100%	10/17/2011 - 09/30/2012	\$ 147,953.00	CYFD 100%
12-690-00-14075	CYFD - PlayWorks Education Engerized	CYFD	YF AmeriCorps	CYFD 100%	8/15/2011 - 12/31/2012	\$ 106,400.00	CYFD 100%
12-690-00-14128	CYFD - New Mexico Abilities	CYFD	EC PreK and Child Development	CYFD 100%	9/1/2011 - 06/30/2012	\$ 2,400.00	CYFD 100%
12-690-00-14143	CYFD - New Mexico Abilities	CYFD	Information Technology Services	CYFD 100%	9/8/2011 - 06/30/2012	\$ 25,823.33	CYFD 100%
12-690-00-14179	CYFD - Region Education Cooperative IX	CYFD	EC PreK and Child Development	CYFD 100%	9/19/2011 - 6/30/2012	\$ 39,686.00	CYFD 100%
12-690-00-14185	CYFD - Public Safety Department of New Mexico	CYFD	YF - EUD	CYFD 100%	10/3/2011 - 08/31/2012	\$ 100,000.00	CYFD 100%
12-690-00-14186	CYFD - New Mexico Abilities	CYFD	Information Technology Services	CYFD 100%	9/8/2011 - 06/30/2012	\$ 98,868.00	CYFD 100%
12-690-00-14187	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	9/8/2011 - 06/30/2012	\$ 200,000.00	CYFD 100%
12-690-00-14188	CYFD - Region Education Cooperative IX	CYFD	EC PreK and Child Development	CYFD 100%	10/10/2011 - 06/30/2012	\$ 25,000.00	CYFD 100%
12-690-00-14327	CYFD - Cibola County	CYFD	YF Restorative Justice	CYFD 100%	10/26/2011 - 12/30/2012	\$ 25,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2012

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
12-690-00-14328	CYFD - City of Socorro	CYFD	YF Non-secure Alternatives	CYFD 100%	10/26/2011 - 12/31/2012	\$ 13,025.00	CYFD 100%
12-690-00-14360	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	11/21/2011 - 06/30/2012	\$ 15,000.00	CYFD 100%
12-690-00-14413	CYFD - New Mexico State University	CYFD	Other	CYFD 100%	1/11/2012 - 06/29/2012	\$ 10,000.00	CYFD 100%
12-690-00-14428	CYFD - New Mexico State University	CYFD	Juvenile Justice	CYFD 100%	12/19/2011 - 06/30/2012	\$ 25,000.00	CYFD 100%
12-690-00-14428	CYFD - New Mexico State University	CYFD	Juvenile Justice	CYFD 100%	1/2/2012 - 06/30/2012	\$ 25,000.00	CYFD 100%
12-690-00-14443	CYFD - Native American Professional Parent Resources	CYFD	Other	CYFD 100%	12/27/2011 - 07/30/2012	\$ 15,000.00	CYFD 100%
12-690-00-14445	CYFD - University of New Mexico	CYFD	Domestic Violence	CYFD 100%	12/27/2011 - 06/30/2012	\$ 5,000.00	CYFD 100%
12-690-00-14578	CYFD - University of New Mexico	CYFD	EC PreK and Child Development	CYFD 100%	4/26/2012 - 06/30/2013	\$ 4,000.00	CYFD 100%
12-690-00-14668	CYFD - University of New Mexico	CYFD	EC Home Visiting	CYFD 100%	4/9/2012 - 09/30/2013	\$ 170,000.00	CYFD 100%
12-690-00-14689	CYFD - Pueblo of Isleta	CYFD	Other	CYFD 100%	4/17/2012 - 09/30/2012	\$ 15,000.00	CYFD 100%

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

Agency Funds

June 30, 2012

**SHARE
FUND #**

ACCOUNT

AGENCY FUNDS

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 26

Schedule of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
<u>Resident Agency Accounts</u>				
<u>Assets</u>				
Cash	\$ 27,290	\$ 19,213	\$ 16,568	\$ 29,935
<u>Liabilities</u>				
Deposits held for others	\$ 27,290	\$ 19,213	\$ 16,568	\$ 29,935
 <u>Children's Social Security Agency Funds</u>				
<u>Assets</u>				
State Fund Investment Pool	\$ 821,142	2,547,850	\$ 2,616,187	\$ 752,805
Due from other agencies	94	180	94	180
Total Assets	\$ 821,236	\$ 2,548,030	\$ 2,616,281	\$ 752,985
<u>Liabilities</u>				
Deposits held for others	\$ 680,658	\$ 3,043,687	\$ 3,111,938	\$ 612,407
Due to other funds	140,578	3,309	3,309	140,578
Total Liabilities	\$ 821,236	\$ 3,046,996	\$ 3,115,247	\$ 752,985
 <u>Combined Agency Funds:</u>				
<u>Assets</u>				
Cash	\$ 27,290	\$ 19,213	\$ 16,568	\$ 29,935
State Fund Investment Pool	821,142	2,547,850	2,616,187	752,805
Due from other agencies	94	180	94	180
Total assets	\$ 848,526	\$ 2,567,243	\$ 2,632,849	\$ 782,920
<u>Liabilities</u>				
Deposits held for others	\$ 707,948	\$ 3,062,900	\$ 3,128,506	\$ 642,342
Due to other funds	140,578	3,309	3,309	140,578
Total Liabilities	\$ 848,526	\$ 3,066,209	\$ 3,131,815	\$ 782,920

SINGLE AUDIT INFORMATION

STATE OF NEW MEXICO
CHILDREN, HYOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
U.S. Department of Agriculture Direct Programs					
Child Care Food Program 08	10.558	\$ (5,317)	\$ -	\$ 5,317	\$ -
Child Care Food Program 10	10.558	(952)	(3,406)	-	(4,358)
Child Care Food Program 11	10.558	4,869,030	(12,899,800)	8,024,751	(6,019)
Child Care Food Program 12	10.558	-	(22,873,826)	25,736,839	2,863,013
Subtotal		4,862,761	(35,777,032)	33,766,907	2,852,636
U.S. Department of Agriculture Direct Programs					
Summer Food Service Program 08	10.559	4,328	-	-	4,328
Summer Food Service Program 10	10.559	(205)	90	-	(115)
Summer Food Service Program 11	10.559	1,069,887	(3,038,776)	1,965,209	(3,680)
Summer Food Service Program 12	10.559	-	(2,440,939)	3,520,733	1,079,794
Subtotal		1,074,010	(5,479,625)	5,485,942	1,080,327
U.S. Department of Agriculture Direct Programs Subtotal					
State Administrative Expense 11	10.560	213,272	(839,518)	760,953	134,707
State Administrative Expense 12	10.560	-	(238,660)	684,551	445,891
Subtotal		213,272	(1,078,178)	1,445,504	580,598
U.S. Department of Agriculture Passed through NM Department of Education					
U.S. Department of Agriculture Passed through NM Department of Education					
National School Lunch - YDDC 11	10.555	22,978	(22,978)	-	-
National School Lunch - JPTC 11	10.555	6,814	(6,814)	-	-
National School Lunch - YDDC 12	10.555	-	(324,708)	352,538	27,830
National School Lunch - JPTC 12	10.555	-	(77,973)	86,471	8,498
Subtotal		29,792	(432,473)	439,009	36,328

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
U.S. Department of Agriculture					
Passed through NM Human Services Department					
Education and Training 11	10.561	\$ 150,250	\$ (300,500)	\$ 150,250	\$ -
Education and Training 12	10.561	-	(300,500)	450,750	150,250
U.S. Department of Agriculture					
Passed through NM Human Services Department Subtotal					
		\$ 150,250	(601,000)	601,000	150,250
Total U. S. Department of Agriculture					
		\$ 6,330,085	\$ (43,368,308)	\$ 41,738,362	\$ 4,700,139
U.S. Department of Health and Human Services					
Direct Programs					
Children's Justice 08	93.643	\$ (1,500)	\$ 1,500	\$ -	\$ -
Children's Justice 09	93.643	64,521	(68,485)	3,964	-
Children's Justice 10	93.643	-	(13,374)	76,392	63,018
Subtotal		63,021	(80,359)	80,356	63,018
Headstart Collaboration Grant 08					
Headstart Collaboration Grant 10	93.600	(8,565)	8,565	-	-
Headstart Collaboration Grant 11	93.600	78,637	(78,637)	-	-
Headstart Collaboration Grant 12	93.600	-	(116,844)	179,425	62,581
Subtotal		70,072	(186,916)	179,425	62,581
Child Care and Development Fund 09 - ARRA					
Child Care and Development Fund 11	93.713	17,207	(107,389)	-	(90,182)
Child Care and Development Fund 12	93.596	6,874,288	(21,485,153)	14,610,865	-
Subtotal		6,891,495	(39,197,457)	32,799,442	583,662
					493,480

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Promoting Safe and Stable Families	93.556	\$ (7,626)	\$ 7,626	\$ -	\$ -
Promoting Safe and Stable Families	93.556	(586)	586	-	-
Promoting Safe and Stable Families	93.556	984,764	(1,891,067)	902,056	(4,247)
Promoting Safe and Stable Families	93.556	-	(1,169,188)	2,147,547	978,359
Subtotal		976,552	(3,052,043)	3,049,603	974,112
Promoting Safe and Stable Families (caseworker visits)	93.556	63,318	(94,089)	30,771	-
Promoting Safe and Stable Families (caseworker visits)	93.556	-	(671)	51,032	50,361
Subtotal		63,318	(94,760)	81,803	50,361
Child Abuse and Neglect (CAN) Part I 08	93.669	42,132	(123,152)	158,075	77,055
Community Based Family Resource Program 07	93.590	48,336	(48,336)	-	-
Community Based Family Resource Program 08	93.590	173,936	-	(173,936)	-
Community Based Family Resource Program 09	93.590	-	(381,105)	381,105	-
Community Based Family Resource Program 10	93.590	-	(27,399)	281,844	254,445
Subtotal		222,272	(456,840)	489,013	254,445
Title IV-E Foster Care 03	93.658	1,346,560	-	-	1,346,560
Title IV-E Foster Care 04	93.658	51,145	-	-	51,145
Title IV-E Foster Care 09 ARRA	93.658	(5,824)	-	-	(5,824)
Title IV-E Foster Care 10	93.658	(361)	-	-	(361)
Title IV-E Foster Care 11	93.658	3,812,380	(8,098,259)	3,758,197	(527,682)
Title IV-E Foster Care 12	93.658	-	(12,631,612)	15,337,692	2,706,080
Title IV-E Foster Care 11 ARRA I	93.658	4,375	(4,531)	-	(156)
Subtotal		5,208,275	(20,734,402)	19,095,889	3,569,762

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Title IV-E Adoptions 03	93.659	\$ (154,318)	-	-	\$(154,318)
Title IV-E Adoptions 04	93.659	(81,474)	-	-	(81,474)
Title IV-E Adoptions 05	93.659	139,040	-	-	139,040
Title IV-E Adoptions 08	93.659	2,135	-	-	2,135
Title IV-E Adoptions 09 ARRA	93.659	(2,668)	-	-	(2,668)
Title IV-E Adoptions 11	93.659	1,310,458	(4,264,162)	2,674,520	(279,184)
Title IV-E Adoptions 11 ARRA1	93.659	22,130	(22,130)	-	-
Title IV-E Adoptions 12	93.659	-	(12,077,709)	14,379,363	2,301,654
Subtotal		1,235,303	(16,364,001)	17,053,883	1,925,185
Title IV-B CWS 11	93.645	330,852	(728,198)	397,346	-
Title IV-B CWS 12	93.645	-	(1,061,158)	1,229,609	168,451
Subtotal		330,852	(1,789,356)	1,626,955	168,451
Title IV-E Independent Living 08	93.674	(15,545)	15,455	-	(90)
Title IV-E Independent Living 10	93.674	128,971	(352,910)	223,939	-
Title IV-E Independent Living 11	93.674	-	(317,196)	494,187	176,991
Subtotal		113,426	(654,651)	718,126	176,901
Education and Training Voucher Program 08	93.599	(27,331)	27,331	-	-
Education and Training Voucher Program 10	93.599	20,639	(14,011)	(6,628)	-
Education and Training Voucher Program 11	93.599	-	(133,416)	167,934	34,518
Subtotal		(6,692)	(120,096)	161,306	34,518
Family Violence Prevention 10	93.671	17,839	(637,923)	620,084	-
Family Violence Prevention 11	93.671	-	(4,971)	214,767	209,796
Subtotal		17,839	(642,894)	834,851	209,796
Social Services Block Grant 11	93.667	819,385	(6,513,195)	5,693,810	-
Social Services Block Grant 12	93.667	-	(3,975,450)	5,549,999	1,574,549
Subtotal		819,385	(10,488,645)	11,243,809	1,574,549

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Adoption Incentive Payment Program 07	93.603	\$ (4,027)	\$ 4,026	\$ 1	\$ -
Adoption Incentive Payment Program 09	93.603	40,719	(226,777)	186,058	-
Adoption Incentive Payment Program 10	93.603	-	(141,896)	280,801	138,905
Subtotal		36,692	(364,647)	466,860	138,905
Access & Visitation Program 10	93.597	39,717	(45,028)	5,311	-
Access & Visitation Program 11	93.597	-	(73,094)	96,576	23,482
Subtotal		39,717	(118,122)	101,887	23,482
Families and Organizations Collaborating for a United System (FOCUS)	93.104	572,492	(788,373)	215,881	-
Families and Organizations Collaborating for a United System (FOCUS)	93.104	-	(831,785)	1,537,366	705,581
Subtotal		572,492	(1,620,158)	1,753,247	705,581
Behavioral Health System Transformation Grant (carryover year 4)	93.243	97,607	-	-	97,607
Behavioral Health System Transformation Grant (year 5)	93.243	326,778	(23,328)	-	303,450
Subtotal		424,385	(23,328)	-	401,057
Adoption Opportunities	93.652	115,417	(143,592)	52,439	24,264
Adoption Opportunities	93.652	-	(103,444)	241,165	137,721
Subtotal		115,417	(247,036)	293,604	161,985
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	30,000	(320,562)	859,973	569,411
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program Competitive	93.505	-	-	76,253	76,253
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program Formula	93.505	-	-	21,079	21,079
Subtotal		30,000	(320,562)	957,305	666,743

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Early Childhood Advisory Council ARRA	93.708	\$ 178,238	\$ (404,482)	\$ 353,209	\$ 126,965
U.S. Department of Health and Human Services Direct Programs Subtotal		17,444,191	(97,083,902)	91,498,648	11,858,932
U.S. Department of Health and Human Services Passed Through NM Human Services Department					
Child Care and Development Fund	93.596	6,426,550	(12,370,925)	5,944,375	-
Child Care and Development Fund	93.596	-	(11,888,750)	17,833,125	5,944,375
Subtotal		6,426,550	(24,259,675)	23,777,500	5,944,375
Total U.S. Department of Health and Human Services		\$ 23,870,741	\$ (121,343,582)	\$ 115,276,148	\$ 17,803,307
U.S. Department of Justice Direct Programs					
Juvenile Accountability Incentive Block Grant	16.523	\$ 393,900	\$ (393,900)	\$ -	\$ -
Juvenile Accountability Incentive Block Grant	16.523	279,517	(378,138)	98,621	-
Juvenile Accountability Incentive Block Grant	16.523	-	(475,200)	475,200	-
Juvenile Accountability Incentive Block Grant	16.523	-	-	74,643	74,643
Subtotal		673,417	(1,247,238)	648,464	74,643
JJDP Formula Grant	16.540	415,309	(443,172)	73,152	45,289
JJDP Formula Grant	16.540	-	(424,395)	563,429	139,034
JJDP Formula Grant	16.540	-	-	88,391	88,391
Subtotal		415,309	(867,567)	724,972	272,714
JJDP - Title V	16.540	39,250	(39,250)	-	-
JJDP - Title V	16.540	7,841	(33,486)	25,645	-
JJDP - Title V	16.540	-	-	3,436	3,436
Subtotal		47,091	(72,736)	29,081	3,436

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Enforcing the Underage Drinking Laws Block Grant	16.727	\$ (1,067)	\$ -	\$ -	(1,067)
Enforcing the Underage Drinking Laws Block Grant	16.727	180,198	(203,903)	29,829	6,124
Enforcing the Underage Drinking Laws Block Grant	16.727	-	-	45,477	45,477
Subtotal		179,131	(203,903)	75,306	50,534
Juvenile Justice Pilot Program	16.unknown	12,747	(104,918)	154,145	61,974
NM Justice & Mental Health Planning Project	16.745	25,940	-	20,478	46,418
Total U. S. Department of Justice Direct Programs		\$ 1,353,635	\$ (2,496,362)	\$ 1,652,446	\$ 509,719

U.S. Department of Education
Passed through NM Department of Education

Title I 08	84.013	\$ 87,252	\$ -	\$ -	87,252
Title I 09	84.013	85,649	-	-	85,649
Title I 10	84.013	53,471	(6,478)	-	46,993
Title I 11	84.013	20,749	(41,795)	63,492	42,446
Title I 12	84.013	-	(1,337)	103,211	101,874
Subtotal		247,121	(49,610)	166,703	364,214
Title II 10	84.unknown	2,478	-	-	2,478
Title II 11	84.unknown	2,422	-	-	2,422
Subtotal		4,900	-	-	4,900

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
Special Ed Idea B 07	84.unknown	\$ 309,278	\$ -	\$ -	\$ 309,278
Special Ed Idea B 08	84.unknown	(30,489)	-	-	(30,489)
Special Ed Idea B 09	84.unknown	10,949	-	-	10,949
Special Ed Idea B 10	84.unknown	48,770	-	(234)	48,536
Special Ed Idea B 11	84.unknown	35,048	(29,377)	101,967	107,638
Special Ed Idea B 12	84.027A	-	(24,820)	41,602	16,782
Special Ed Idea B 12 Discretionary	84.unknown	-	-	500	500
Subtotal		373,556	(54,197)	143,835	463,194
Carl Perkins 10	84.unknown	4,961	-	-	4,961
Carl Perkins 11	84.unknown	5,002	(5,002)	-	-
Carl Perkins 12	84.unknown	-	-	668	668
Subtotal		9,963	(5,002)	668	5,629
Special Education Research Grants 10	84.324	26,309	-	-	26,309
Special Education Research Grants 11	84.324	34,567	(10,196)	9,678	34,049
Subtotal		60,876	(10,196)	9,678	60,358
Teacher Mentoring Program FY10	84.unknown	350	-	-	350
State Directed Activity Allocation FY11	84.unknown	33,480	(34,065)	-	(585)
School Library Go Bond 08	84.unknown	(308)	-	-	(308)
School Library Go Bond 10	84.unknown	6,910	-	-	6,910
Subtotal		6,602	-	-	6,602
Total U.S. Department of Education Passed through NM Department of Education Subtotal		\$ 736,848	\$ (153,070)	\$ 320,884	\$ 904,662

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2012

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2011	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2012
U.S. Department of Education ARRA					
Passed through NM Department of Finance					
Early Child Care Programs Government Services Fund ARRA	84.397	\$ 116,592	\$ (177,157)	\$ 60,565	\$ -
Juvenile Justice Advisory Committee Government Services Fund ARRA	84.397	38,363	(38,363)	-	-
Child Crisis and Family Services Dona Ana Cnty Government Services Fund ARRA	84.397	32,240	(142,560)	110,320	-
Domestic Violence Government Services Fund ARRA	84.397	17,987	(33,100)	15,113	-
Incarcerated Parents Government Services Fund ARRA	84.397	16,333	(16,333)	-	-
U.S. Department of Education ARRA					
Passed through NM Department of Finance Subtotal					
		221,515	(407,513)	185,998	-
Total U.S. Department of Education					
		\$ 958,363	\$ (560,583)	\$ 506,882	\$ 904,662
Corporation for National & Community Service Direct Programs					
Americorps Administration					
	94.003	\$ 38,154	\$ (188,909)	\$ 231,122	\$ 80,367
Americorps Training (PDAT) 08					
	94.009	9,599	(9,599)	-	-
Americorps Training (PDAT) 11					
	94.009	13,807	(83,926)	72,585	2,466
		23,406	(93,525)	72,585	2,466
Subtotal					
		18,128	(18,128)	-	-
Americorps Disability 08					
	94.007	6,236	(77,270)	117,760	46,726
Subtotal					
		24,364	(95,398)	117,760	46,726
Americorps Competitive					
	94.006	-	-	(143,758)	(143,758)
Americorps Competitive					
	94.006	547,295	(1,186,389)	1,289,870	650,776
		547,295	(1,186,389)	1,146,112	507,018
Subtotal					
		512,394	(1,446,740)	1,407,729	473,383
Americorps Formula					
	94.004	35,597	(35,597)	-	-
Total Corporation for National & Community Service Direct Programs					
		\$ 1,181,210	\$ (3,046,558)	\$ 2,975,308	\$ 1,109,960
TOTAL FEDERAL FINANCIAL ASSISTANCE					
		\$ 33,694,034	\$ (170,815,393)	\$ 162,149,146	\$ 25,027,787

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

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 due to federal government. Debit balances in federal revenue represent payments made to the federal awarding agency. Credit balances in federal expenditures represent correction to federal revenue.

The Department did not receive any 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 Exhibit 5	<u>\$ 162,149,146</u>
Federal financial assistance receivable per schedule	\$ 26,364,352
Due to federal government per the schedules	<u>(1,336,565)</u>
	<u>\$ 25,027,787</u>
Reconciliation to the financial statements	
Due from other state agencies - FACTS	\$ 6,084,376
Due from other state agencies - ARRA	-
Accounts receivable from federal government - Federal grants receivable per Note 4	<u>20,279,978</u>
	<u>\$ 26,364,354</u>

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

Notes to Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2012

Note C. Funds Passed through to Subrecipients

CFDA Federal Program Title

Grantor

CFDA # YTD EXP

Federal expenditures include funds passed through to subrecipients as follows:

Child and Adult Care Food Program	U.S. Department of Agriculture	10.558	\$	33,471,110
Summer Food Program	U.S. Department of Agriculture	10.559		5,279,060
State Administrative Expense	U.S. Department of Agriculture	10.560		415,936
Juvenile Account Incentive Block Grant	U.S. Department of Justice	16.523		633,504
JJDP Formula Grant	U.S. Department of Justice	16.540		627,878
Enforcing the Underage Drinking Laws Block Grant	U.S. Department of Justice	16.727		53,600
NM Justice & Mental Health Planning Project	U.S. Department of Justice	16.745		19,478
Government Services Funds ARRA	U.S. Department of Education	84.397		185,946
Families and Organizations Collaborating for a United System (FOCUS)	U.S. Department of Health and Human Services	93.104		1,528,111
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	U.S. Department of Health and Human Services	93.505		228,323
Promoting Safe and Stable Families	U.S. Department of Health and Human Services	93.556		2,623,007
Community Based Family Resource Program	U.S. Department of Health and Human Services	93.590		489,013
Child Care and Development Fund	U.S. Department of Health and Human Services	93.596		2,098,052
Access & Visitation Program	U.S. Department of Health and Human Services	93.597		97,792
Education and Training Voucher Program	U.S. Department of Health and Human Services	93.599		145,938
Head start Collaboration Grant	U.S. Department of Health and Human Services	93.600		76,586
Adoption Incentive Payment Program	U.S. Department of Health and Human Services	93.603		461,989
Children's Justice	U.S. Department of Health and Human Services	93.643		79,392
Diligent Recruitment Grant	U.S. Department of Health and Human Services	93.652		262,194
Title IV-E Foster Care	U.S. Department of Health and Human Services	93.658		3,302,287
Social Services Block Grant	U.S. Department of Health and Human Services	93.667		380,688
Child Abuse and Neglect (CAN) Part I	U.S. Department of Health and Human Services	93.669		57,342
Title IV-E Independent Living	U.S. Department of Health and Human Services	93.674		198,239
Early Childhood Advisory Council ARRA	U.S. Department of Health and Human Services	93.708		335,183
AmeriCorps Administration Grant	U.S. Commission for National & Community Service	94.003		83,663
AmeriCorps Competitive/Formula	U.S. Commission for National & Community Service	94.006		2,734,935
AmeriCorps Disability	U.S. Commission for National & Community Service	94.007		75,232
AmeriCorps Training PDAT	U.S. Commission for National & Community Service	94.009		72,586
			\$	<u>56,017,065</u>



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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
Yolanda Berumen-Deines, 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, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 10, 2012. 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, 2012, 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

Management of the Department is responsible for establishing and maintaining effective 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.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiencies are described in 07-01, 10-01, and 12-04.

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, 10-01, 12-03 and 12-04. 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, 09-04, 12-01, 12-02.

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 10, 2012



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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
Yolanda Berumen-Deines, 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, 2012. 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, 2012. 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, 08-01, 12-03 and 12-04.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 07-01 and 12-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 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 10, 2012

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

Status of Prior Year Audit Findings

Year Ended June 30, 2012

<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
08-02	Capital Assets	✓		08-02
08-01	Internal Audit Function	✓		08-01
09-03	Cell Phone Lost or Stolen		✓	
09-04	Payroll – Personal File Documents	✓		09-04
10-01	John Paul Taylor Trust Account	✓		10-01
10-02	Special Nutrition Program		✓	
10-03	Matching Requirement for Promoting Safe and Stable Families		✓	
11-01	Sub-Recipient Monitoring		✓	
11-02	No Filing of Financial Report		✓	

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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 deficiencies relating to the audit of the financial statements as reported in the Schedule of Findings and Questioned Costs are not considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal award programs are reported. The significant deficiencies are not reported as material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
6. There are two current year findings and a follow up of two 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
Child and Adult Care Food Program	10.558
Summer Food Service Program	10.559
Child Care and Development Fund	93.596
Social Services Block Grant	93.667
Promoting Safe and Stable Families	93.556
Title IV E Foster Care	93.658
Title IV E Adoption Assistance	93.659
Americorps Admin	94.003
Americorps Disability	94.007
Americorps Training (PDAT)	94.009
Americorps Competitive	94.006
Americorps Formula	94.006
Child Welfare Services	93.645
Affordable Care Act (ACA) Maternal, Infant And Early Childhood Home Visiting Program	93.505

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 (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit

07-01 Computer Conversion and Reconciliations – Significant Deficiency for Financial Statement Audit and Single Audit Findings (All Federal Programs)

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 record entries to properly record federal revenue to the general ledger as part of the year-end audit process.

As disclosed in the Interest in the State General Fund Investment Pool footnote, the State of New Mexico has not reconciled cash since the conversion to the SHARE accounting system. The Department was not informed of the lack of cash reconciliation until November 2012. A monthly cash reconciliation of the Department's cash by fund is a basic internal control. The Department has internal controls to verify its deposits and disbursements, but the lack of timely cash reconciliations by fund increases the risk that an error in cash by fund could occur and not be detected in a timely basis.

Criteria:

The federal revenues and corresponding accounts receivable and due to federal government should be reconciled by individual fund and component parts of the general fund before the year-end audit process starts. Reconciliation of cash by fund ensures the accuracy and reliability of the accounting records by reducing the risk of errors and irregularities.

Effect:

The lack of timely cash reconciliation and not having the grant module to properly record federal revenue, accounts receivable, deferred revenue or due to federal government to the SHARE general ledger increases the risk that the general ledger and federal reporting and timing of draws of federal funds could be incorrect until the reconciliation process is performed.

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, accounts receivable and deferred revenue recorded to the SHARE general ledger to the draws during the year.

Cash is required to be reconciled by the Department of Finance and Administration (DFA) by Statute (Section 6-5-9 NMSA 1978) and did not officially inform the Department it had not reconciled cash until November 2012.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

**B. Findings – Financial Statement Audit and Significant Deficiency for Financial Statement Audit
(Continued)**

**07-01 Computer Conversion and Reconciliations Significant Deficiency for Financial Statement Audit
and Single Audit Finding (All Federal Programs) (Continued)**

Recommendation:

The reconciliation of federal revenue, accounts receivable and due to federal government to the draws and the effect of accounts payable to determine the amount due from or due to 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 receivable, accounts payable, deferred revenue, due to federal government and other corresponding entries are done timely to the SHARE general ledger. Until DFA can reconcile cash by fund, the Departments existing compensatory controls of ensuring proper posting of deposits and expenditures is critical.

Responsible Official's Views:

The Department continues its efforts to implement a reconciliation process to assure the federal revenue recorded in Share reconciles to that reported on the SEFA. This process remains an issue as CYFD continues to encounter the lack of resources to fully address this issue and the insufficient funding necessary to improve the grants module in SHARE. In fiscal year 2013, it is anticipated the Federal Grants Section should be fully staffed and able to implement a process independently of the SHARE System to validate and reconcile federal revenue.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. DFA/FCD management believes that these changes will allow for the completion of a timely and accurate reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings - Financial Statement Audit

08-02 Capital assets – Other Finding

Condition:

During our capital assets test work, we found five items that were included in a Children, Youth and Families Department's (CYFD) Capital Asset Action Form, shown to be transferred to NM General Services Department (GSD) or to be disposed. The five items were included in the master capital assets listing as of June 30, 2012. Two of the items were noted in the certification form to have been transferred in the prior fiscal year to GSD. The other three items appear in the master capital assets listing for another area within CYFD. The total value of the five items is \$18,326.

Also during our capital assets test work, we found 11 assets were transferred from GSD to CYFD – Camino Nuevo (a part of YDDC) in April 2011. Three additional items were transferred from GSD to CYFD – John Paul Taylor Center (JPTC). None of these 14 items were found on the agency's master capital assets listing. One additional capital asset item transferred from GSD to CYFD was found to not be entered into the master capital assets listing for the location referenced. It is reported at a different location from where it is actually located. The total value of the 15 items is \$158,131.

During our test work of the disposal of assets, no evidence was provided to document compliance with notification to the Office of the State Auditor of the disposal of Agency's assets in the amount of \$144,297.

Of the 34 disposed items listed, one item is listed as certified as "active" by the location's capital assets coordinator although the item is shown as disposed of on the agency's master capital assets listing. One item which is not included in the location's certified listing as disposed or disposed is shown as disposed of in the master capital asset's listing. There is no support documenting follow up by Capital Asset Coordinator with the location as the accurate status of the items.

In review of the capital assets certifications received by the Capital Assets Administrator, 45 out of 479 items were not certified as active, deleted or transferred by field staff of the Agency. \$251,644 out of \$4,516,870, about 5%, was not certified for fiscal year 2012. Also, we were unable to locate the signatory approval by the governing authority of the agency.

Also, we noted multiple discrepancies between the master capital asset listing and the individual area capital assets listings used to certify the assets to the Capital Assets Administrator by the field Capital Assets Coordinators. We are unable to determine if the information was inaccurately provided to the field staff by the Capital Assets Administrator. The discrepancies found are inaccurate location codes for the assets, inaccurate or generic room location codes and items' information shown has not been updated as a result of interdepartmental transfers.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings - Financial Statement Audit (Continued)

08-02 Capital assets -- Other Finding (Continued)

Condition: (Continued)

In review of the capital outlay account, we noted six items out of nine were inaccurately coded to the capital outlay account. The total amount of the items that were to be coded to other accounts was \$85,035. Staff reclassified the transactions during the 2012 audit.

Criteria:

Per Section 2.20.1.6 (d) and (e) of NMAC – Annual Inventory states, “The inventory process shall produce a list of the property and the date and cost of acquisition. The annual physical inventory checks against losses not previously revealed and brings to light errors in records of accountability, but more importantly, a systematic physical inventory of fixed assets provides an opportunity for surveying their physical condition, with respect to their need for repairs, maintenance or replacement.”

“The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency. (Laws 1999, Chapter 230).”

Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least thirty days prior to any disposition of property on the agency inventory list described below 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 of the authority approving the action must be sent to the State Auditor.

Cause:

The Capital Asset Administrator and certain Capital Asset Coordinator(s) did not maintain and certify the Department’s master detail listing according to requirements.

Effect:

The Department’s master detail listing is not properly recorded and maintained and not all capital asset certifications were done by Department. Lack of adequate and appropriate adherence to established policies and requirements over the agency’s capital assets can heighten the risk of fraud and misappropriation and could lead to potential misstatement of financial statements.

Recommendation:

The Department should perform the fixed asset physical inventory on a timely basis to ensure the process and procedures comply with the NM State Statutes. We also recommend management properly monitor their fixed asset detail listing to ensure the fixed asset list is complete and accurately stated.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings - Financial Statement Audit (Continued)

08-02 Capital assets – Other Finding (Continued)

Responsible Official's Views:

The Department has utilized the Microsoft Excel (MS Excel) spreadsheet software to account for its Capital Assets since the Statewide Human Resources, Accounting and Financial Management Reporting System (SHARE) implementation, which did not include a functional Capital Asset Management Module.

Although MS Excel is adequate to account for our less than 500 assets, it is highly susceptible to clerical errors, such as duplication and deletion of tag numbers and related data. The Department is currently evaluating capital asset management software. This evaluation includes but is not limited to a cost benefit analysis of the SHARE Capital Asset Management Module as well as other applicable capital asset management software.

It is the Department's policy to conduct capital assets physical observance in accordance with the statutory requirements of section 12-10(A), NMSA, 1978, and the Department will continue to comply with these requirements. However, it is our belief that implementation of capital asset management software should greatly enhance our ability to accurately document and communicate the results of the annual physical observance at multiple locations and provide a basis for the reconciliation to tracking of transfers and other activities timely and efficiently.

The Department is in the process of recruiting the vacant Capital Asset Administrator position that has been vacant for a majority of the fiscal year. The Capital Asset Administrator will require mid-year and year-end certifications be conducted by field offices to ensure timely and accurate monitoring of the capital asset detail listing.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings - Financial Statement Audit (Continued)

09-04 Personnel File is Missing PAR and Employee Evaluations – Other Finding

Condition:

During our test work of payroll, we found the following exception:

- One out of eighteen employee files tested were missing the required annual employee evaluations completed by the employee's anniversary date documented in the personnel file.

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 SPB Rules and Regulations 1.7.1.12 Employment Records states the director and agencies shall maintain a record of each employee's employment history in accordance with operational necessity and applicable state and federal law requirements.

Cause:

The Department did not monitor compliance with evaluation requirements to ensure the employee evaluations were included in the employee's file.

Effect:

The management and the CYFD Human Resources Department do not have proper information timely to effectively make necessary decision, if any. There are insufficient internal control processes to monitor that employees' evaluations are completed timely and are included in the file.

Recommendation:

We recommend the Department test personnel files during the year to ensure evaluations are done timely.

Responsible Official's Views:

A directive has be sent out to all supervisors and managers within CYFD requiring that all employee evaluations must be completed by the end of each Fiscal Year (6/30) to ensure that the each employee's job duties and performance are documented and rated in a timely manner.

To ensure that there is no oversight in regards to resumes and all other required documents for all employees hired, a checklist has been created and completion required when the personnel files are being created by ESS personnel. The checklist encompasses all required documents and are checked off before personnel file is filed.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency**

Condition:

During our audit test work, we found the following items pertaining to the financial activity of the Children, Youth and Families Department's (CYFD) youth centers:

Youth Diagnostic & Development Center (YDDC)

Bank Reconciliations

1. During our cash test work, we found three transactions dated 7/11/12 to void checks that were found to be stale dated at fiscal year end. As recorded, the transactions are included in the FY13 and did not properly record the transaction of voiding the outstanding checks prior to the fiscal year end. The total amount not properly voided as of 6/30/2012 is \$61.
2. The YDDC Client Trust account did not appear to have proper review in place that would catch significant errors timely; should there be any.
3. The YDDC staff did not perform the June 2012 bank reconciliation properly. The reconciliation of the deposit in transit section included three items, which totaled \$20, which were adjustments and not deposit in transit items. Also, we noted 1 out of 40, or 2% of disbursements, which had cleared the bank, which did not have the second signature required, in the amount of \$79.

Negative Cash Balances

1. During our cash test work, we found the resident trust account's bank reconciliation supporting documentation at June 30, 2012 presented negative balances for two clients trust accounts out of a combined total of 477 client trust accounts. The combined negative balance amount presented for the two accounts is \$113.
2. YDDC financial specialist and supervisor allowed the clients to overdraw their trust accounts when leaving the facility. The clients were not owed incentive pay at the time of the overdrawing of the fund.

John Paul Taylor Center (JPTC)

Bank Reconciliations

1. During our test work of the June 2012 bank reconciliation; we noted 7 out of 14, or 50% of disbursements, which had cleared the bank, and did not have a second signature required, in the amount of \$311.
2. The total of the JPTC client trust account listing does not agree with the general ledger balance at June 30, 2012 in the amount of \$142.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Canteen

1. JPTC staff did not follow the procurement code to secure food for re-sale for the location for Canteen activities. JPTC staff procured the Canteen food for resale and the supplies for the distribution at local stores in which the purchase included gross receipts taxes. Staff was unable to provide complete documentation of the purchases for Canteen activities for FY12 that would breakout unallowed gross receipts taxes, food for resale items and food distribution supplies.
2. JPTC has not recorded the Canteen revenues for the FY12. We found that there has not been proper recording of the Canteen revenues for the last few years. Due to reconciling issues over this time period, JPTC staff are not able to determine the Canteen revenues for the location for the fiscal year; however it is not believed to be material to the financial statements.

Other

1. As of fiscal year end 2012, JPTC did not open an Activities Trust Account for the various fund raising activities or other transactions for the dorm activities. Fund raising activity and other transactions that do not relate to trust accounts are commingled in the JPTC Resident Trust Account. The amount noted for dorm activities and student council was \$886.

Escheatment of Resident Client Funds

1. During review of the list of outstanding checks at June 30, 2012, that were over 5 years escheatment at JPTC, we noted 11 transactions which totaled \$302. All of the items tested are to be reverted to NM Taxation and Revenue Department's Unclaimed Property Division (TRD-UPD) on or before November 1. Upon requisition for the supporting documentation of the amounts shown due to the clients, we noted the following examples:
 - 1-1. Eight of the 11 transactions tested did not have adequate or complete support for the amount owed to an individual client.
 - 1-2. Ten of the 11 transactions tested did not have documentation providing written notice of the balances as of June 30 sent to account owners of record. Per staff, this step had not been completed as of the end of September 2012; although this step is required prior to remit escheated client trust funds to TRD-UPD.
 - 1-3. Two of the 11 transactions tested did not have check correlating numbers and two other items did not have the same amount on the outstanding listing as the reconciled and approved bank reconciliation.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Escheatment of Resident Client Funds (Continued)

2. During review of the client trust accounts summary for the JPTC June 2012 reconciliation, we noted a line item for “Ex-Client” with the balance of \$156 included in the section of the current clients account balances. In review of the Ex-Client Ledger, it was noted that \$126 was older than 5 years at the fiscal year end and not included in the year end, June 30, 2012 list of outstanding checks. This amount was have been remitted to TRD-UPD in prior fiscal years. No evidence was provided by staff that the process or the records were reviewed by the Chief Financial Officer (CFO), at the facility, or the JJS Facilities Financial Operations Manager (FOM) for compliance.
3. Another Ex-Client Ledger was provided which includes a number of identical line item amounts as the other ledger reviewed. The difference between the two ledgers includes references to checks to clients while the other has a line item amount of zero with no reference to the payment out of client funds. Also included in the listing was \$341 in funds older than 5 year at fiscal yearend that was to have been remitted to TRD-UPD. The total amount of the second ledger is \$553. It is unclear if any of the monies have been properly remitted to TRD-UPD as no documentation was provided to indicate such.

Criteria:

Per CYFD, Administrative Services Policies and Procedures for the J Paul Taylor Resident Agency Fund, 45.49, states “checks require two signatures of any combination of authorized bank account signatories.”

According to CYFD Administrative Services Policies and Procedures for the Albuquerque Facilities Resident Agency Fund, 44.60, “checks require two signatures of any combination of authorized bank account signatories.”

Per CYFD Client Trust & Cottage Fund Bank Account – YDDC, 44.55, “client individual trust fund account balances are not allowed to be negative and non-posted amounts are not available for disbursement; regardless of the cumulative overall client trust account balance under any circumstances.”

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

Per Section 6-10-2 NMSA 1978, “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 2.20.5.8 NMAC, “cash records are reconciled timely each month to the division’s reports and to the state treasurer’s reports.”

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Criteria (Continued):

Per Section 7-9-13 NMSA 1978, “Governmental agencies, such as the State of New Mexico, are exempt from gross receipts tax.”

Per Section 13-1-97(A) and (B) NMSA 1978, “All procurement for state agencies shall be performed by the state purchasing agent except as otherwise provided in the Procurement Code. All procurement for state agencies excluded from the requirement of procurement through the office of the state purchasing agent shall be performed by a central purchasing office, designated by statute, the governing authority of that state agency or as otherwise provided in the Procurement Code.”

Pursuant to the provisions of the Uniform Unclaimed Property Act, Section 7-8A-2-A(15) NMSA 1978, the Agency is to revert property held to the State five years after the property becomes distributable.

Per J Paul Taylor Center Resident Agency Fund Policy and Procedures, 44.72, written notice of the balances as of June 30 of each year must be sent to the apparent owner at the owner’s last known address on or about August 1 of each year, but not more than 120 days before filing the Unclaimed Property Report, as required by the NM Unclaimed Property Act.

Per J Paul Taylor Center Resident Agency Fund Policy and Procedures, 44.76, the CFO or designee will review the activities at each facility for compliance with this policy at any time designated as appropriate during each fiscal year, but not less than annually.

Per J Paul Taylor Center Resident Agency Fund Policy and Procedures, 44.78, the JJS Facilities Financial Operations Financial Manager is responsible for conducting periodic reviews of the Resident Agency Fund Bank Account activity, ledgers and detail supporting documentation to ensure compliance with these policies and procedures and all applicable state and federal laws and regulations.

Good internal control procedures require the retention of all necessary documentation to support the financial transactions of the Agency. Good internal control procedures require review of all client trust documentation to ensure the accurate amount is returned to the client or remitted to TRD-UPD on their behalf. Also, good internal control procedures include the separation of client trust funds and fundraising/dorm funds.

Cause:

Staff is not consistently following agency policy or good accounting procedures to reconcile the client trust accounts and a proper review over the reconciliation process is not consistently taking place. Agency staff is not following agency policy or statute in properly remitting client trust funds to NM TRD-UPD. Staff is not consistently adhering to agency policy regarding negative balance accounts and not adhering to agency policy and good accounting procedures to ensure that all revenue is properly recorded.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Effect:

The Department is not in compliance with its own policies, statutory requirements and administrative code requirements. Lack of adherence to established policies and requirements can heighten the risk of fraud and misappropriation of assets.

Recommendation:

The Agency should review its cash receipts and disbursement policies and procedures at all levels to implement regular monitoring and proper execution of the agency's requirements and statutory requirements. Procedures in place should ensure that all monies are accurate, reconciled timely and adequately supported.

Responsible Official's Views:

With regard to the YDDC Resident Trust Accounts:

The YDDC Resident Account Specialist and Business Manager have met with the auditor and discussed the findings and identified deficiencies and discussed procedures to address these issues.

Those procedures include daily oversight and monitoring of account balances, audit for negative accounts, accurate date posting of items, requirement of two signatures on all checks, procedure for voiding stale dated checks, proper handling of end of the month adjustments, proper posting of reconciliation items, training on model accounting practices, review and adherence to applicable policies.

The Facilities Financial Operations (FFO) Business Manager has made a recommendation for the agency to research and purchase accounting software to replace outdated Microsoft Excel spreadsheet accounting system.

With regard to Negative Cash Balances:

FFO has implemented training and provided policies to Resident Account Specialists at YDDC and JPTC to prevent Resident Accounts from going negative. This has been addressed in training with employees as well as in a recent policy implementation that addresses negative accounts.

Theoretically, if transactions are posted chronologically, a negative account should not occur, however if a transaction is misplaced because of a staff absence, departure of a resident, book keeping error, etc. it is a possibility.

FFO concurs with auditor recommendation from previous discussions, to address this possibility by way of a Resident Special Activities Account policy statement that defines the purpose of the programs accounts funds and makes it permissible to transfer funds in this rare instance.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Management's Response (Continued):

With regard to Negative Cash Balances (Continued):

The policy statement would provide a provision to transfer funds from Resident Special Activities funds to bring a negative balance to zero. CYFD has provided guidance on the purpose of the funds: *"...to promote the general welfare, educational development and moral, provided the proper oversight and administration of fund monies in compliance with generally accepted accounting practices and applicable state and local laws..."*

With regard to the JPTC Resident Trust Account:

The FFO Office has instituted procedures described below to address previous oversight deficiencies.

FFO has complied with auditor recommendation to establish a share drive that is accessible by JPTC Resident Account Specialists, Financial Specialist, YDDC Resident Account Specialist and FFO Business Manager; in order to have real time access to resident trust accounts, monitor activity, conduct routine balance checks and proofs, review monthly reports prior to submission. The share drive has been created and JPTC has moved resident trust files to this new shared location and FFO is reviewing accounts regularly.

FFO will continue to work with JPTC to provide training, oversight, site visits, auditing of reports and serve as a resource for resident trust accounts responsibilities. FFO will continue to monitor account balances, provide instruction on accurate date posting of items, ensure requirement of two signatures on all checks, instruction on procedure for voiding stale dated checks, escheatment, proper handling of end of the month adjustments, proper posting of bank reconciliation items, training on model accounting practices, review and adherence to applicable policies.

FFO Business Manager has outlined assigned duties of JPTC Resident Trust Account Specialist, provided this information to the on-site Superintendent and has met with the employee to ensure she understands that compliance with requests from FFO, JJS, ASD, STO, OSA regarding the resident trust accounts are mandatory. FFO Staff have made on-site visits for on the job training, and will continue to make these visits quarterly.

The YDDC Resident Trust Account Specialist has been advised as part of her responsibilities, and as the current expert in this area, that she will be relied upon to assist, audit, etc. as necessary, in addition to the oversight from the Financial Specialist Supervisor (Currently in the hire process) and Business Manager. The specific auditing and oversight duties will be detailed in respective performance evaluation(s) of staff, accordingly.

The FFO Business Manager has made a recommendation for the agency to research and purchase accounting software to replace outdated Microsoft Excel spreadsheet accounting system.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

**10-01 John Paul Taylor Center and Youth Diagnostic & Development Center – Financial Activity
Significant Deficiency (Continued)**

Management's Response (Continued):

With regard to JPTC Canteen process:

FFO has provided on site procurement training, vendor information, contracts, policies, template procurement forms and instruction on CYFD procurement process for Canteen supplies. JPTC has implemented these processes including the purchasing and submission of revenues for deposit. FFO will continue to provide instruction, training and on-site visits to monitor this process.

Other (JPTC finding of regarding failure to open the JPTC Special Activities Account):

The account has since been opened as a resolution to this specific finding and is in operation in compliance with policy.

With regard to Escheatment of Resident Funds:

FFO has provided on-site training, policies, template TRD forms, sample completed forms and instruction on completion of forms. JPTC was granted an extension from the November 1, 2012 to comply with the current year deadline. JPTC is currently researching and compiling data on unclaimed items to submit a report by the extension date. FFO will review corresponding reports, continue to provide instruction, training and on-site visits to monitor this process.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

12-01 Use of State Issued Gas Credit Cards – Other Finding

Condition:

During the review of the Wright Express fuel card (WEX) activity for a four month period with total expenditures of \$215,006, the transactions were examined for compliance with applicable statutes and department policy. As a result of this review, we noted:

- 235 instances where unleaded plus or super-unleaded gasoline were purchased at a cost of \$8,428,
- 14 instances where employees purchased diesel fuel for vehicles requiring regular unleaded gasoline at a cost of \$146,
- Four instances where employees purchased off road fuel for vehicles requiring regular unleaded gasoline at a cost of \$122,
- One instance where an employee purchased three car washes for three separate vehicles simultaneously in the same transaction at a cost of \$92(with the same WEX card assigned to only one of the three vehicles),
- 24 instances where non-fuel transactions were not supported for a total of \$327,
- One instance where 24.8 gallons of propane were purchased in the amount of \$72,
- One instance where a transaction on the WEX invoice was labeled as a food purchase of \$28 for which the supporting receipt contained a hand written explanation that the purchase was for fuel.
- No documentation was provided where individuals had reimbursed the Department for unauthorized or unsupported purchases.
- We noted during the test work that mileage amounts were frequently reported incorrectly in the WEX system.
- Liaisons (department employees tasked with monitoring vehicle usage) were able to take vehicles without checking them out or check vehicles out to themselves without any other approval.

Criteria:

Per NMAC 1.5.4.12, the purchase of unleaded plus or super-unleaded gasoline is not allowed. Children, Youth, and Families Department (CYFD) Policies and Procedures 26.107(b) the Department is required to seek restitution from WEX card users upon confirmation of misuse. Per New Mexico Transportation Services Division *Re: Use of Wright Express Fuel Credit Card* the department/agency WEX representative shall assign a single fuel credit card to each state passenger vehicle. The vehicles which are operated by CYFD require the use of regular unleaded or E85 gasoline making the purchases of alternative fuels unauthorized and unnecessary.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

12-01 Use of State Issued Gas Credit Cards – Other Finding (Continued)

Cause:

The staff may have made unauthorized purchases of diesel, off-road, super-unleaded, and unleaded plus fuel products that are not allowed per NMAC 1.5.4.12. Department staff made purchases for multiple vehicles using the card assigned to one vehicle when such purchases should be made only on the card specifically assigned to the vehicle for which the purchase was made. CYFD policy and procedures do not address internal controls for vehicle liaisons.

Effect:

Unauthorized purchases of diesel and off-road fuels may have been made due to lack of adherence to statutory and departmental policy requirements. Unauthorized purchases of super-unleaded and unleaded plus fuel products were made due to lack of adherence to statutory and departmental policy requirements. These same purchases were allowed to go unnoticed due to the lack of a review process for the WEX system; therefore no corrective action was ever administered. Inadequate internal oversight can heighten the potential for fraud or misappropriation of public funds.

Recommendation:

The Department may consider seeking restitution for unauthorized purchases made using the Wright Express Fuel Cards, in accordance with department policy. The Department should implement regular monitoring of purchases made with the fuel cards and require supporting documentation for purchases made should be remitted to the liaison at the time the vehicle is returned. The Department should document inquiries and explanations for transactions which appear to be in violation of policy. Reimbursement for all unauthorized purchases should be documented with the Vehicle Coordinator.

Responsible Official's Views:

Management concurs with the finding regarding the usage of state issued gas credit cards accountability. The Department has notified the CYFD vehicle liaisons and CYFD employees authorized to drive a state vehicle they are not to purchase Super Unleaded or Premium Fuels when filling up a state vehicle per statutory and departmental policy requirements.

The purchases of diesel fuel and off road fuel for vehicles requiring regular unleaded gasoline were for landscape equipment (e.g. small diesel tractor, lawn mower, snow blower, hedge trimmer) used at the facilities. The Department through approval of the General Services Department, State Purchasing Division, has a waiver on the Wright Express Credit Card for non-state vehicle fleet gasoline credit cards at four of the various CYFD Facilities:

- Albuquerque Physical Plant —Youth Diagnostic and Development Center (YDDC) and Camino Nuevo
- Las Cruces Physical Plant – John Paul Taylor
- Eagle Nest Physical Plant

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

12-01 Use of State Issued Gas Credit Cards – Other Finding (Continued)

Responsible Official's Views (Continued):

The four off road equipment Wright Express Credit Cards for non-state vehicle fleet gasoline will allow each facility and CYFD Property, Fleet and Telecommunications Manager to track the gasoline purchase for the non-state vehicles separate from the gasoline purchases for the state vehicles.

The Department followed up on the instance where 24.8 gallons of propane was purchased in the amount of \$72. It was discovered the gas station did not sell propane at the time of this transaction and the purchase was for unleaded gasoline. The outside payment made with the WEX Fuel Card had the wrong transaction code. The Department followed up on the instance where a transaction on the WEX invoice was labeled as a food purchase of \$28 with a hand written explanation that the purchase was for fuel. The CYFD employee informed the outside payment made with the WEX Fuel Card had the wrong transaction code on the receipt. No food was purchased it was fuel. The CYFD Agency Vehicle Coordinator will ensure discrepancies, unauthorized, or unsupported purchase on WEX Fuel Card transactions will have written supporting documentation from the user or authorized driver. Additionally, CYFD will seek full restitution for the cost of the unauthorized purchases from the WEX Fuel Card from the user or authorized driver if required to hold them accountable per departmental policy requirements.

The Department will update and provide refresher training course(s) on the departmental policy and procedures vehicle usage and responsibilities to the vehicle liaisons and CYFD employees authorized to drive a state vehicle.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

12-02 Public Monies Not Deposited within 24 Hours – Other Finding

Condition:

During our test work of 14 cash receipt/deposit samples, we noted one cash receipt/deposit that totaled \$3,665.25 was not deposited in the bank for the agency within 24 hours of receiving the public monies. The monies are to be deposited in the bank account used by the agency which is overseen by NM State Treasurer's Office (STO). The check was receipted at the CYFD's Santa Fe Office on 5th Street on Tuesday, May 1, 2012. The check was not deposited in the agency's bank account until Friday, May 4, 2012.

Criteria:

Pursuant to the provisions of the Public Monies Act, Section 6-10-3 NMSA 1978, the person in charge of receiving any money in cash or by check from any source is to deposit before the close of the next succeeding business day after the receipt of the money.

Per NM Model Accounting Policies, FIN 2.1, Receipt and Deposit, state agencies must deposit all monies received with STO or with the authorized banking institution by the close of the next business day after receipt.

Cause:

As per the discussion with the CYFD Financial Services Division (FSD) staff, the money collected by the Santa Fe Office on 5th Street was not received by the FSD Office, located at the PERA building, by the next business day to be included in that day's deposit.

Effect:

The amount receipted by the Santa Fe Office on 5th Street was not received in a timely manner by the CYFD-FSD staff to include in the daily deposit to the bank. Late deposits could affect the agency's cash flow in a negative manner and create an increased risk of susceptibility to fraud.

Recommendation:

All cash collected by the Santa Fe Office on 5th Street office should be taken to CYFD FSD in a timely manner that allows for deposit with the STO on a daily basis.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

B. Findings – Financial Statement Audit (Continued)

12-02 Public Monies Not Deposited within 24 Hours – Other Finding (Continued)

Responsible Official's Views:

The deposit in question was for meals disallowed for a food provider.

The original administrative review conducted September 22, 23 27-29 2010 found serious deficiencies in the operation of the Child and Adult Care Food Program (CACPF) by the food provider resulting in a large proposed disallowance. Subsequent to a meeting with the food provider officials on October 5, 2011, the provider was allowed to submit additional documents (specifically, Menu Record Books) which were not made available for examination during the original administrative review. After evaluation the additional documentation submitted, it was determined that the provider still had an overpayment for failure to document properly, food components served, and the amounts prepared in the Menu Record Book.

With the new numbers of eligible meals for the test month of May 2010, the recalculated amount of the disallowance was determined to be \$3,665.25. Unfortunately, the Business Operations Specialist who calculated the amount of the disallowance used rates for May 2011 for part of the calculation. The recalculated disallowance actually should have been \$3,809.61, \$144.36 higher than the original calculation.

This error was discovered when the payment was received. Given the difficulty in dealing with the provider, we decided to accept the short payment and close out the review. However, before the deposit could be made, it was necessary to adjust the number of meals disallowed to reflect the lower amount collected and split the amount between Meals (Reporting Category 006820) and Cash-in-Lieu (Reporting Category 006810).

Corrective Action

In the future, disallowances will continue to be calculated by the Business Operations Specialist but will be verified by that person's supervisor before the amount is given to program staff for inclusion in the administrative review letter sent to the participating organization. In the event that a payment received is not the correct amount, it will be returned to the participating organization and payment in the correct amount will be requested.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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 – Other Finding

Condition:

In the 2008 Fiscal Year, a fraud was detected that had been ongoing for several years. Approximately \$436,000 loss had 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 Department hired an Inspector General in March 2012. However, the internal audit function is one person at June 30, 2012.

The Department does onsite visits to various sub-recipients of Federal and State funds in addition to reviewing the sub-recipients audit reports. These visits are mainly operational but should be expanded to financial areas to determine amounts owed back, if any, to the Department for overbilling or other financial impact to the Department.

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 internal or sub-recipient 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. A properly operating internal audit department should have the primary responsibility to investigate claims or allegations of fraud with the approval from the Office of the State Auditor and perform audits of sub-recipient transactions with the Department.

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.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

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

08-01 Internal Audit Function – Other Finding (Continued)

Responsible Official's Views:

The Inspector General hired in March of 2012 has been assigned a variety of investigations and reviews, including investigations into possible employee and vendor fraud. The employee investigations have led to several terminations and resignations. One vendor's contract was recently terminated due to the Inspector General's review of the vendor's practices when providing services to the Children, Youth & Families Department.

The Inspector General continues to investigate allegations of employee and vendor fraud as they are reported, and is currently working within the Children, Youth and Families Department and with other Departments to implement processes to systematically identify potential fraud by current and former child care assistance recipients.

The Inspector General is also involved with implementing a new state wide price agreement to select vendors to provide collection services that will enhance the pursuit and collection of identified overpayments paid by the Department due to possible fraud.

Business processes and procedures within specific work areas have also been investigated by the Inspector General and will continue to occur as time allows.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-03 Internal Control Deficiencies Over Education, Training, and Voucher Disbursements – Other Finding

CFDA # 93.599
Education, Training and Voucher Program
U.S. Department of Health and Human Services

Condition:

During the review of the Education, Training and Voucher (ETV) Program, we selected a sample of 25 individuals who, in altogether, received \$80,886 from the program during FY 2012. Files were reviewed for compliance with applicable requirements, allowable cost and activities, supporting documentation, and eligibility. We noted the following instances out of the 25 tested:

- One individual requested approval to purchase a washer and dryer set from Best Buy in the amount of \$2,603. After making this purchase, the individual failed to turn in receipts for the purchase. ETV program staff requested a transaction history from Acumen Fiscal Agent, LLC, the vendor responsible for administering payments for the ETV program, and continued to request documentation from the individual, but ultimately never received actual support for the transaction. We requested copies of the receipts from Best Buy directly and found that the individual had used the money to purchase the washer and dryer units as initially requested and approved, but then the individual immediately returned the items to purchase unallowable items, including video games, gaming systems, multiple tablets, videos, and other gaming components. Additionally, program staff provided the individual with an additional \$310 to pay a utility bill without having all of the individual's prior receipts accounted for.
- Seven separate instances where questionable purchases of books (not required for class) and other non-essential supplies were made in the amount of \$44, in total, without explanation or follow up.
- Missing receipts for seven transactions totaling \$7,860. Per review of the files, program staff did not follow up on missing receipts until the next time and individual requested funding.
- Four gift cards provided to the clients have remaining balances of more than \$5, which appear to have not been used and have not been properly returned to the Deputy Bureau Chief. These same four clients have not provided additional receipts to CYFD or reimbursement to Acumen for a total of \$177.
- One individual, with questionable receipt patterns of initially making qualifying purchases, then subsequently returning those items and making purchases with the returned funds, did not provide receipts to support a total of \$1,000.
- One individual received \$1,875 to help with rent from the program. The individual originally reported they had not been enrolled previously in college and therefore had no grades to report. However, upon review of the individual's file, it was evident that the student was previously enrolled and not performing well in school. This individual would have been required to file a plan for improving their academic performance in addition to an explanation of previous academic performance prior to receiving funds from the program. A copy of the plan was not on file.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-03 Internal Control Deficiencies Over Education, Training, and Voucher Disbursements – Other Finding (Continued)

Criteria:

Per 8.10.9.20 NMAC, the Youth Transition Specialist (YTS) shall assist the youth in filling out appropriate forms and gathering the appropriate supporting documentation. Per paragraph 8.4 of the Independent Living Program's policy and procedures, the YTS will ensure that the youth provide a receipt for items purchased or the youth will not receive future funding. Per paragraph 8.4 of the Independent Living Program's policy and procedures, gift cards with any remaining balances and the itemized receipt are to be returned to the Deputy Bureau Chief. Per paragraph 7.2 of the Independent Living Program's policy and procedures, to maintain eligibility, youth must maintain a GPA of 2.0 or higher, if at any point the youth's GPA drops below a 2.0, the youth is required to develop an academic improvement plan with support from the YTS to improve academic performance. Per 6 of the Independent Living Program's policy and procedures, allowable costs include most expenses that allow a youth to accomplish their educational or vocational goals.

Questioned Costs:

\$13,559, \$7,860 was subsequently resolved.

Cause:

YTSs were not performing adequate review of receipts received. YTSs did not appear to consistently require receipts be remitted to their department according to policy.

Effect:

Unauthorized and unallowable purchases of video games, gaming systems, tablets, videos, and other gaming components were allowed to occur due to the lack of internal controls over this program. Unallowed expenditures could jeopardize future federal funding.

Recommendations:

ETV program staff should reevaluate the internal controls over the program. ETV may consider incorporating maximum dollar amount limits for certain categories of allowable items in order to discourage improper spending by clients. Institute a reasonable time limit during which receipts must be turned in or reimbursement must be made to Acumen for undocumented or unauthorized purchases. Staff should request copies of transcripts directly from universities or colleges for individuals claiming to be new enrollees in order to comply with the requirements of the program. Develop and implement a system to track activity on the gift cards. Inquire and obtain supporting documentation for all outstanding amounts or require reimbursement from individuals who received funds. Address controls related to the returning of gift cards with remaining balances in policies and procedures.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-03 Internal Control Deficiencies Over Education, Training, and Voucher Disbursements – Other Finding (Continued)

Responsible Official's Views:

The Department and the Protective Services Division (PS) recognize the financial accountability for federal and state funds expended are accurate, timely, and internal controls are adhered to.

The Department followed up on the conditions of the findings with the PS:

- The youth who requested the washer and dryer in the amount of \$2,603 from Best Buy did turn in three receipts and it was those receipts that alerted ETV staff to the possible misuse of funds. The fiscal agent was contacted in order to obtain additional information. At the time the check for \$310 was issued, the youth had turned in a receipt for the washer and dryer, however the receipt showed that there was a remaining balance on the card that the youth had been instructed to use.
- PS will ensure appropriate purchases have supporting documentation and review those purchases not authorized.
- Program staff consistently request receipts for items purchased through the ETV program. These efforts may not be documented in the central ETV file as it is the Youth Transition Specialists who are making those efforts rather than the ETV Program Manager. In SFY 2011, Youth Services implemented a policy in which youth must turn in receipts for items purchased with ETV funds. In that year, approximately 78% of the receipts were collected. In SFY 2012, approximately 82% of receipts for items purchased were collected. In addition, in SFY 2011 and SFY 2012, Youth Services has recouped \$1,081.68 in funds that were used inappropriately. As a result of this audit, Youth Services has instituted protocols in which Youth Transition Specialists must collect receipts within 30 days and review the receipts prior to providing them to the Program Manager. We believe that this will continue to increase our receipt collection rate in the future.
- On occasion, contradictory information has been received by program staff about the status of a youth's enrollment or progress in school. When this occurs, program staff follows up with the youth to obtain the necessary and appropriate documentation.
- As a result of the audit, Youth Services was provided a directive of additional internal controls to avoid the misuse of ETV funds in the future. This memorandum of direction was approved by the Program Deputy Director and the Division Director and was reviewed with all Youth Services staff on 12/03/12.
- The John H. Chafee Foster Care Independence Act which funds the ETV program requires states to, "...assure that program participants recognize and accept their personal responsibility for preparing for and then making the transition from adolescence to adulthood". As such, it is incumbent upon program staff to support youth in taking responsibility for obtaining the necessary documentation from post-secondary educational institutions. Having Youth Transition Specialists complete this task would defeat the intent of the Act.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-03 Internal Control Deficiencies Over Education, Training, and Voucher Disbursements – Other Finding (Continued)

Responsible Official's Views (Continued):

- Youth Services is investigating methods for tracking activity on gift cards that will both be accurate and efficient.

Corrective action has been implemented by the PS as a result of the conditions. The PS Youth Services Bureau recently implemented additional internal controls to avoid the misuse of ETV funds in the future.

CYFD will ensure discrepancies, unauthorized, or unsupported purchase on ETV Program transactions will have written supporting documentation from the youth transition specialists or program manager.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-04 Americorps Program Lack of Supporting Documentation – Significant Deficiency

CFDA# 94.003, 94.006, 94.007, 94.009

Americorps

U.S. Corporation for National and Community Service

Condition:

The Department identified non compliance with the State Procurement Code that totaled \$512,906 over the past several years.

During our single audit testwork, 3 payments totaling \$75,137 did not have invoices or supporting documentation for the amounts charged to the Americorps Program.

We also noted that three travel reimbursements paid out mileage at the IRS rate of 50.5 cents per mile. This resulted in overpayments of mileage totaling \$135. We also noted one travel reimbursement request lacking receipts for airline fare and parking totaling \$222 that was paid and included an \$84 per diem payment when food was provided. These overpayments resulted in \$441 improperly charged to the Americorps program.

We also noted one payment of \$300 charged to the Americorps program that was a donation to a school.

A local nonprofit entity was used in this fiscal year and in prior years to have donations and other funds raised to support the Americorps program deposited with the nonprofit. Expenditures were made by the nonprofit to support the Americorps program. This activity has not been recorded on CYFD financial statements.

Criteria:

Supporting documentation must be maintained to verify the costs are for activities that are allowed under the federal grant agreement. 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 and NMAC 2.42.2.11 (B) states that the rate to be used for mileage is 80 percent of the IRS rate used the previous calendar year.

The Department's accounting system must be used to account for all of the Department's activity and follow the State Procurement Codes.

Questioned Costs:

CFDA #94.003 \$21,624, CFDA #94.007 \$16,660 and CFDA #94.009 \$37,594 for a total of \$75,878 for 2012 disbursements tested.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

**12-04 Americorps Program Lack of Supporting Documentation – Significant Deficiency
(Continued)**

Cause:

A nonprofit entity was used to account for financial transactions instead of the Department's accounting system and bypassed the Department's internal controls.

Procedures were not in place to insure payments were properly supported and in compliance with Sections 6-5-6 (C) and 2.42.2.11(B) NMAC 1978.

Effect:

The Department is not in compliance with the federal grant agreement and Section 6-5-6 (C) and Section 2.42.2.11 (B) NMAC 1978. Financial transactions of donations and other funds and corresponding expenditures are not accounted for on the Department's accounting system. Also the expenditures made by the nonprofit on behalf of the program need to comply with Federal or State purchasing requirements.

Recommendation:

All activity must be accounted for by the Department accounting system. All outside funds and expenditures must follow all Federal and State requirements and accounted for in the Department's general ledger system. The Department needs to evaluate the effect of using this nonprofit on prior year's activity to its financial statements and federal reporting.

The Department must locate supporting documentation for the costs or reimburse the Corporation for National and Community Service \$75,137. The Department should implement procedures to ensure payments are not made without proper supporting documentation and that the Section 6-5-6 (C) and Section 2.42.2.11 (B) NMAC 1978 is consistently followed.

Responsible Official's Views:

In January 2012, CYFD through an outside contractor conducted an internal review of the Americorps Program. The findings from the review were submitted to the Department on April 26, 2012. The conclusion of the review found the current state of the AmeriCorps Program did not provide assurance the program is operating effectively and efficiently, ensure compliance with federal and state laws, rules and regulations, or ensure financial reports are reliable and accurate. Recommendations were made for a corrective action plan that included establishing adequate administrative and operation procedures and for the Department to assume a more active role of oversight and monitoring.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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

12-04 AmeriCorps Program Lack of Supporting Documentation – Significant Deficiency
(Continued)

Responsible Official's Views (Continued):

CYFD put a corrective action plan in place based on the recommendations of the review. The Department cancelled the contract with the non-profit as fiscal agent for the AmeriCorps Program. As of June 14, 2012, all financial management of the program resides within CYFD. The Department is providing oversight to ensure financial management of the AmeriCorps Program is compliant with the Procurement Code, Mileage and Per Diem Act, New Mexico Administrative Codes and other applicable state statutes. All CYFD programs are required to certify the correctness of invoices prior to payment. CYFD's Administrative Services Division is assisting the AmeriCorps Program in scheduling Procurement Code training for the staff and commissioners. Also, CYFD's Procurement Officer has assisted and overseen the completing of the program's RFP for competitive and formula grants.

The Department will continue to strive to ensure that the AmeriCorps Program produces financial documents that are processed accurately and contain the required documentation.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

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
08-01	Internal Audit Function	✓		08-01
10-02	Special Nutrition Program		✓	
10-03	Matching Requirement for Promoting Safe and Stable Families		✓	
11-01	Sub-Recipient Monitoring		✓	
11-02	No Filing of Financial Report		✓	

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

Exit Conference

June 30, 2012

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

An exit conference was held on December 13, 2012 to discuss the audit report and audit findings.

Those in attendance were as follows:

Children Youth and Families Department

Yolanda Berumen-Deines	Secretary
Jennifer Padgett	Deputy Secretary
Renada L. Peery-Galon	ASD – Director
Annette Romero	ASD Deputy Director
Sandra Steckler	Chief Financial Officer
Sandra Salazar	Bureau Chief
Reagan Smetak	Budget Director
Valerie Martinez	Federal Grant Manager
Bernice Tapia	Financial Manager

Barracough & Associates, P.C.

Douglas W. Fraser	Senior Audit Manager
Lynette Kennard	Audit Supervisor

Office of the State Auditor

Hector Balderas	State Auditor
Natalie Cordova	Financial Audit Director
Michelle Clark	Senior Auditor
Lisa Jennings	Staff Auditor