

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

FINANCIAL STATEMENTS AND SCHEDULES

(With Independent Auditors' Reports Thereon)

FISCAL YEAR ENDED JUNE 30, 2013



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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2013**

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

"28 Years of Excellence"



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Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

Independent Auditors' Report

Mr. Hector Balderas,
New Mexico State Auditor
and
Yolanda Berumen-Deines, Secretary,
Children, Youth and Families Department

Report on Financial Statements

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, 2013, and the related notes to the financial statements 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 nonmajor governmental and fiduciary funds, the budgetary comparison for the components of the general fund and nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the Department as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the components of the general fund and nonmajor governmental funds for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2, the 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, 2013, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 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 American, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and the respective budgetary comparisons. The accompanying Schedule of Expenditures of federal awards as required by the U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are not a required part of the basic 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the other supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 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* in considering the Department's internal control over financial reporting and compliance.



Barraclough & Associates, P.C.
Santa Fe, New Mexico
December 11, 2013

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Year Ended June 30, 2013

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, 2013. 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 Position* 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, 2013

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, 2013</u>	<u>Prior Year - June 30, 2012</u>	<u>Favorable or (Unfavorable)</u>	<u>Percentage Change</u>
Assets				
Current assets	\$ 68,734,142	\$ 53,688,389	\$ 15,045,753	28.02%
Capital assets	1,384,553	1,104,942	279,611	25.31%
Total assets	<u>\$ 70,118,695</u>	<u>\$ 54,793,331</u>	<u>\$ 15,325,364</u>	<u>27.97%</u>
Liabilities				
Current liabilities	\$ 52,271,136	\$ 40,334,948	\$ 11,936,188	29.59%
Long-term liabilities	5,505,575	5,452,440	53,135	0.97%
Total liabilities	<u>\$ 57,776,711</u>	<u>\$ 45,787,388</u>	<u>\$ 11,989,323</u>	<u>26.18%</u>
Net assets				
Invested in capital assets	\$ 1,384,553	\$ 1,104,942	\$ 279,611	25.31%
Restricted	20,239,721	17,099,813	3,139,908	18.36%
Unrestricted	<u>(9,282,290)</u>	<u>(9,198,812)</u>	<u>(83,478)</u>	<u>0.91%</u>
Total net position	<u>\$ 12,341,984</u>	<u>\$ 9,005,943</u>	<u>\$ 3,336,041</u>	<u>37.04%</u>
Program revenues and expenses				
Program revenues	\$ 170,112,739	\$ 168,603,502	\$ 1,509,237	0.90%
Program expenses	<u>(366,508,784)</u>	<u>(360,440,110)</u>	<u>(6,068,674)</u>	<u>1.68%</u>
Net revenue (expense)	<u>(196,396,045)</u>	<u>(191,836,608)</u>	<u>(4,559,437)</u>	<u>2.38%</u>
General revenues (expenses)				
General Fund appropriations	209,307,600	195,171,900	14,135,700	7.24%
Other sources	1,433,853	1,539,070	(105,217)	-6.84%
Other uses	<u>(1,856,670)</u>	<u>(1,483,979)</u>	<u>(372,691)</u>	<u>25.11%</u>
Total general revenues (expenses)	<u>\$ 208,884,783</u>	<u>\$ 195,226,991</u>	<u>\$ 13,657,792</u>	<u>7.00%</u>
Reversion to State General Fund	\$ (9,152,697)	\$ (6,067,019)	(3,085,678)	50.86%
Change in net position	3,336,041	(2,676,636)	6,012,677	-224.64%
Beginning net position	<u>9,005,943</u>	<u>11,682,579</u>	<u>(2,676,636)</u>	<u>-22.91%</u>
Ending net position	<u>\$ 12,341,984</u>	<u>\$ 9,005,943</u>	<u>\$ 3,336,041</u>	<u>37.04%</u>

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

For the Year Ended June 30, 2013

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2013 are as follows:

- *Current Assets* increased by \$15,045,753 or 28.02 percent. This net increase consists of many changes over the prior year as follows: Cash (decreased by \$450), State Fund Investment Pool increase of \$11,763,394, Accounts receivable, net increase of \$8,036,395, Due from Agency Fund (decreased \$106,731), Due from Other Agencies (decrease of \$4,782,492), Supplies Inventory increased by \$1,601, Other Assets (decreased by \$356) and Investments at State Investment Council increased by \$134,392.
- *Capital Assets and Net Investment In Capital Assets* increased by \$279,611 or 25.31 percent due to an increase in equipment purchased.
- *Total Assets* increased by \$15,325,364 or 27.97 percent. See discussions under *Current Assets* and *Capital Assets and Investment in Capital Assets* above.
- *Current Liabilities* increased by \$11,936,188 or 29.59 percent due to several changes of the liability accounts as follows: Accounts payable increase of \$4,759,534, Due to State General Fund increase of \$2,718,343, Due to other state agencies increase of \$466,903, Due to federal government (decrease of \$444,780), Compensated Absence increase of \$123,981 and other payroll related liabilities and withholdings (decrease of \$2,390,760), an increase of \$67,748 in accrued payroll and an increase of \$6,635,219 in deferred revenues.
- *Long-Term Liabilities* increased by \$53,135 or 0.97 percent. The increase is due to the increase in compensated absences due in more than one year.
- *Total Liabilities* increased by \$11,989,323 or 26.18 percent. See discussion under *Current Liabilities* above.
- *Restricted Net Position* increased by \$3,139,908 or 18.36 percent due mainly to the increases in the subsequent years expenditures by applicable legislation and law.
- *Unrestricted Net Position* deficit increased by \$83,475 or .91 percent due mainly to increase in compensation absences.
- *Total Net Position* increased by \$3,336,041 or 37.04 percent. See discussion under *Current Assets* and *Current Liabilities* above.
- *Program Revenues* increased by \$1,509,237 or 0.90 percent. The increase was mainly due to Federal Funds increase of \$2,717,145 and Other State Funds (decrease of \$1,195,978).
- *Program Expenses* increased by \$6,068,674 or 1.68 percent due mainly due to the increase in the General Fund Appropriation for fiscal year 2013.
- *Deficiency of Program Revenues over Program Expenses* increased by \$4,559,437 or 2.38 percent. See discussion under *Program Revenues* and *Program Expenses* above.
- *General Fund Appropriations* increased by \$14,135,700 or 7.24 percent over the prior year's appropriations.

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

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

For the Year Ended June 30, 2013

- *Other Sources (Transfers In)* (decreased by \$105,217) or 6.84 percent. The Department of Finance and Administration transfer for the ARRA discretionary funding (decreased by \$525,624).
- *Other Uses (Transfers Out)* increased by \$372,691 or 25.11 percent. In fiscal year 2013, the agency balance to Adult Long Term Services Department (decreased by \$160,301), Human Services Department increased by \$7,963 and balance to the Department of Finance and Administration (decreased by \$595).
- *A Reversion to State General Fund* the FY13 reversion increased by \$3,085,678 or 50.86 percent is mainly due to reversion of personal services and benefits funding due to CYFD being funded at a much lower vacancy factor than in prior years. CYFD struggled with the turnover of staff and keeping positions filled.
- *Change in Net Position* increased by \$6,012,677 or 224.64 percent due to the excess of revenue over expenditures for fiscal year 2013.

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, 2013	Prior Year June 30, 2012	Increase or (Decrease)	Percentage Change
General Fund	—	\$ 8,833,469	\$ 7,204,648	\$ 1,628,821	22.61%
Reserved					
General Fund	—	\$ -	\$ -	\$ -	0.00%
Unreserved					
Capital Projects		\$ -	\$ -	\$ -	0.00%
Total		\$ 8,833,469	\$ 7,204,648	\$ 1,628,821	22.61%

In the prior year's financial statements, other governmental funds accounted for 19.42 percent of total assets and 4.69 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, 2013

FY13 GENERAL BUDGETARY HIGHLIGHTS

Since the economic collapse a few years ago, the State of New Mexico Legislators appropriated a \$5.65 billion dollar budget in General Fund, a 4 percent increase over FY 12. The majority of the increase was to increase spending in Public Schools and Medicaid, while the average for the rest of state government was at a 3.2 percent increase. With revenues projected to exceed FY 12 expenditures by about \$250 million, the Legislators, in prioritizing expenditures, favored taking care of future bills. The Legislators also passed a capital bill in the amount of \$253,700.0 with more than half to be funded with general obligation bonds which must be approved by the voters.

The Children, Youth and Families Department (CYFD) FY 13 budget in General Fund was \$207,732.6, a \$12,560.7 or a 6.44% increase over FY12. The increase is associated with decreasing the overall vacancy factor for the Department to 6.5%, a cost shift of 1.75% retirement rate back to the State and budgeting vacant positions at mid-point versus minimum of the salary ranges. Other increases include, \$2,800.0 to replace loss of federal Title IV-E Administrative Funding, \$200.0 for JS Continuum, \$1,000.0 to replace previously budgeted fund balance for the Domestic Violence Program, \$1,000.0 to expand Pre-K for 10 new sites and \$900.0 to expand Home Visiting services to 5 new sites. CYFD also received \$3,000.0 for Childcare Assistance to reduce the waiting list for those children under 150% of the Federal Poverty Level (FPL). In the 2013 Legislature, CYFD received a multi-year to begin expenditure in FY13 for a special appropriation of \$375.0 for Home Visiting Services to address needs in high risk areas of the State.

In FY13, CYFD also received federal funding from a joint application submitted by CYFD, Public Education and the Department of Health for the Race to the Top Early Learning Challenge Grant. This funding is to be spent on the development and implementation of Statewide Early Learning and Development Standards, Program Standards, a Tiered Quality Rating and Improvement System, a Workforce Knowledge and Competence Framework and Progression of Credentials for Early Childhood Educators. The Grant of Award is for \$25,000.0 and CYFD's share of the funding is \$20,000.0 to be spent by December 31, 2016. CYFD completed spending all ARRA funding with all initiatives being completed for the Early Childhood Advisory Council on June 30, 2013.

In Laws of 2012, Chapter 19, Section 7, a multi-year appropriation of \$1,200.0 was received for Phase II 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. The Department also received in Laws of 2013, \$3,454.2 to begin Phase III of the EPICS web-based system. In Laws of 2013, the Department also received \$375.0 to design, develop and implement the Accounts Receivable Module within the Statewide Human Resources, Accounting and Financial Management Report System (SHARE) to integrate data from the Legacy Joint Accounting System (JAS) to track overpayments to Foster and Adoptive Parents and Child Care Providers. CYFD went into production on June 27, 2013.

In FY13, Capital Outlay funding of \$500.0 was appropriated to the General Services Department – Facilities Management Division (formally Property Control Division) to do infrastructure improvements and code compliance upgrades at Youth Diagnostic and Development Center located in Albuquerque and the John Paul Taylor Center located in Las Cruces.

CYFD has filed an appeal with the Department of Health and Human Services (DHHS), Department of Appeals Board for a disallowance regarding federal Title IV-E Administrative Costs claimed using a Penetration Rate for Foster Care that excludes children pending an eligibility determination from the total population of children in

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

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

For the Year Ended June 30, 2013

Foster Care. Including all pending eligibilities in the mix ratio would shift all administrative costs from DHHS to the State. DHHS allows for administrative claiming for foster care candidacy prior to children entering custody, but with this decision claiming would cease during the eligibility determination process. It would not be possible to have no pending determinations as the state is required to carefully consider Aid to Families with Dependent Children (AFDC) elements during the entire month of removal. There is no reason to conclude that the mix ratio for pending eligibilities would differ from children with completed eligibilities. The Department feels the disapproval of DHHS is not only unequitable, it is not supported by federal statute or regulation. DHHS has deferred through June 30, 2013 an additional \$723,467 in claims submitted until a final decision is made.

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 2012, Second Session, Chapter 19, Section 4 for the year ended June 30, 2013 were:

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
Early Childhood Services:			
Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditation	25.00%	32.2%
Outcome	Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool.	70.00%	91.42%
Protective Services:			
Outcome	Percent of children who are not the subject of substantiated maltreatment while in foster care.	99.70%	99.72%
Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment.	93.00%	91.30%
Juvenile Justice Services:			
Outcome	Percent of clients who complete formal probation.	92.00%	92.1%
Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury.	2.50%	1.97%

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

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

For the Year Ended June 30, 2013

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities.	9.00%	9.00%
Outcome	Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility.	6.00%	6.00%
Outcome	Number of physical assaults in juvenile justice facilities	<800	249
Program Support:			
Outcome	Percent vacancy rate for youth care specialists	18.00%	15.2%

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, 2013 are \$6,351,917. The estimated amount to be paid from current General Fund appropriations within one year is \$4,446,342 or 70.0 percent, with \$1,905,575 or 30.0 percent due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2013.

FY14 OPERATING BUDGET AND FY15 BUDGET REQUEST

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature appropriated \$219,966.3 for fiscal year (FY) 2014 operating budget in the Laws of 2013, Chapter 227, Section 4. The general fund increase includes \$106.4 for Employee Accountability, \$500.0 for Shelter Care, \$1,050.0 for the JS Continuum, funding to replace the federal Adoption Incentive Grant in the amount of \$450.0 and \$1,800.0 for the Home Visiting Program. CYFD was also appropriated fund balance of \$1,100.0 from the Permanent Land Fund Balance and \$180.0 from the Pre-K Fund Balance. An additional amount was budgeted in Operating Transfers from the TANF program to fund Childcare Assistance in the amount of 1,500.0. The Americorp Federal Program was transferred to the Department of Workforce Solutions during the legislative process. This transfer included associated funding and 4.0 FTE. CYFD received an additional 50 FTE to staff the Juvenile Services Lincoln Pines Youth Center in Southeastern NM. Total FTE funded for the Department is 2,146.6 with an overall vacancy factor of 8.89%. In f Laws of 2013, Chapter 227, Section 8, CYFD was also appropriated funding for a 1% increase in compensation. In Laws of 2013, Chapter 228, Section 2, Item 1-3 appropriates \$9,750.0 from the

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

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

For the Year Ended June 30, 2013

Tobacco Settlement Fund: \$2,000.0 for reimbursement of licensed childcare providers, \$5,750.0 for Pre-K Programs and \$2,000.0 for Home Visiting Programs.

In FY14, \$2,000.0 was appropriated to the General Services Department – Facilities Management Division (formally Property Control Division) in the Laws of 2013, Chapter 226, Section 9, Item 3. The amount appropriated is for capital improvements and code compliance upgrades at the juvenile detention facilities statewide in support of the Cambiar objectives and for ADA upgrades, security and a centralized waste removal system.

The FY15 budget request includes a base general fund base request of \$231,559.0, an increase of \$11,592.7 or 5.3 percent over the FY14 operating budget. The general fund increase supports a Department vacancy rate of 9.08 percent, budgeting vacant positions at mid-point of the salary ranges. In the first quarter of FY14, the Juvenile Justice Services Program had a vacancy rate of 14.0 percent and the Protective Services Program had a vacancy rate of 16.0 percent. The high FTE vacancy rates have led to an increase in turnover contributed to burnout, high caseloads and more difficult cases and clients. The general fund increase includes \$6,250.0 for Childcare assistance, \$374.6 to replace federal revenue due to sequestration and to address a decrease in federal reimbursement in Title XIX funding for Licensed and Skilled Professional staff within the Behavioral Health Services Program, \$629.9 for the Juvenile Justice Services Lincoln Pine Youth Center to cover a full year of operation, \$220.0 to for the replacement of leased vehicles and fuel, \$1,643.2 to offset increases for Risk Assessments and Health Insurance Premiums, \$1,400.0 to balance budget for Care and Support payments to Foster and Adoptive Parents, \$1,000.0 to provide a foster parents with a monthly rate increase and \$75.0 to meet contractual needs in Program Support. A supplemental of \$1,000.0 has been requested to address shortfalls in the care and support budget in Protective Services for FY 14.

CYFD's budget request for FY15 includes an expansion request of \$1,109.7. The Department has requested \$100.0 to Expand the CYFD Training and Professional Academy, \$659.7 to add 15 new Investigator positions to Protective Services and \$350.0 for the Domestic Violence Capacity Building Project. The Department included a request to convert 13 unauthorized positions and 6 authorized term positions to authorized Permanent positions with no dollar impact. Also, CYFD is requesting \$9,750.0 through a special appropriations for Childcare Assistance. This request includes \$2,000.0 to address a rate increase for Licensed Childcare Providers, \$5,750.0 to continue services for Pre-Kindergarten Program and \$2,000.0 to continue services for the Home Visiting Program. In FY14, CYFD was funded with a one-time appropriation of \$9,750.0 through the Tobacco Settlement Fund.

Through the General Services Department – Facilities Management Division (formally 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 prioritizes 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 \$1,655.2, for facility design. The ICIP's second priority is \$1,404.0 for a visitor's center and warehouse at YDDC and the third priority is \$310.0 for YDDC campus improvements. CYFD also included in the ICIP request \$250.0 for cameras and drainage improvements at the Lincoln Pines Youth Center and \$500.0 for an Emergency access drive at YDDC/Camino Nuevo.

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

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

For the Year Ended June 30, 2013

The Department submitted its annual information technology request for FY15 that includes \$3,005.4 to begin Phase IV of the Enterprise Provider Information Constituent Services (EPICS) web-based system which replaces the legacy Family Automated Client Tracking System (FACTS) for the Juvenile Services Program. CYFD also requested \$350.0 to begin the configuration of the Asset Module System within the SHARE System to streamline processes so that the Department's assets are managed in an efficient and effective manner to support CYFD's programs. Implementing the Asset Module will also assist the Department in addressing repeat audit findings in capital assets.

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 Position

June 30, 2013

ASSETS	<u>Governmental Activities</u>
Cash	\$ 60,750
State Fund Investment Pool	34,110,366
Accounts receivable, net	25,612,224
Due from agency fund	33,847
Due from other agencies	5,900,102
Supplies inventory	319,627
Other assets	462
Investments at State Investment Council	2,696,764
Capital assets, net	<u>1,384,553</u>
Total assets	<u>70,118,695</u>
LIABILITIES	
Accounts payable	27,201,365
Accrued payroll	1,140,387
Payroll taxes payable	194,911
Due to other agencies	1,042,432
Due to state general fund	9,336,220
Due to federal government	1,408,415
Other payroll related liabilities and withholdings	865,845
Compensated absences	4,446,342
Deferred revenue	6,635,219
Noncurrent liabilities:	
Lawsuit litigation accrual	3,600,000
Compensated absences due in more than one year	<u>1,905,575</u>
Total liabilities	<u>57,776,711</u>
NET POSITION	
Net investment in capital assets	1,384,553
Restricted for:	
Children's trust fund - permanent	6,743,488
Children's trust fund - special revenue	890,367
Day care fund	1,851,659
Subsequent years expenditures by applicable legislation and law	10,754,207
Unrestricted (deficit)	<u>(9,282,290)</u>
Total net position	<u>\$ 12,341,984</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, 2013

	Expense	Program Revenues Operating Grants and Contributions	Governmental Activities Net Program (Expense)
Governmental Activities:			
Health and Welfare	\$ (362,410,130)	\$ 168,988,606	\$ (193,421,524)
Public Safety	(3,675,654)	1,124,133	(2,551,521)
Depreciation expense	(423,000)	-	(423,000)
Total governmental activities	\$ (366,508,784)	\$ 170,112,739	(196,396,045)
General Revenues:			
General fund and special appropriations			209,307,600
Interest			1,490,254
Loss on disposal of capital assets			(56,401)
Total general revenues			210,741,453
Transfers			
Transfers from other State Agencies			673,619
Transfers to other State Agencies			(2,530,289)
General fund reversion 2013 fiscal year			(9,152,697)
Net transfers			(11,009,367)
Change in net position			3,336,041
Net position, beginning of year			9,005,943
Net position, end of year			\$ 12,341,984

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, 2013

	General Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS			
State Fund Investment Pool	\$23,164,316	\$ 10,946,050	\$ 34,110,366
Cash	60,750	-	60,750
Accounts receivable, net	25,309,630	302,594	25,612,224
Due from other funds	4,272,711	45,979	4,318,690
Due from other agencies	5,704,978	195,124	5,900,102
Supplies inventory	319,627	-	319,627
Other assets	462	-	462
Investments at State Investment Council	-	2,696,764	2,696,764
Total assets	\$58,832,474	\$ 14,186,511	\$ 73,018,985
LIABILITIES AND FUND BALANCES			
Accounts payable	\$24,950,293	\$ 2,251,072	\$ 27,201,365
Accrued payroll	1,136,607	3,780	1,140,387
Payroll taxes payable	193,377	1,534	194,911
Due to other funds	4,240,957	43,886	4,284,843
Due to other agencies	983,089	59,343	1,042,432
Due to state general fund	9,336,218	2	9,336,220
Due to federal government	1,309,432	98,983	1,408,415
Other payroll related liabilities and withholdings	863,813	2,032	865,845
Deferred revenues	6,985,219	-	6,985,219
Total liabilities	49,999,005	2,460,632	52,459,637
FUND BALANCES			
Non-spendable fund balance			
Inventory	319,627	-	319,627
Children's trust fund - permanent	-	6,743,488	6,743,488
Spendable fund balance - Restricted			
Children's trust fund - special revenue	-	890,367	890,367
Day care fund	-	1,851,659	1,851,659
By law or grant	3,277,218	-	3,277,218
Subsequent year's expenditures by appropriation	5,236,624	2,240,365	7,476,989
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	8,833,469	11,725,879	20,559,348
Total liabilities and fund balances	\$58,832,474	\$ 14,186,511	\$ 73,018,985

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 Position**

Year Ended June 30, 2013

Fund balances - total governmental funds		\$ 20,559,348
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental capital assets	\$ 4,945,153	
Less accumulated depreciation	<u>(3,560,600)</u>	1,384,553
Lawsuit litigation accrual		(3,600,000)
Compensated absences recorded in the statement of net position not recorded in the governmental funds		(6,351,917)
Deferred revenue recognized as revenue under accrual accounting		<u>350,000</u>
Net position of governmental activities		<u>\$ 12,341,984</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, 2013

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Federal funds	\$ 164,327,086	\$ 461,553	\$ 164,788,639
Other state funds	3,973,319	1,000,781	4,974,100
Interest and gain on investments	1,345,364	144,890	1,490,254
Total revenues	<u>169,645,769</u>	<u>1,607,224</u>	<u>171,252,993</u>
EXPENDITURES			
Current:			
Health and Welfare	350,814,249	11,420,536	362,234,785
Public Safety	3,673,883	-	3,673,883
Capital outlay	759,012	-	759,012
Total expenditures	<u>355,247,144</u>	<u>11,420,536</u>	<u>366,667,680</u>
Excess (deficiency) of revenues over expenditures	<u>(185,601,375)</u>	<u>(9,813,312)</u>	<u>(195,414,687)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers State General Fund Appropriations	196,656,600	11,076,000	207,732,600
Transfers Special Appropriations	1,575,000	-	1,575,000
Transfers from other State Agencies	673,619	-	673,619
Transfers to other State Agencies	(2,522,326)	(7,963)	(2,530,289)
General fund reversions	<u>(9,152,697)</u>	<u>-</u>	<u>(9,152,697)</u>
Total other financing sources and (uses)	<u>187,230,196</u>	<u>11,068,037</u>	<u>198,298,233</u>
Net change in fund balances	1,628,821	1,254,725	2,883,546
Fund balances, beginning of year	<u>7,204,648</u>	<u>10,471,154</u>	<u>17,675,802</u>
Fund balances, ending	<u>\$ 8,833,469</u>	<u>\$ 11,725,879</u>	<u>\$ 20,559,348</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, 2013

Net change in fund balances - total governmental funds \$ 2,883,546

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	\$ 759,012	
Less current year depreciation	<u>(423,000)</u>	336,012

Disposal of capital assets		(56,401)
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Deferred revenue recognized as revenue under accrual accounting		350,000
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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.

Increase in accrued compensated absences		<u>(177,116)</u>
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Change in net position of governmental activities		<u>\$ 3,336,041</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, 2013

General Fund				
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Adjusted		
Revenues				
General fund appropriation	\$ 196,656,600	\$ 196,656,600	\$ 196,656,600	\$ -
Federal funds	174,235,400	181,458,640	164,327,086	(17,131,554)
Other state funds	4,096,000	4,106,000	7,567,302	3,461,302
Total budgeted revenues	374,988,000	382,221,240	\$ 368,550,988	\$ (13,670,252)
Budgeted fund balance	1,000,000	1,181,937		
Total revenues and budget fund balance	\$ 375,988,000	\$ 383,403,177		
Expenditures				
Personnel services and benefits	\$ 125,597,800	\$ 121,930,170	\$ 116,750,288	\$ 5,179,882
Contractual services	56,064,200	63,235,506	54,362,116	8,873,390
Other costs	191,591,700	195,503,201	184,954,740	10,548,461
Other financing uses	2,734,300	2,734,300	2,522,326	211,974
Total budgeted expenditures	\$ 375,988,000	\$ 383,403,177	358,589,470	\$ 24,813,707
Plus entry to decrease allowance for uncollectable accounts			(820,000)	
Less budgetary transfers to other agencies			(2,522,326)	
Total fund financial expenditures			\$ 355,247,144	
Reconciliation to GAAP basis				
Total actual budget revenue			\$ 368,550,988	
Less total actual GAAP expenditures			(355,247,144)	
Less General Fund reversion			(9,152,697)	
Less transfers to other agencies			(2,522,326)	
Net change in general fund balance			\$ 1,628,821	

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, 2013

	Agency Funds
ASSETS	
Cash	\$ 34,560
State Fund Investment Pool	712,974
Due from other agencies	<u>157</u>
Total assets	<u>\$ 747,691</u>
LIABILITIES	
Deposits held for others	\$ 713,844
Due to other funds	<u>33,847</u>
Total liabilities	<u>\$ 747,691</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, 2013

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

Notes to Financial Statements (Continued)

June 30, 2013

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, 2013

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. Community Outreach and Behavioral Health Division integrates community-based probation and aftercare services with community-based transition, behavioral health, domestic violence, and other prevention and intervention services.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by 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 and GASB 61 *Component Unit Modification* of GASB 14 and 39 for the 2013 fiscal year. GASB 39 and 61 has no impact on the Department and the Department has no blended or discretely presented component units during the year ended June 30, 2013.

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

Notes to Financial Statements (Continued)

June 30, 2013

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 Position, the governmental activities are presented on a consolidated basis eliminating the due to due from balances in the governmental funds and are reflected on the full accrual, economic resource basis, which incorporates long term assets and receivable as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (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, 2013

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 nonmajor 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, 2013

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, 2013

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.

The Department adopted GASB 62 *Codification of Accounting and Financial Reporting* for the 2013 fiscal year. Generally FASB pronouncements 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

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 2013 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, 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting (Continued)

For the year ended June 30, 2013 the State of New Mexico is on the modified accrual basis as the budgetary basis except for a statutory exception. Per the Annual General Appropriation Act 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 2013 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 and the Capital Project Fund 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, 2013.

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

Notes to Financial Statements (Continued)

June 30, 2013

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, 2013, 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, 2013, 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, 2013

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*.

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 showed 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, 2013

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 Position

The Department adopted GASB 63 effective for the 2013 fiscal year. The government-wide Fund Financial Statements utilize a net position presentation. Net position are categorized as investment in capital assets, restricted and unrestricted.

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

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

Unrestricted Net Position (Deficit) – represent unrestricted liquid assets. Unrestricted deficit results mainly from the recording of the compensation absences liability and litigation 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, 2013

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, 2013.

	<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, 2013

NOTE 3. CASH, STATE FUND INVESTMENT POOL AND INVESTMENTS

Cash balances at financial institutions and on hand at June 30, 2013 consist of the following:

Bank accounts	\$ 60,000
Cash on hand	<u>750</u>
Total cash balance	<u><u>\$ 60,750</u></u>

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

General Fund balance	\$ 23,164,316
Non major Government Funds balances	<u>10,946,050</u>
Net balance	<u><u>\$ 34,110,366</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. Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's fair value. This risk is eliminated by adhering to the State Investment Council policy that all securities be denominated in U.S. dollars. The Department's balances with financial institutions did not exceed depository insurance for the year ended June 30, 2013.

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

Notes to Financial Statements (Continued)

June 30, 2013

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, 2013, as the bank balances indicate below.

	<u>Wells Fargo Bank</u>	<u>Bank of America</u>
Total amount of deposits per bank	\$ 55,127	\$ 38,613
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, 2013 were as follows:

	<u>Permanent Children Trust</u>	<u>Permanent CTF-Next Gen</u>
Large Cap Index	\$ 202,272	\$ 202,272
Non US Developed Markets Pool	48,185	48,185
Non US Emerging Markets Pool	10,502	10,502
US Core Bonds Pool	<u>1,087,423</u>	<u>1,087,423</u>
Total	<u>\$ 1,348,382</u>	<u>\$ 1,348,382</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.

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

Notes to Financial Statements (Continued)

June 30, 2013

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

General Fund Investment Pool Reconciliation

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting from the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation to bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA management recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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, 2013. Adjustments, if any to the Departments financial statements until the historical reconciliation process is complete, cannot be determined.

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

Notes to Financial Statements (Continued)

June 30, 2013

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

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.

At June 30, 2013 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool \$34,110,366.

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, 2013.

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, 2013.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 are as follows:

	General Fund
Federal Grants receivable	\$ 25,185,703
Accounts receivable - overpayment of benefits	4,857,691
Other receivables	2,026,733
Less: Contractual and collectability allowances	(6,457,903)
Total accounts receivable	\$ 25,612,224

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

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 4. ACCOUNTS RECEIVABLE (CONTINUED)

An analysis for the receivable allowances is as follows:

Balance, beginning of year	\$	7,277,903
(Reduction) Provision for doubtful accounts		<u>(820,000)</u>
Balance, end of year	\$	<u>6,457,903</u>

NOTE 5. CAPITAL ASSETS

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Depreciable Assets:				
Buildings and structures	\$ 1,060,992	\$ -	\$ (123,028)	\$ 937,964
Data processing equipment	2,289,301	48,966	(104,805)	2,233,462
Equipment and machinery	504,968	184,916	(21,086)	668,798
Furniture and fixtures	578,413	-	(18,998)	559,415
Vehicles	20,384	-	-	20,384
Non-Depreciated Assets:				
Leasehold improvements				
Construction in Progress	-	525,130	-	525,130
Totals at historical cost	<u>4,454,058</u>	<u>759,012</u>	<u>(267,917)</u>	<u>4,945,153</u>
Less accumulated depreciation:				
Buildings and structures	397,343	41,609	(18,019)	420,933
Data processing equipment	1,850,047	370,107	(153,413)	2,066,741
Equipment and machinery	504,968	9,246	(21,086)	493,128
Furniture and fixtures	578,412	-	(18,998)	559,414
Vehicles	18,346	2,038	-	20,384
Total accumulated depreciation	<u>3,349,116</u>	<u>423,000</u>	<u>(211,516)</u>	<u>3,560,600</u>
Capital assets, net	<u>\$ 1,104,942</u>	<u>\$ 336,012</u>	<u>\$ (56,401)</u>	<u>\$ 1,384,553</u>

The Department does not have any debt related to capital assets as of June 30, 2013. The current year additions were paid from the General Fund.

Depreciation expense was \$423,000 for the year ended June 30, 2013. 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, 2013

NOTE 6. RETIREMENT PLANS (STATE PERA AND ERB)

Public Employees Retirement Association's Pension Plan

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

Funding Policy. Plan members are required to contribute from 3.83% to 16.65% (depending upon the division) of their gross salary. The Department is required to contribute from 7.0% to 25.72% (depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were, \$12,238,084, \$10,905,812, and \$12,692,218, respectively, which equal the amount of the required contributions for each fiscal year.

Educational Retirement Board's Pension Plan

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

Funding Policy.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the Department was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 6. RETIREMENT PLANS (STATE PERA AND ERB)

Funding Policy.(Continued)

Employer Contributions (Continued)

In the future, the Department will contribute the following percentages of the gross covered salary of employees; 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$549,420, \$460,855, and \$542,816, respectively, which equals the amount of the required contributions for each fiscal year.

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.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2013

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act (10-12B-1 NMSA 1978), during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$3,044,214, \$2,699,962, and \$2,612,854, respectively, which equal the required contributions for each year.

NOTE 8. BUDGETARY BASIS

For the year ended June 30, 2013, 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, 2013.

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

Notes to Financial Statements (Continued)

June 30, 2013

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</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Compensated absences:				
Annual leave	\$ 5,002,952	\$3,966,348	\$(4,202,090)	\$ 4,767,210
Compensatory leave	734,857	396,635	300,191	1,431,682
Sick leave	436,992	(162,513)	(121,454)	153,025
	<u>6,174,801</u>	<u>\$4,200,470</u>	<u>\$(4,023,353)</u>	<u>6,351,917</u>
Less current portion	<u>4,322,361</u>			<u>4,446,342</u>
Net long-term compensated absences	<u>\$ 1,852,440</u>			<u>\$ 1,905,575</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>
2014	\$ 9,263,768	\$ 710,800
2015	9,459,825	781,900
2016	9,387,284	781,900
2017	8,508,632	781,900
2018	<u>8,017,930</u>	<u>781,900</u>
Total	<u>\$ 44,637,439</u>	<u>\$ 3,838,400</u>

During the period ended June 30, 2013 facilities and equipment rent expenses amounted to \$9,738,127.

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

Notes to Financial Statements (Continued)

June 30, 2013

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 2014.

Long-Term Litigation Liability			Ending
Beginning		Deletions	Balance
Balance	Additions	Deletions	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 \$33,847 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	\$ 3,101,964	FACTS	48900	\$ 3,101,964
FACTS	49100	12,041	FACTS	48900	12,041
General Fund	06700	897,798	FACTS	49100	897,798
General Fund	06700	6,788	JJDP/Childrens Justice (JAIBG)	84100	6,788
General Fund	06700	354	Pre-Kindergarten	20080	354
FACTS	48900	193,962	General Fund	06700	193,962
FACTS	48900	33,846	Rep Payee for SSA/SSI	49000	33,846
Pre-Kindergarten	20080	9,000	ARRA	89000	9,000
CTF Non-Expendable	78100	17,079	CTF Expendable	78000	17,079
CTF Expendable	78000	331	CTF Non-Expendable	78100	331
CTF Expendable	78000	2,447	General Fund	06700	2,447
JJDP/Childrens Justice (JAIBG)	84100	25,958	Rep Light	06800	25,958
CTF Next Gen Expendable	94900	17,079	CTF Next Gen Non-Expendable	94800	17,079
CTF Next Gen Expendable	94800	43	CTF Next Gen Non-Expendable	94900	43
Total		<u>\$ 4,318,690</u>			<u>\$ 4,318,690</u>

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

Notes to Financial Statements (Continued)

June 30, 2013

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 2013 reversions are:

General Fund

	Reversion Calculation	General Fund
Fund balance SHARE funds 06700, 48900 and 49100	\$ 14,708,948	\$ 14,708,948
Special Appropriations	(1,157,950)	
Non reverting components of fund balances		3,277,218
Non-spendable fund balance	(319,627)	-
Restricted by law appropriation or the grant for future years for SHARE 06700, 48900 and 49100		
-State Permanent and Land Income	(3,780,538)	-
-Annie Casey Foundation	(238,136)	-
-Client Emergency	(60,000)	-
Current Year Reversion	\$ 9,152,697	(9,152,697)
Total General fund - fund balance		\$ 8,833,469

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 13. REVERSIONS (Continued)

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

-Calculated reversion for 2013	\$ 9,152,697
-Special Appropriations	-
Total General Fund Reversion	\$ 9,152,697

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

Calculated reversion for 2013	\$ 9,152,697
Child Care licensing fees per NMSA 24-1-5	183,265
State Dated Warrants	256
Non major funds due to	2
Total Due to State General Fund	\$ 9,336,220

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

Major fund reversion	
General Operating	\$ 9,336,218
Facts Protective Services	-
Facts Child Care	-
JJDP Children's Justice	-
Total Major Fund	\$ 9,336,218

Non Major fund reversion	
Children's Trust Fund	\$ -
Pre-Kindergarten	2
ARRA of 2009	-
Total Non Major Funds	\$ 2

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

Notes to Financial Statements (Continued)

June 30, 2013

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	\$ 783,477	Department of Finance	34100	\$ 783,477
General Fund	06700	744,223	Public Education Dept	21600	744,223
General Fund	06700	2,173,989	Human Services Dept	05200	2,173,989
General Fund	06700	3,906	DPS	12800	3,906
General Fund	06700	12,920	Governors Commission	64500	12,920
General Fund	06700	2,682	State Investment Council	60100	2,682
Child Care Fund	49100	1,981,459	Human Services Dept	05200	1,981,459
Light Fund	06800	188	State Treasurer	80100	188
Children Justice	84100	<u>2,134</u>	DPS	12800	<u>2,134</u>
Total General Fund		<u>\$ 5,704,978</u>			<u>\$ 5,704,978</u>

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

Notes to Financial Statements (Continued)

June 30, 2013

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	\$ 2,290	MVD - Child Plate	82500	2,290
Day Care	91100	<u>191,652</u>	DOH - Birth and Death	06100	<u>191,652</u>
Total Special Revenue		<u>193,942</u>			<u>193,942</u>
<u>Permanent Funds</u>					
Children's Non-Expend. Trust Fund	78100	1,047	State Treasurer	80100	1,047
Children's Trust Fund	94900	<u>135</u>	State Treasurer	80100	<u>135</u>
Total Permanent Fund		<u>1,182</u>			<u>1,182</u>
<u>Capital Project Fund</u>					
Capital Projects	59700	<u>-</u>	DFA	34100	<u>-</u>
Total Non Major Governmental Funds		<u>\$ 195,124</u>			<u>\$ 195,124</u>
<u>Fiduciary Fund</u>					
Social Security	09600/49000	<u>157</u>	State Treasurer	80100	<u>157</u>
		<u>\$ 5,900,259</u>			<u>\$ 5,900,259</u>

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

Notes to Financial Statements (Continued)

June 30, 2013

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.

Fund Name	Amount Due to Agencies		Other Agencies		
	SHARE Fund No.	Amount	Fund Name	SHARE Fund No.	Amount
General Operating	06700	\$ 181,502	HSD	05200	\$ 181,502
General Operating	06700	469,045	ALTSD	27000	469,045
General Operating	06700	2,368	DVR	50000	2,368
General Operating	06700	230	Second Judicial District Ct	24200	230
General Operating	06700	73,915	Dept. of Public Safety	12800	73,915
General Operating	06700	38,119	Dept. of Finance-CRB	34100	38,119
General Operating	06700	136,757	Dept. of Finance	34100	136,757
General Operating	06700	52,147	Public Education Dept	67200	52,147
Facts Protective	48900	<u>29,006</u>	ALTSD	27000	<u>29,006</u>
Total General Fund		<u>\$ 983,089</u>			<u>\$ 983,089</u>
Capital Projects Fund	59700	<u>\$ 59,343</u>	HSD	05200	<u>\$ 59,343</u>
Total		<u>\$ 1,042,432</u>			<u>\$ 1,042,432</u>

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

Notes to Financial Statements (Continued)

June 30, 2013

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, Department of Finance and Administration and Human Services Department.

<u>Transfers from other Agencies</u>	<u>SHARE Number</u>	<u>Amount</u>
Department of Finance and Administration-Laws 2012	34100	\$ 1,200,000
Department of Finance and Administration-Laws 2013	34100	375,000
Department of Finance and Administration	34100	74,567
Department of Finance and Administration	34100	599,052
		<u>\$ 2,248,619</u>

<u>Transfers to other Agencies</u>	<u>SHARE Number</u>	<u>Amount</u>
Adult Long Term Services Department	62400	\$ (2,369,282)
Department of Finance and Administration/CRB	34100	(153,044)
Human Services Department	05200	(7,963)
Transfers to other agencies		<u>\$ (2,530,289)</u>

NOTE 16. GASB STATEMENT 54 and GASB STATEMENT 63

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.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 16. GASB STATEMENT 54 and GASB STATEMENT 63 (Continued)

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.

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 restricted fund balance for the Casey foundation is for purposes required by a private foundation.

Restricted net position is reported when constraints are placed on the use of assets by external parties, such as grantors, contributors, laws or regulations. Enabling legislation must be legally enforceable which means the Department must use resources only for the purposes specified by the legislation. Thus, the Department's restricted fund balance meets the restricted net position definition.

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 17. FUNDS HELD IN TRUST BY OTHERS

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

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

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

Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income of approximately \$76,597 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 \$1,311,961 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 Department adopted GASB 60, *Service Concession Arrangements*; GASB 61, *Component Units-Modification of GASB 14 and 39*; GASB 62, *Codification of Accounting and Financial Reporting Guidance*; and GASB 63, *Statement of Net Position, Deferred Inflows and Outflows* for the year ended June 30, 2013. GASB 63 introduces the term net position instead of net assets. There were no deferral inflows or outflows to separately report at June 30, 2013. The adoption of these new accounting pronouncements had no impact on the financial condition of the Department.

Governmental Accounting Standard Board Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB 65) changes the classification of various financial statement balance sheet items including several more common type transactions from presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for the 2014 fiscal year. The Department does not believe GASB 65 will have a material impact on its financial condition.

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 19. NEW ACCOUNTING STANDARDS (CONTINUED)

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, 2012, the most recent audited financial statements available, has an unfunded accrued actuarial liability of approximately \$6.2 billion.

The status of the ERB Plan at June 30, 2013, the most recent audited financial statements available, has an unfunded accrual liability of approximately \$6.3 billion.

NOTE 20. SUBSEQUENT EVENTS

The Department has evaluated subsequent events through December 11, 2013 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, 2013

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 145,062,300	\$ 143,612,300	\$ 143,612,300	\$ -
Federal funds	54,282,000	61,455,240	54,421,580	(7,033,660)
Other state funds	2,222,200	2,232,200	5,507,650	3,275,450
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	201,566,500	207,299,740	<u>\$ 203,541,530</u>	<u>\$ (3,758,210)</u>
Budgeted fund balance	<u>1,000,000</u>	<u>1,116,937</u>		
Total revenues and budgeted fund balance	<u>\$ 202,566,500</u>	<u>\$ 208,416,677</u>		

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 125,429,200	\$ 121,761,570	\$ 116,679,346	\$ 5,082,224
Contract services	52,169,000	59,255,306	50,822,692	8,432,614
Other costs	22,234,000	24,665,501	23,343,629	1,321,872
Other financing uses	2,734,300	2,734,300	2,522,326	211,974
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 202,566,500</u>	<u>\$ 208,416,677</u>	193,367,993	<u>\$ 15,048,684</u>
Less transfers to other agencies			<u>(2,522,326)</u>	
Total GAAP expenditures			<u>\$ 190,845,667</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	Variance
	<u>Original</u>	<u>Amended</u>		<u>Favorable (Unfavorable)</u>
Expenditures				
Personnel services & benefits	\$ 13,881,900	\$ 13,581,200	\$ 13,036,201	\$ 544,999
Contract services	13,585,600	16,730,231	16,462,114	268,117
Other costs	4,404,900	5,778,339	5,591,413	186,926
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 31,872,400</u>	<u>\$ 36,089,770</u>	<u>\$ 35,089,728</u>	<u>\$ 1,000,042</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 52,552,300	\$ 50,769,322	\$ 48,709,921	\$ 2,059,401
Contract services	5,096,200	5,602,671	3,921,200	1,681,471
Other costs	6,125,400	7,058,980	6,744,278	314,702
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 63,773,900</u>	<u>\$ 63,430,973</u>	<u>\$ 59,375,399</u>	<u>\$ 4,055,574</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 50,991,900	\$ 49,366,948	\$ 47,195,856	\$ 2,171,092
Contract services	21,819,700	21,859,698	19,527,948	2,331,750
Other costs	9,597,000	9,736,523	9,652,512	84,011
Other financing uses	2,734,300	2,734,300	2,522,326	211,974
	<u>85,142,900</u>	<u>83,697,469</u>	<u>78,898,642</u>	<u>4,798,827</u>
Total budgeted expenditures	<u>\$ 85,142,900</u>	<u>\$ 83,697,469</u>	<u>\$ 78,898,642</u>	<u>\$ 4,798,827</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

Early Childhood Services-P782

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Personnel services & benefits	\$ 8,003,100	\$ 8,044,100	\$ 7,737,368	\$ 306,732
Contract services	11,667,500	15,062,706	10,911,430	4,151,276
Other costs	2,106,700	2,091,659	1,355,426	736,233
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 21,777,300</u>	<u>\$ 25,198,465</u>	<u>\$ 20,004,224</u>	<u>\$ 5,194,241</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 6

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

Special Appropriation - Light Account

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
Federal funds	\$ -	\$ -	\$ 6,186	\$ 6,186
Other state funds			635	635
Total budgeted revenues	\$ -	\$ -	\$ 6,821	\$ 6,821
Expenditures				
Total budgeted expenditures	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 7

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

FACTS Protective Services - P578

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 19,045,100	\$ 20,495,100	\$ 20,495,100	\$ -
Federal funds	21,377,600	21,377,600	21,252,986	(124,614)
Other state funds	1,873,800	1,873,800	2,058,996	185,196
Total budgeted revenues	42,296,500	43,746,500	<u>\$ 43,807,082</u>	<u>\$ 60,582</u>
Budgeted fund balance	<u>-</u>	<u>-</u>		
Total revenues and budgeted fund balance	<u>\$ 42,296,500</u>	<u>\$ 43,746,500</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	Favorable (Unfavorable)
Expenditures				
Other costs	<u>\$ 42,296,500</u>	<u>\$ 43,746,500</u>	\$ 43,742,082	<u>\$ 4,418</u>
Audit entry to increase allowance for doubtful accounts			<u>65,000</u>	
Total GAAP expenditures			<u>\$ 43,807,082</u>	

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 Child Care Payments Account - P782

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable <u>(Unfavorable)</u>
Revenues				
General fund appropriation	\$ 29,788,500	\$ 29,788,500	\$ 29,788,500	\$ -
Federal funds	55,982,300	55,982,300	48,070,935	(7,911,365)
Other state funds	-	-	7	7
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	85,770,800	85,770,800	<u>\$ 77,859,442</u>	<u>\$ (7,911,358)</u>
 Budgeted fund balance	 <hr/>	 <hr/>		
Total revenues and budgeted fund balance	<u>\$ 85,770,800</u>	<u>\$ 85,770,800</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>	<u>Expenditures</u>	Favorable <u>(Unfavorable)</u>
Expenditures				
Contract services	\$ -	\$ -	\$ -	\$ -
Other costs	85,770,800	85,770,800	78,744,442	7,026,358
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 85,770,800</u>	<u>\$ 85,770,800</u>	78,744,442	<u>\$ 7,026,358</u>
 Audit entry to decrease allowance for doubtful accounts			 <hr/>	 <hr/>
Total GAAP expenditures			<u>\$ 77,859,442</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**

Juvenile Community Corrections Account - P580

Year Ended June 30, 2013

	<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	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	2,658,600	2,658,600	<u>\$ 2,658,600</u>	<u>\$ -</u>
Budgeted fund balance	<hr/>	<u>65,000</u>		
Total revenues and budgeted fund balance	<u>\$ 2,658,600</u>	<u>\$ 2,723,600</u>		

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Expenditures (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 60,400	\$ 60,400	\$ -	\$ 60,400
Contract services	2,596,100	2,631,100	2,426,706	204,394
Other costs	2,100	32,100	30,680	1,420
Other financing uses	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 2,658,600</u>	<u>\$ 2,723,600</u>	<u>\$ 2,457,386</u>	<u>\$ 266,214</u>

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

Family Nutrition-Federal Child
Care Food Account - P782

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
Federal funds	\$ 41,197,900	\$ 41,197,900	\$ 39,451,266	\$ (1,746,634)
Other state funds	-	-	15	15
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	<u>\$ 41,197,900</u>	<u>\$ 41,197,900</u>	<u>\$ 39,451,281</u>	<u>\$ (1,746,619)</u>

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Other costs	\$ 41,197,900	\$ 41,197,900	\$ 39,061,070	\$ 2,136,830
	<hr/>	<hr/>	<hr/>	<hr/>

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**

Juvenile Justice & Delinquency Prevention - P580

Year Ended June 30, 2013

	<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	1,395,600	1,445,600	1,124,133	(321,467)
Other state funds	-	-	-	-
Total budgeted revenues	\$ 1,497,700	\$ 1,547,700	\$ 1,226,233	\$ (321,467)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Expenditures Favorable (Unfavorable)
Expenditures				
Personnel services & benefits	\$ 108,200	\$ 108,200	\$ 70,942	\$ 37,258
Contract services	1,299,100	1,349,100	1,112,718	236,382
Other costs	90,400	90,400	32,837	57,563
Other financing uses	-	-	-	-
Total budgeted expenditures	\$ 1,497,700	\$ 1,547,700	\$ 1,216,497	\$ 331,203

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, 2013

**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.

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 2013 is to revert the remaining fund balance to the Human Services Department. This fund had no budget.
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STATE OF NEW MEXICO
 CHILDREN, YOUTH AND FAMILIES DEPARTMENT
 Combining Balance Sheet
 Non-Major Governmental Funds

June 30, 2013

	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*	\$ 571,358	\$ 29,020	\$ 1,660,007	\$ 3,203,550	\$ 770,539	\$ 14,662	\$ 250,000	\$ 3,881,863	\$ 505,708	\$ 59,343	\$ 10,946,050
Due from other funds	2,778	43	-	9,000	-	-	-	17,079	17,079	-	45,979
Due from other agencies	2,290	-	191,652	-	-	-	-	1,047	135	-	195,124
Accounts receivable, net	10,524	-	-	-	-	281,546	-	10,524	-	-	302,594
Investments at SIC	193,168	193,169	-	-	-	-	-	1,155,214	1,155,213	-	2,696,764
Total assets	\$ 780,118	\$ 222,232	\$ 1,851,659	\$ 3,212,550	\$ 770,539	\$ 296,208	\$ 250,000	\$ 5,065,727	\$ 1,678,135	\$ 59,343	\$ 14,186,511
LIABILITIES AND FUND BALANCE											
Deficit State Fund Investment Pool*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vouchers payable	77,825	-	-	1,390,142	352,226	188,225	250,000	-	-	-	2,258,418
Due to other funds	17,079	17,079	-	354	-	9,000	-	331	43	-	43,886
Due to other state agencies	-	-	-	-	-	-	-	-	-	59,343	59,343
Due to state general fund	-	-	-	2	-	-	-	-	-	-	2
Due to federal government	-	-	-	-	-	98,983	-	-	-	-	98,983
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	94,904	17,079	-	1,390,498	352,226	296,208	250,000	331	43	59,343	2,460,632
FUND BALANCES											
Non-spendable - permanent	-	-	-	-	-	-	-	5,065,396	1,678,092	-	6,743,488
Restricted											
Children's Trust Funds	685,214	205,153	-	-	-	-	-	-	-	-	890,367
Day Care fund	-	-	1,851,659	-	-	-	-	-	-	-	1,851,659
Subsequent year's expenditures	-	-	-	1,822,052	418,313	-	-	-	-	-	2,240,365
Committed	-	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	685,214	205,153	1,851,659	1,822,052	418,313	-	-	5,065,396	1,678,092	-	11,725,879
Total liabilities and fund balances	\$ 780,118	\$ 222,232	\$ 1,851,659	\$ 3,212,550	\$ 770,539	\$ 296,208	\$ 250,000	\$ 5,065,727	\$ 1,678,135	\$ 59,343	\$ 14,186,511

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, 2013

	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	\$ 131,204	\$ -	\$ 765,308	\$ -	\$ -	\$ -	\$ -	\$ 104,269	\$ -	\$ -	\$ 1,000,781
Federal revenue	42,154	34,731	-	-	-	461,553	-	-	-	-	461,553
Interest on investments	173,358	34,731	765,308	-	-	461,553	-	34,315	33,690	-	144,890
Total revenues											1,607,224
EXPENDITURES											
Current operating	282,553	-	-	8,840,036	1,586,394	461,553	250,000	-	-	-	11,420,536
Health and welfare	-	-	-	-	-	-	-	-	-	-	-
Capital Outlay	282,553	-	-	8,840,036	1,586,394	461,553	250,000	-	-	-	11,420,536
Total expenditures											
Excess (deficiency) of Revenues over expenditures	(109,195)	34,731	765,308	(8,840,036)	(1,586,394)	-	(250,000)	138,584	33,690	-	(9,813,312)
OTHER FINANCING SOURCES AND (USES)											
General fund appropriations	221,400	-	-	9,214,600	1,640,000	-	-	-	-	-	11,076,000
Transfers from other State Agencies	-	-	-	-	-	-	-	-	-	-	-
Transfer to other State Agencies	-	-	-	-	-	-	-	-	-	(7,963)	(7,963)
General fund reversions	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	221,400	-	-	9,214,600	1,640,000	-	-	-	-	(7,963)	11,068,037
Net change in fund balances	112,205	34,731	765,308	374,564	53,606	-	(250,000)	138,584	33,690	(7,963)	1,254,725
Fund balances, beginning	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
Fund balances, ending	\$ 685,214	\$ 203,153	\$ 1,851,659	\$ 1,822,052	\$ 418,313	\$ -	\$ -	\$ 5,065,396	\$ 1,678,092	\$ -	\$ 11,725,879

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 14

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

Children's Trust Fund - P580

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
Revenues				
General fund appropriation	\$ 221,400	\$ 221,400	\$ 221,400	\$ -
Other state funds	155,400	155,400	173,358	17,958
	376,800	376,800	\$ 394,758	\$ 17,958
Total revenues			\$ 394,758	\$ 17,958
 Budgeted fund balance	-	-		
 Total revenues and budgeted fund balance	\$ 376,800	\$ 376,800		
	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended	Expenditures	
Expenditures				
Personnel services & benefits	\$ 30,100	\$ 30,100	\$ 30,100	\$ -
Contract services	319,900	319,900	227,776	92,124
Other costs	26,800	26,800	24,677	2,123
Other financing uses	-	-	-	-
	376,800	376,800	282,553	94,247
Total budgeted expenditures	\$ 376,800	\$ 376,800	\$ 282,553	\$ 94,247

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 15

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

CTF Next Generation - P580

Year Ended June 30, 2013

	<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	-	-	34,731	34,731
Total budgeted revenues	-	-	<u>\$ 34,731</u>	<u>\$ 34,731</u>
 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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Day Care Fund -P782

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Amended		
Revenues				
Other state funds	\$ 750,000	\$ 750,000	\$ 765,308	\$ 15,308
Budgeted fund balance	600,000	600,000		
Total revenues and budgeted fund balance	\$ 1,350,000	\$ 1,350,000		
	Original	Amended	Actual	Variance
Expenditures			Expenditures	Favorable (Unfavorable)
Other costs	\$ 1,350,000	\$ 1,350,000	\$ -	\$ 1,350,000
Other financing uses	-	-	-	-
Total budgeted expenditures	\$ 1,350,000	\$ 1,350,000	\$ -	\$ 1,350,000

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 17

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

Public Pre-Kindergarten - P782

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 9,214,600	\$ 9,214,600	\$ 9,214,600	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	9,214,600	9,214,600	<u>\$ 9,214,600</u>	<u>\$ -</u>
Budgeted fund balance	<hr/>	<u>320,000</u>		
Total revenues and budgeted fund balance	<u>\$ 9,214,600</u>	<u>\$ 9,534,600</u>		
	<u>Budgeted Amounts</u>	<u>Actual</u>	Variance	
	<u>Original</u>	<u>Expenditures</u>	Favorable (Unfavorable)	
Expenditures				
Personnel services & benefits	\$ 192,400	\$ 199,100	\$ 197,323	\$ 1,777
Contract services	8,973,400	9,293,400	8,616,727	676,673
Other costs	48,800	42,100	25,986	16,114
Other financing uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ 9,214,600</u>	<u>\$ 9,534,600</u>	<u>\$ 8,840,036</u>	<u>\$ 694,564</u>

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

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

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

Regional Juvenile Services - P577

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ 1,640,000	\$ 1,640,000	\$ 1,640,000	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	-	-
Total budgeted revenues	1,640,000	1,640,000	<u>\$ 1,640,000</u>	<u>\$ -</u>
 Budgeted fund balance	<u>-</u>	<u>-</u>		
Total revenues and budgeted fund balance	<u>\$ 1,640,000</u>	<u>\$ 1,640,000</u>		
	<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	1,640,000	1,640,000	1,586,394	53,606
Other costs	-	-	-	-
Other financing uses	-	-	-	-
Total budgeted expenditures	<u>\$ 1,640,000</u>	<u>\$ 1,640,000</u>	<u>\$ 1,586,394</u>	<u>\$ 53,606</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**

ARRA of 2009

Year Ended June 30, 2013

	2009 - 2013		Prior Year Actual	Current Year Actual	Variance Favorable (Unfavorable)
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Amended</u>			
Revenues					
General fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Federal funds	30,101,806	30,101,806	29,402,557	461,553	(237,696)
Other state funds	-	-	-	-	-
Total budgeted revenues	\$ 30,101,806	\$ 30,101,806	\$ 29,402,557	\$ 461,553	\$ (237,696)

	Budgeted Amounts		Prior Year Actual Expenditures	Current Year Actual Expenditures	Variance Favorable (Unfavorable)
	<u>Budgeted Amounts</u>				
	<u>Original</u>	<u>Amended</u>			
Expenditures					
Personnel services & benefits	\$ 257,905	\$ 257,905	\$ 221,522	\$ 36,382	\$ 1
Contract services	6,517,222	6,517,222	5,900,782	416,171	200,269
Other costs	23,326,679	23,326,679	23,280,253	9,000	37,426
Other financing uses	-	-	-	-	-
Total budgeted expenditures	\$ 30,101,806	\$ 30,101,806	\$ 29,402,557	\$ 461,553	\$ 237,696

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

Early Childhood Care

Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Revenues				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds	-	-	-	-
Other state funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted revenues	-	-	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Budgeted fund balance	-	250,000		
	<hr/>	<hr/>		
Total revenues and budgeted fund balance	\$ -	\$ 250,000		
	<hr/>	<hr/>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Amended</u>		
Expenditures				
Contract services	\$ -	\$ 250,000	\$ 250,000	\$ -
Other costs	-	-	-	-
Other Financing Uses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	\$ -	\$ 250,000	\$ 250,000	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>

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, 2013

	<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>

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Amended</u>		Favorable (Unfavorable)
Expenditures				
Contract services	\$ -	\$ -	\$ -	\$ -
Other costs	-	-	-	-
Other Financing Uses	-	-	7,963	(7,963)
	<hr/>	<hr/>	<hr/>	<hr/>
Total budgeted expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,963</u>	<u>\$ (7,963)</u>

This fund was not budgeted.

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

SUPPLEMENTAL SECTION

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule 22

Combining Balance Sheet by Components of the
General Fund

June 30, 2013

ASSETS

	General Operating	Special Appropriation - Light	FACTS Protective Services	FACTS Child Care Payments	Juvenile Community Corrections	Federal Childcare Food Account	JJDP/Children's Justice	Total General Fund
State Fund Investment Pool *	\$ 7,678,906	\$ 837,892	\$ 2,805,816	\$ 9,202,697	\$ 1,027,347	\$ 549,731	\$ 1,061,927	\$ 23,164,316
Cash	60,750	-	-	-	-	-	-	60,750
Accounts receivable, net	15,423,363	-	3,968,780	1,518,461	-	3,721,663	677,363	25,309,630
Due from other funds	4,006,904	-	227,808	12,041	-	-	25,958	4,272,711
Due from other agencies	3,721,197	188	-	1,981,459	-	-	2,134	5,704,978
Supplies inventory	319,627	-	-	-	-	-	-	319,627
Other assets	462	-	-	-	-	-	-	462
Total assets	\$ 31,211,209	\$ 838,080	\$ 7,002,404	\$ 12,714,658	\$ 1,027,347	\$ 4,271,394	\$ 1,767,382	\$ 58,832,474

LIABILITIES AND FUND BALANCE

Deficit State Fund Investment Pool *	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	13,032,804	-	3,711,789	6,189,073	256,409	3,652,592	301,423	27,144,090
Due to other funds	196,408	25,958	3,114,005	897,798	-	-	6,788	4,240,957
Due to other agencies	954,083	-	29,006	-	-	-	-	983,089
Due to state general fund	9,336,218	-	270,986	2,803	-	22,787	1,067	9,336,218
Due to federal government	1,011,789	-	-	5,658,241	-	-	-	1,309,432
Deferred revenue	967,017	359,961	-	-	-	-	-	6,985,219
Total liabilities	25,498,319	385,919	7,125,786	12,747,915	256,409	3,675,379	309,278	49,999,005

FUND BALANCES

Nonspendable fund balance - inventory	-	-	-	-	-	-	-	319,627
Restricted	-	-	-	-	-	-	-	-
By law or grant	-	452,161	-	-	770,938	596,015	1,458,104	3,277,218
Subsequent year's expenditures appropriations	5,236,624	-	-	-	-	-	-	5,236,624
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	156,639	-	(123,382)	(33,257)	-	-	-	-
Total fund balances	5,712,890	452,161	(123,382)	(33,257)	770,938	596,015	1,458,104	8,833,469
Total liabilities and fund balances	\$ 31,211,209	\$ 838,080	\$ 7,002,404	\$ 12,714,658	\$ 1,027,347	\$ 4,271,394	\$ 1,767,382	\$ 58,832,474

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, 2013

	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	\$ 54,421,580	\$ 6,186	\$ 21,252,986	\$ 48,070,935	\$ -	\$ 39,451,266	\$ 1,124,133	\$ 164,327,086
Other state funds	1,914,301	-	2,058,996	7	-	15	-	3,973,319
Interest	1,344,729	635	-	-	-	-	-	1,345,364
Total revenues	57,680,610	6,821	23,311,982	48,070,942	-	39,451,281	1,124,133	169,645,769
EXPENDITURES								
Current operating:								
Health and Welfare	190,086,655	-	43,807,082	77,859,442	-	39,061,070	-	350,814,249
Public Safety	-	-	-	-	2,457,386	-	1,216,497	3,673,883
Capital outlay	759,012	-	-	-	-	-	-	759,012
Total expenditures	190,845,667	-	43,807,082	77,859,442	2,457,386	39,061,070	1,216,497	355,247,144
Excess (deficiency) of Revenues over expenditures	(133,165,057)	6,821	(20,495,100)	(29,788,500)	(2,457,386)	390,211	(92,364)	(185,601,375)
OTHER FINANCING SOURCES AND (USES)								
General fund appropriations	143,612,300	-	20,495,100	29,788,500	2,658,600	-	102,100	196,656,600
Special appropriations	1,575,000	-	-	-	-	-	-	1,575,000
Transfers from other State Agencies	673,619	-	-	-	-	-	-	673,619
Transfers to other State Agencies	(2,522,326)	-	-	-	-	-	-	(2,522,326)
General fund reversions	(9,152,697)	-	-	-	-	-	-	(9,152,697)
Total other financing sources and (uses)	134,185,896	-	20,495,100	29,788,500	2,658,600	-	102,100	187,230,196
Net change in fund balances	1,020,839	6,821	-	-	201,214	390,211	9,736	1,628,821
Fund balances, beginning of year	4,692,051	445,340	(123,382)	(33,257)	569,724	205,804	1,448,368	7,204,648
Fund balances, ending	\$ 5,712,890	\$ 452,161	\$ (123,382)	\$ (33,257)	\$ 770,938	\$ 596,015	\$ 1,458,104	\$ 8,833,469

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Cash Accounts
Year Ended June 30, 2013

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, 2013
General Fund:									
Wells Fargo Bank	Client Emergency Misc. Expenses	General	06700	Checking	No	\$ 54,569	\$ (1,146)	\$ 6,577	\$ 60,000
N/A	Petty Cash	General	06700	Petty Cash	-	750	-	-	750
Total General Fund cash						55,319	(1,146)	6,577	60,750
Fiduciary Funds:									
Bank of America	YDDC - Girls' Resident Trust	Agency	99600	Checking	No	26,263	(1,977)	-	24,285
Bank of America	YDDC - Girls' Resident Activity	Agency	99600	Checking	No	6,237	(375)	32	5,894
Bank of America	J. Paul Taylor - Resident Trust	Agency	99600	Checking	No	5,311	(1,756)	-	3,555
Bank of America	J. Paul Taylor - Resident Activity	Agency	99600	Checking	No	802	-	23	825
Total Fiduciary Funds cash						38,613	(4,108)	55	34,560
Total Department cash						\$ 93,932	\$ (5,254)	\$ 6,632	\$ 95,310

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
08-690-00-06939	CYFD - UNM Medical Group	CYFD	JJ - Juvenile Justice	7/1/2007	6/30/2014	\$500,000.00	CYFD 100%
09-690-00-08037	CYFD - San Juan County	CYFD	JJ - Juvenile Justice	7/1/2008	6/30/2014	\$843,200.00	CYFD 100%
10-690-00-10044	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$165,500.07	CYFD 100%
10-690-00-10048	CYFD - Bernalillo County Metro Detention Center	CYFD	YF - Youth and Families Services	7/1/2009	6/30/2014	\$51,900.00	CYFD 100%
10-690-00-10274	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$100,000.00	CYFD 100%
10-690-00-10301	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$81,000.00	CYFD 100%
10-690-00-10329	CYFD - Gila Regional Medical Center	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$180,021.00	CYFD 100%
10-690-00-10335	CYFD - Torrance County	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$83,000.00	CYFD 100%
10-690-00-11235	CYFD - Rio Arriba County	CYFD	YF - Youth and Families Services	12/15/2009	6/30/2013	\$60,000.00	CYFD 100%
10-690-00-11384	CYFD - University of New Mexico	CYFD	YF - Youth and Families Services	2/3/2010	9/30/2015	\$356,855.00	CYFD 100%
10-690-9999-00-01005	CYFD - Eastern New Mexico University	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$116,290.00	CYFD 100%
10-690-9999-00-01007	CYFD - New Mexico State University	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2013	\$144,423.00	CYFD 100%
10-690-9999-00-01011	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2009	6/30/2014	\$996,288.00	CYFD 100%
11-690-00-11844	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$775,025.00	CYFD 100%
11-690-00-11845	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$295,830.00	CYFD 100%
11-690-00-11861	CYFD - Western New Mexico University	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$449,201.00	CYFD 100%

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

Schedule of Joint Powers Agreements (Continued)

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
11-690-00-11862	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$75,000.00	CYFD 100%
11-690-00-11865	CYFD - Santa Fe Community College	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$317,738.00	CYFD 100%
11-690-00-11866	CYFD - San Juan College - Family Resource Center	CYFD	EC - Early Childhood Services	7/1/2010	6/30/2013	\$314,162.00	CYFD 100%
11-690-00-12406	CYFD - Grant County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$70,827.00	CYFD 100%
11-690-00-12407	CYFD - Rio Arriba County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$134,000.00	CYFD 100%
11-690-00-12408	CYFD - Los Alamos County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$106,000.00	CYFD 100%
11-690-00-12415	CYFD - San Miguel County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$63,222.00	CYFD 100%
11-690-00-12418	CYFD - Curry County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$73,194.00	CYFD 100%
11-690-00-12419	CYFD - Sandoval County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$328,317.00	CYFD 100%
11-690-00-12420	CYFD - Lea County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$88,000.00	CYFD 100%
11-690-00-12421	CYFD - Taos County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$131,000.00	CYFD 100%
11-690-00-12422	CYFD - City of Las Cruces	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$259,587.00	CYFD 100%
11-690-00-12423	CYFD - Chaves County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$156,267.00	CYFD 100%
11-690-00-12424	CYFD - McKinley County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$156,267.00	CYFD 100%
11-690-00-12425	CYFD - Bernalillo County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$227,000.00	CYFD 100%
11-690-00-12427	CYFD - City of Raton	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$65,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
11-690-00-12429	CYFD - Lincoln County	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$116,000.00	CYFD 100%
11-690-00-12431	CYFD - City Of Santa Fe	CYFD	YF - Youth and Families Services	9/1/2010	6/30/2013	\$181,330.00	CYFD 100%
11-690-00-12594	CYFD - Torrance County	CYFD	YF - Youth and Families Services	7/1/2010	6/30/2013	\$62,500.00	CYFD 100%
11-690-00-13020	CYFD - Valencia County	CYFD	YF - Youth and Families Services	1/1/2011	6/30/2013	\$57,500.00	CYFD 100%
12-690-00-13309	CYFD - Pueblo of Zuni	CYFD	PS - Protective Services	7/1/2011	6/30/2014	\$23,000.00	CYFD 100%
12-690-00-13385	CYFD - Navajo Nation	CYFD	PS - Protective Services	7/1/2011	6/30/2014	\$446,277.00	CYFD 100%
12-690-00-13614	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2011	9/30/2013	\$439,390.00	CYFD 100%
12-690-00-13616	CYFD - Gallup-McKinley County Schools	CYFD	EC - Early Childhood Services	7/1/2011	9/30/2013	\$436,740.00	CYFD 100%
12-690-00-13761	CYFD - New Mexico Abilities	CYFD	EC - Early Childhood Services	7/1/2011	6/30/2013	\$25,091.10	CYFD 100%
12-690-00-13836	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2011	6/30/2015	\$330,714.00	CYFD 100%
12-690-00-13850	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2011	6/30/2015	\$58,020.00	CYFD 100%
12-690-00-13852	CYFD - City of Albuquerque	CYFD	EC - Early Childhood Services	7/1/2011	6/30/2015	\$823,884.00	CYFD 100%
12-690-00-13854	CYFD - New Mexico State University	CYFD	EC - Early Childhood Services	7/1/2011	6/30/2015	\$116,040.00	CYFD 100%
12-690-00-14327	CYFD - Cibola County	CYFD	FS - Family Services	10/26/2011	6/30/2013	\$25,000.00	CYFD 100%
12-690-00-14328	CYFD - City of Socorro	CYFD	JJ - Juvenile Justice	10/26/2011	6/30/2013	\$30,000.00	CYFD 100%
12-690-00-14578	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	4/26/2012	6/30/2013	\$62,500.00	CYFD 100%
12-690-00-14668	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	4/9/2012	9/30/2013	\$320,000.00	CYFD 100%
12-690-00-14915	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	5/3/2012	6/30/2013	\$300,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
13-690-00-14638	CYFD - New Mexico Abilities	CYFD	IT - Information Technology	7/1/2012	6/30/2013	\$73,842.48	CYFD 100%
13-690-00-14639	CYFD - New Mexico Abilities	CYFD	IT - Information Technology	7/1/2012	6/30/2013	\$64,300.08	CYFD 100%
13-690-00-14697	CYFD - New Mexico Abilities	CYFD	IT - Information Technology	7/1/2012	6/30/2013	\$20,790.00	CYFD 100%
13-690-00-14747	CYFD - University of New Mexico	CYFD	PS - Protective Services	7/1/2012	6/30/2013	\$63,100.00	CYFD 100%
13-690-00-14804	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2012	6/30/2017	\$198,500.00	CYFD 100%
13-690-00-14805	CYFD - Administrative Office of the Courts	CYFD	PS - Protective Services	7/1/2012	6/30/2016	\$185,000.00	CYFD 100%
13-690-00-14806	CYFD - New Mexico State University	CYFD	PS - Protective Services	7/1/2012	6/30/2016	\$113,052.00	CYFD 100%
13-690-00-14896	CYFD - New Mexico Abilities	CYFD	JJ - Juvenile Justice	7/1/2012	6/30/2013	\$16,753.49	CYFD 100%
13-690-00-14915	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	4/4/2012	6/30/2013	\$300,000.00	CYFD 100%
13-690-00-14928	CYFD - Torrance County	CYFD	PS - Protective Services	7/1/2012	6/30/2016	\$81,477.75	CYFD 100%
13-690-00-14929	CYFD - Luna County	CYFD	PS - Protective Services	7/1/2012	6/30/2016	\$148,634.25	CYFD 100%
13-690-00-15212	CYFD - Pueblo of Zuni	CYFD	PS - Protective Services	7/1/2012	6/30/2016	\$38,236.25	CYFD 100%
13-690-00-15236	CYFD - New Mexico State University	CYFD	PS - Protective Services	7/1/2012	6/30/2013	\$40,000.00	CYFD 100%
13-690-00-15244	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	7/1/2012	6/30/2014	\$996,288.00	CYFD 100%
13-690-00-15256	CYFD - Central New Mexico Community College	CYFD	JJ - Juvenile Justice	6/28/2012	6/30/2013	\$0.00	CYFD 100%
13-690-00-15440	CYFD - New Mexico School for the Deaf	CYFD	YF - Youth and Families Services	8/8/2012	8/31/2013	\$138,139.00	CYFD 100%
13-690-00-15445	CYFD - New Mexico Highlands University	CYFD	YF - Youth and Families Services	8/8/2012	8/31/2013	\$1,009,004.00	CYFD 100%
13-690-00-15528	CYFD - New Mexico State University	CYFD	PS - Protective Services	9/24/2012	6/30/2016	\$20,000.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
13-690-00-15589	CYFD - Torrance County	CYFD	EC - Early Childhood Services	9/27/2012	6/30/2013	\$100,000.00	CYFD 100%
13-690-00-15633	CYFD - Pueblo of San Felipe	CYFD	PS - Protective Services	10/31/2012	6/30/2013	\$25,000.00	CYFD 100%
13-690-00-15636	CYFD - Gila Regional Medical Center	CYFD	EC - Early Childhood Services	11/26/2012	6/30/2013	\$100,000.00	CYFD 100%
13-690-00-15637	CYFD - Horizons of New Mexico	CYFD	IT - Information Technology	11/30/2012	6/30/2013	\$25,275.00	CYFD 100%
13-690-00-15661	CYFD - Region Education Cooperative IX	CYFD	EC - Early Childhood Services	11/30/2012	6/30/2013	\$4,000.00	CYFD 100%
13-690-00-15668	CYFD - Eastern New Mexico University-Roswell	CYFD	PS - Protective Services	11/26/2012	6/30/2013	\$10,800.00	CYFD 100%
13-690-00-15674	CYFD - Region Education Cooperative IX	CYFD	EC - Early Childhood Services	11/26/2012	6/30/2013	\$16,508.00	CYFD 100%
13-690-00-15675	CYFD - Colfax County	CYFD	EC - Early Childhood Services	11/26/2012	6/30/2013	\$50,000.00	CYFD 100%
13-690-00-15707	CYFD - Luna County	CYFD	EC - Early Childhood Services	12/3/2012	9/30/2013	\$450,000.00	CYFD 100%
13-690-00-15709	CYFD - Sandoval County	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$90,000.00	CYFD 100%
13-690-00-15726	CYFD - Department of Public Safety	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$35,000.00	CYFD 100%
13-690-00-15728	CYFD - New Mexico State University	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$20,000.00	CYFD 100%
13-690-00-15736	CYFD - Chaves County	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$32,000.00	CYFD 100%
13-690-00-15739	CYFD - Chaves County	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$13,000.00	CYFD 100%
13-690-00-15739	CYFD - Curry County	CYFD	JJ - Juvenile Justice	1/1/2013	5/31/2013	\$30,000.00	CYFD 100%
13-690-00-15742	CYFD - Regional Education Cooperative #6	CYFD	EC - Early Childhood Services	2/1/2013	9/30/2013	\$250,000.00	CYFD 100%
13-690-00-15745	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	1/8/2013	6/30/2013	\$5,792.00	CYFD 100%

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Joint Powers Agreements (Continued)

June 30, 2013

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party	Description of Services	Beginning Dates of Agreement	Ending Dates of Agreement	Amount Agency Contributed in FY	Audit Responsibility
13-690-00-15754	CYFD - Eastern New Mexico University	CYFD	EC - Early Childhood Services	1/17/2013	6/30/2013	\$100,000.00	CYFD 100%
13-690-00-15755	CYFD - Region Education Cooperative IX	CYFD	EC - Early Childhood Services	1/17/2013	6/30/2013	\$250,000.00	CYFD 100%
13-690-00-15784	CYFD - City of Hobbs	CYFD	EC - Early Childhood Services	2/11/2013	6/30/2015	\$73,020.00	CYFD 100%
13-690-00-15807	CYFD - Region Education Cooperative IX	CYFD	EC - Early Childhood Services	2/28/2013	6/30/2017	\$179,000.00	CYFD 100%
13-690-00-15811	CYFD - Administrative Office of the Courts	CYFD	PS - Protective Services	2/14/2013	6/30/2013	\$3,000.00	CYFD 100%
13-690-00-15818	CYFD - Pueblo of Isleta	CYFD	PS - Protective Services	4/16/2013	6/30/2013	\$15,000.00	CYFD 100%
13-690-00-15915	CYFD - New Mexico State University	CYFD	YF - Youth and Families Services	3/12/2013	9/30/2013	\$281,693.50	CYFD 100%
13-690-00-15998	CYFD - University of New Mexico	CYFD	EC - Early Childhood Services	4/1/2013	6/30/2013	\$26,619.00	CYFD 100%
13-690-9999-00-12820	CYFD - Region Education Cooperative IX	CYFD	EC - Early Childhood Services	10/8/2012	6/30/2013	\$416,170.89	CYFD 100%

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

Fiduciary Funds - Agency Funds

June 30, 2013

**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, 2013

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
<u>Resident Agency Accounts</u>				
<u>Assets</u>				
Cash	\$ 29,935	\$ 11,858	\$ 7,233	\$ 34,560
<u>Liabilities</u>				
Deposits held for others	\$ 29,935	\$ 11,858	\$ 7,233	\$ 34,560
 <u>Children's Social Security Agency Funds</u>				
<u>Assets</u>				
State Fund Investment Pool	\$ 752,805	2,717,438	\$ 2,757,269	\$ 712,974
Due from other agencies	180	19,028	19,051	157
Total Assets	\$ 752,985	\$ 2,736,466	\$ 2,776,320	\$ 713,131
<u>Liabilities</u>				
Deposits held for others	\$ 612,407	\$ 2,526,092	\$ 2,459,215	\$ 679,284
Due to other funds	140,578	210,374	317,105	33,847
Total Liabilities	\$ 752,985	\$ 2,736,466	\$ 2,776,320	\$ 713,131
 <u>Combined Agency Funds:</u>				
<u>Assets</u>				
Cash	\$ 29,935	\$ 11,858	\$ 7,233	\$ 34,560
State Fund Investment Pool	752,805	2,717,438	2,757,269	712,974
Due from other agencies	180	19,028	19,051	157
Total assets	\$ 782,920	\$ 2,748,324	\$ 2,783,553	\$ 747,691
<u>Liabilities</u>				
Deposits held for others	\$ 642,342	\$ 2,537,950	\$ 2,466,448	\$ 713,844
Due to other funds	140,578	210,374	317,105	33,847
Total Liabilities	\$ 782,920	\$ 2,748,324	\$ 2,783,553	\$ 747,691

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

Year Ended June 30, 2013

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

Z-Code	Special Appropriation	Amount Appropriated	Cash Received 6/30/2013	Actual Amount Received 6/30/2013	Amount Accrued 6/30/2013	Expenditures to Date	Amount to be Reverted	Appropriation Balance as of 6/30/2013	Balance for Subsequent Exp. 06/30/13	Program Area	reverts in 2014
Z20717	Laws of 2012, 2nd Session, Chapter 19, Section 7, Item (17) To develop and implement the client management component of the enterprise provider information constituents services system EPICS	\$ 1,200,000	\$ 1,200,000	\$ 1,200,000	\$ -	\$ 417,050	\$ -	\$ 782,950	\$ 782,950	P576	reverts in 2014
Z30558	Laws of 2013, Chapter 227, Section 5, Item 58 To provide technical and capacity - building assistance in high-risk home visiting investment zones	\$ 375,000	\$ 375,000	\$ 375,000	\$ -	\$ -	\$ -	\$ 375,000	\$ 375,000	P782	reverts in 2014
Z30717	Laws of 2013, Chapter 227, Section 7, Item 17 To implement the accounts receivable module of the statewide human resources, accounting and management reporting system	\$ 355,000	\$ -	\$ -	\$ 74,567	\$ 74,567	\$ -	\$ 280,433	\$ -	P576	reverts in 2015
Z30718	Laws of 2013, Chapter 227, Section 7, Item 18 To develop and implement the services management component of the enterprise provider information constituent services system	\$ 3,454,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,454,200	\$ -	P576	reverts in 2015
		\$ 1,575,000	\$ 74,567	\$ 491,617	\$ -	\$ 4,892,583	\$ 1,157,950				

SINGLE AUDIT INFORMATION

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

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
U.S. Department of Agriculture					
Direct Programs					
Child Care Food Program 10	10.558	\$ (4,358)	\$ -	\$ (1,293)	\$ (5,651)
Child Care Food Program 11	10.558	(6,019)	-	-	(6,019)
Child Care Food Program 12	10.558	2,863,013	(10,860,695)	7,991,181	(6,501)
Child Care Food Program 13	10.558	-	(23,251,821)	25,990,012	2,738,191
Subtotal		2,852,636	(34,112,516)	33,979,900	2,720,020
Summer Food Service Program for Children 08	10.559	4,328	-	-	4,328
Summer Food Service Program for Children 10	10.559	(115)	-	-	(115)
Summer Food Service Program for Children 11	10.559	(3,680)	-	-	(3,680)
Summer Food Service Program for Children 12	10.559	1,079,794	(3,331,978)	2,251,363	(821)
Summer Food Service Program for Children 13	10.559	-	(2,568,909)	3,716,920	1,148,011
Subtotal		1,080,327	(5,900,887)	5,968,283	1,147,723
State Administrative Expense 11	10.560	134,707	(134,707)	-	-
State Administrative Expense 12	10.560	445,891	(760,533)	314,642	-
State Administrative Expense 13	10.560	-	(238,309)	580,058	341,749
Subtotal		580,598	(1,133,549)	894,700	341,749
U.S. Department of Agriculture Direct Programs Subtotal		4,513,561	(41,146,952)	40,842,883	4,209,492
U.S. Department of Agriculture					
Passed through NM Department of Education					
National School Lunch - YDDC 11-12	10.555	27,830	(27,830)	-	-
National School Lunch - JPTC 11-12	10.555	8,498	(6,796)	(1,702)	-
National School Lunch - YDDC 12-13	10.555	-	(199,486)	244,626	45,140
National School Lunch - JPTC 12-13	10.555	-	(49,584)	62,199	12,615
U.S. Department of Agriculture		36,328	(283,696)	305,123	57,755
Passed through NM Department of Education Subtotal					

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
U.S. Department of Agriculture					
Passed through NM Human Services Department					
Education and Training 12	10.561	\$ 150,250	\$ (262,378)	\$ 112,128	\$ -
Education and Training 13	10.561	-	(274,357)	274,357	-
U.S. Department of Agriculture					
Passed through NM Human Services Department Subtotal					
		150,250	(536,735)	386,485	-
Total U. S. Department of Agriculture					
		\$ 4,700,139	\$ (41,967,383)	\$ 41,534,491	\$ 4,267,247
U.S. Department of Health and Human Services					
Direct Programs					
Children's Justice 10	93.643	\$ 63,018	\$ (78,936)	\$ 15,918	\$ -
Children's Justice 11	93.643	-	(8,845)	95,405	86,560
Subtotal		63,018	(87,781)	111,323	86,560
Headstart Collaboration Grant 11	93.600	62,581	(62,613)	32	-
Headstart Collaboration Grant 12	93.600	-	(73,358)	120,973	47,615
Subtotal		62,581	(135,971)	121,005	47,615
Child Care and Development Fund 09 - ARRA	93.713	(90,182)	-	-	(90,182)
Child Care and Development Fund 12	93.596	583,662	(22,784,147)	22,200,485	-
Child Care and Development Fund 13	93.596	-	(14,353,077)	12,079,402	(2,273,675)
Subtotal		493,480	(37,137,224)	34,279,887	(2,363,857)

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
Promoting Safe and Stable Families	93.556	\$ (4,247)	\$ 4,247	\$ -	\$ -
Promoting Safe and Stable Families	93.556	978,359	(1,785,041)	806,682	-
Promoting Safe and Stable Families	93.556	-	(1,050,785)	2,306,753	1,255,968
Subtotal		974,112	(2,831,579)	3,113,435	1,255,968
Promoting Safe and Stable Families (caseworker visits)	93.556	50,361	(50,361)	-	-
Promoting Safe and Stable Families (caseworker visits)	93.556	-	(80,432)	158,794	78,362
Subtotal		50,361	(130,793)	158,794	78,362
Child Abuse and Neglect (CAN) Part I 08	93.669	77,055	(22,421)	(54,634)	-
Child Abuse and Neglect (CAN) Part I 09	93.669	-	(184,597)	208,242	23,645
Child Abuse and Neglect (CAN) Part I 10	93.669	-	-	104,009	104,009
Subtotal		77,055	(207,018)	257,617	127,654
Community Based Family Resource Program 08	93.590	-	(208,715)	471,739	263,024
Community Based Family Resource Program 10	93.590	254,445	(358,910)	104,465	-
Subtotal		254,445	(567,625)	576,204	263,024
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	(527,682)	-	-	(527,682)
Title IV-E Foster Care 11 ARRA1	93.658	(156)	(153)	-	(309)
Title IV-E Foster Care 12	93.658	2,706,080	(5,539,005)	2,832,925	-
Title IV-E Foster Care 13	93.658	-	(9,738,500)	14,851,234	5,112,734
Subtotal		3,569,762	(15,277,658)	17,684,159	5,976,263

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred)		Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
		Revenue at June 30, 2012	Revenue at June 30, 2013			
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	(279,184)	-	-	-	(279,184)
Title IV-E Adoptions 12	93.659	2,301,654	(5,606,650)	3,304,996	-	-
Title IV-E Adoptions 13	93.659	-	(12,238,842)	15,460,447	-	3,221,605
Subtotal		1,925,185	(17,845,492)	18,765,443	-	2,845,136
Title IV-B CWS 12	93.645	168,451	(578,321)	409,870	-	-
Title IV-B CWS 13	93.645	-	(990,100)	1,146,490	-	156,390
Subtotal		168,451	(1,568,421)	1,556,360	-	156,390
Title IV-E Independent Living 08	93.674	(90)	90	-	-	-
Title IV-E Independent Living 11	93.674	176,991	(316,592)	139,491	-	(110)
Title IV-E Independent Living 12	93.674	-	(282,444)	438,874	-	156,430
Subtotal		176,901	(598,946)	578,365	-	156,320
Education and Training Voucher Program 11	93.599	34,518	(67,037)	32,412	-	(107)
Education and Training Voucher Program 12	93.599	-	(74,284)	99,713	-	25,429
Subtotal		34,518	(141,321)	132,125	-	25,322
Family Violence Prevention 11	93.671	209,796	(977,190)	767,394	-	-
Family Violence Prevention 12	93.671	-	(71,206)	111,077	-	39,871
Subtotal		209,796	(1,048,396)	878,471	-	39,871
Social Services Block Grant 12	93.667	1,574,549	(7,299,357)	5,724,808	-	-
Social Services Block Grant 13	93.667	-	(4,950,066)	5,598,411	-	648,345
Subtotal		1,574,549	(12,249,423)	11,323,219	-	648,345

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
Adoption Incentive Payment Program 10	93.603	\$ 138,905	\$ (293,981)	\$ 155,076	\$ -
Adoption Incentive Payment Program 11	93.603	-	(137,447)	375,101	237,654
Subtotal		138,905	(431,428)	530,177	237,654
Access & Visitation Program 11	93.597	23,482	(26,905)	3,423	-
Access & Visitation Program 12	93.597	-	(63,054)	96,156	33,102
Subtotal		23,482	(89,959)	99,579	33,102
Families and Organizations Collaborating for a United System (FOCUS yr 3)	93.104	705,581	(862,397)	156,816	-
Families and Organizations Collaborating for a United System (FOCUS yr 4)	93.104	-	(791,744)	1,683,242	891,498
Subtotal		705,581	(1,654,141)	1,840,058	891,498
Behavioral Health System Transformation Grant (carryover year 4)	93.243	97,607	-	-	97,607
Behavioral Health System Transformation Grant (year 5)	93.243	303,450	-	-	303,450
Subtotal		401,057	-	-	401,057
Adoption Opportunities	93.652	24,264	(24,264)	-	-
Adoption Opportunities	93.652	137,721	(241,076)	103,355	-
Adoption Opportunities	93.652	-	(126,099)	286,824	160,725
Subtotal		161,985	(391,439)	390,179	160,725
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	569,411	(666,874)	97,463	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program Competitive	93.505	76,253	(405,615)	1,309,711	980,349
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program Formula	93.505	21,079	(441,948)	1,082,736	661,867
Subtotal		666,743	(1,514,437)	2,489,910	1,642,216

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
Early Childhood Advisory Council ARRA	93.708	\$ 126,965	\$ (306,972)	\$ 461,553	\$ 281,546
U.S. Department of Health and Human Services Direct Programs Subtotal		11,858,932	(94,216,024)	95,347,863	12,990,771
U.S. Department of Health and Human Services Passed Through NM Human Services Department					
Child Care and Development Fund	93.596	5,944,375	(11,888,750)	5,944,375	-
Child Care and Development Fund	93.596	-	(15,851,667)	17,833,125	1,981,458
Subtotal		5,944,375	(27,740,417)	23,777,500	1,981,458
Total U.S. Department of Health and Human Services		\$ 17,803,307	\$ (121,956,441)	\$ 119,125,363	\$ 14,972,229
U.S. Department of Justice Direct Programs					
Juvenile Accountability Incentive Block Grant	16.523	\$ -	(451)	\$ 451	\$ -
Juvenile Accountability Incentive Block Grant	16.523	74,643	(451,547)	376,904	-
Juvenile Accountability Incentive Block Grant	16.523	-	(359,961)	-	(359,961)
Subtotal		74,643	(811,959)	377,355	(359,961)
JJDP Formula Grant	16.540	45,289	(45,289)	-	-
JJDP Formula Grant	16.540	139,034	(175,605)	36,571	-
JJDP Formula Grant	16.540	88,391	(169,112)	481,349	400,628
Subtotal		272,714	(390,006)	517,920	400,628
JJDP - Title V	16.540	3,436	(3,436)	20,500	20,500

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
Enforcing the Underage Drinking Laws Block Grant	16.727	\$ (1,067)	\$ -	\$ -	\$ (1,067)
Enforcing the Underage Drinking Laws Block Grant	16.727	6,124	(6,124)	-	-
Enforcing the Underage Drinking Laws Block Grant	16.727	45,477	(60,345)	271,376	256,508
Subtotal		50,534	(66,469)	271,376	255,441
Juvenile Justice Pilot Program	16.unknown	61,974	(105,981)	44,007	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	-	-	23,649	23,649
NM Justice & Mental Health Planning Project	16.unknown	46,418	(46,418)	-	-
Total U. S. Department of Justice Direct Programs		\$ 509,719	\$ (1,424,269)	\$ 1,254,807	\$ 340,257
U.S. Department of Education Passed through NM Department of Education					
Race to the Top - Early Learning Challenge	84.412	\$ -	\$ -	\$ 6,223	\$ 6,223
Title I 08	84.013	87,252	-	-	87,252
Title I 09	84.013	85,649	-	-	85,649
Title I 10	84.013	46,993	-	-	46,993
Title I 11	84.013	42,446	(37,257)	-	5,189
Title I 12	84.013	101,874	(93,007)	-	8,867
Subtotal		364,214	(130,264)	-	233,950
Title II 10	84.unknown	2,478	(2,478)	-	-
Title II 11	84.unknown	2,422	(1,272)	-	1,150
Subtotal		4,900	(3,750)	-	1,150

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
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	48,536	-	-	48,536
Special Ed Idea B 11	84.unknown	107,638	(65,094)	-	42,544
Special Ed Idea B 12	84.unknown	16,782	(16,782)	-	-
Special Ed Idea B 12 Discretionary	84.unknown	500	(500)	-	-
Subtotal		463,194	(82,376)	-	380,818
Carl Perkins 10	84.unknown	4,961	-	-	4,961
Carl Perkins 12	84.unknown	668	(668)	-	-
Carl Perkins 13	84.unknown	-	-	8,083	8,083
Subtotal		5,629	(668)	8,083	13,044
Special Education Research Grants 10	84.324	26,309	(26,309)	-	-
Special Education Research Grants 11	84.324	34,049	(34,049)	-	-
Subtotal		60,358	(60,358)	-	-
Teacher Mentoring Program FY10	84.unknown	350	-	-	350
State Directed Activity Allocation FY11	84.unknown	(585)	-	-	(585)
School Library Go Bond 08	84.unknown	(308)	-	308	-
School Library Go Bond 10	84.unknown	6,910	(6,910)	-	-
Subtotal		6,602	(6,910)	308	-
U.S. Department of Education Passed through NM Department of Education Subtotal		904,662	(284,326)	14,614	634,950
Total U.S. Department of Education		\$ 904,662	\$ (284,326)	\$ 14,614	\$ 634,950

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended June 30, 2013

Federal Grant / Pass-Through Grantor / Program Title	Federal CFDA Number	Accrued (Deferred) Revenue at June 30, 2012	Federal Revenue	Federal Expenditures	Accrued/(Deferred) Revenue at June 30, 2013
U.S. Department of Education ARRA Passed through NM Department of Finance					
Corporation for National & Community Service Direct Programs					
Americorps Administration	94.003	\$ 80,367	\$ (122,692)	\$ 42,915	\$ 590
Americorps Administration	94.003	-	(18,920)	54,821	35,901
		80,367	(141,612)	97,736	36,491
Americorps Training (PDAT) 11	94.009	2,466	(32,146)	29,680	-
Americorps Disability 11	94.007	46,726	(60,084)	13,358	-
Americorps Competitive	94.006	(143,758)	143,758	-	-
Americorps Competitive	94.006	650,776	(907,238)	256,462	-
Americorps Competitive	94.006	-	(558,749)	1,132,511	573,762
Subtotal		507,018	(1,322,229)	1,388,973	573,762
Americorps Formula	94.006	473,383	(720,595)	247,212	-
Americorps Formula	94.006	-	(484,152)	971,894	487,742
Subtotal		473,383	(1,204,747)	1,219,106	487,742
Americorps Fixed	94.006	-	(68,269)	110,511	42,242
Total Corporation for National & Community Service Direct Programs		\$ 1,109,960	\$ (2,829,087)	\$ 2,859,364	\$ 1,140,237
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 25,027,787	\$ (168,461,506)	\$ 164,788,639	\$ 21,354,920

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

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>\$ 164,788,639</u>
Federal financial assistance receivable per schedule	\$ 25,185,703
Due to federal government and deferred revenue per the schedules	<u>(3,830,783)</u>
	<u>\$ 21,354,920</u>

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

Notes to Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2013

Note C. Funds Passed through to Subrecipients

<u>CFDA Federal Program Title</u>	<u>Grantor</u>	<u>CFDA #</u>	<u>YTD EXP</u>
Federal expenditures include funds passed through to subrecipients as follows:			
Child and Adult Care Food Program	U.S. Department of Agriculture	10.558	\$ 33,442,356
Summer Food Program for Children	U.S. Department of Agriculture	10.559	5,594,176
State Administrative Expense	U.S. Department of Agriculture	10.560	7,832
Juvenile Account Incentive Block Grant	U.S. Department of Justice	16.523	354,500
JJDP Formula Grant	U.S. Department of Justice	16.540	518,537
Enforcing the Underage Drinking Laws Block Grant	U.S. Department of Justice	16.727	265,116
Juvenile Mental Health Co-Occurring Disorder	U.S. Department of Justice	16.745	19,025
Juvenile Justice Pilot Project	U.S. Department of Justice	16.541	39,668
Title V	U.S. Department of Justice	16.590	20,500
Families and Organizations Collaborating for a United System (FOCUS)	U.S. Department of Health and Human Services	93.104	1,587,869
Federal Home Visiting	U.S. Department of Health and Human Services	93.505	1,688,205
Promoting Safe and Stable Families	U.S. Department of Health and Human Services	93.556	2,737,020
CAPTA-Community Based Family Resource Program	U.S. Department of Health and Human Services	93.590	703,372
Child Care and Development Block Grant	U.S. Department of Health and Human Services	93.596	1,834,313
Access & Visitation Program	U.S. Department of Health and Human Services	93.597	99,580
Managed Mental Health Block Grant	NM Human Services Department	93.598	427,866
Education and Training Voucher Program	U.S. Department of Health and Human Services	93.599	123,980
Head start Collaboration Grant	U.S. Department of Health and Human Services	93.600	39,481
Adoption Incentive Payment Program	U.S. Department of Health and Human Services	93.603	397,119
Children's Justice	U.S. Department of Health and Human Services	93.643	100,500
Diligent Recruitment Grant	U.S. Department of Health and Human Services	93.652	390,179
Title IV-E Foster Care	U.S. Department of Health and Human Services	93.658	3,123,715
Title XX SOSR	U.S. Department of Health and Human Services	93.667	261,199
Child Abuse and Neglect (CAN) Part I	U.S. Department of Health and Human Services	93.669	86,386
Family Violence Prevention	U.S. Department of Health and Human Services	93.671	875,700
Title IV-E Independent Living	U.S. Department of Health and Human Services	93.674	404,124
Early Childhood Advisory Council ARRA	U.S. Department of Health and Human Services	93.708	416,171
AmeriCorp Administration Grant	U.S. Commission for National & Community Service	94.003	11,943
AmeriCorps Competitive/Formula	U.S. Commission for National & Community Service	94.006	2,758,915
			<u>\$ 58,329,345</u>



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

Mr. Hector Balderas, New Mexico State Auditor
and
Yolanda Berumen-Deines, Secretary,
Children, Youth and Families Department

We have audited, in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, which collectively comprise the Department's basic financial statements. We have also audited the financial statements of each of the Department's nonmajor governmental funds and fiduciary funds, the budgetary comparison for the components of the general fund and nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents, and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control was for the limited purpose described in the first paragraph from this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control 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. The significant deficiencies are described in 07-01, 08-01, and 08-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* as findings 07-01, 08-01, 08-02, and 12-03. We noted certain matters that are required to be reported under section 12-6-5 NMSA 1978 which are described in the accompanying as findings accompanying schedule of findings and questioned costs as findings 12-01 and 13-01.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subject to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Barraclough & Associates, P.C.
Santa Fe, New Mexico
December 11, 2013



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Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Circular A-133

Mr. Hector Balderas, New Mexico State Auditor
and
Yolanda Berumen-Deines, Secretary,
Children, Youth and Families Department

Report on Compliance for Each Major Federal Program

We have audited State of New Mexico Children, Youth and Families Department's (the Department) compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2013. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questions costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirement referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, 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 item 12-03. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 07-01 and 08-01 that we consider to be significant deficiencies.

The Department's Response to Findings

The Department's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Barraclough & Associates, P.C.".

Barraclough & Associates, P.C.
Santa Fe, New Mexico
December 11, 2013

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

Status of Prior Year Audit Findings

Year Ended June 30, 2013

<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
12-01	Use of State Issued Gas Cards	✓		12-01
09-04	Personnel Files		✓	
10-01	John Paul Taylor Trust Account		✓	
12-02	Public Monies Not Deposited Within 24 hours		✓	

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

A. Summary of Audit Results

1. The auditors' report expresses an unmodified 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 unmodified opinion.
6. There are three current year findings and a follow up of four 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
Education and Training Voucher Program	93.599
Title IV E Foster Care	93.658
Title IV E Adoption Assistance	93.659
Americorps Training Formula	94.009
Americorps Competitive	94.006

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, 2013

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, 2013

B. Findings – 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 2014, 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, 2013

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets – Significant Deficiency

Condition:

The following items were noted during capital assets testwork of the Department's assets.

- Capital asset certifications as performed by Department staff do not appear effective in ensuring that all capital assets have been included in the capital asset listing and are not being performed accurately.
 - Three mobile home trailers were not included in the capital asset listing when they were originally donated to the Department in 2001. In May of 2011, Department staff noticed that the trailers were not on the capital asset listing and assigned asset tags and an estimated value to the trailers, however, the trailers were never actually added to the capital asset listing. Additionally, the trailers were not included on the dispositions list during the current year when they were transferred to the New Mexico Department of Corrections. The Department never had the trailers appraised either when received or when traded to Corrections to determine the actual value of the assets.
 - Asset certifications performed at year end did not include any of the 29 Polycom systems purchased for a total cost of \$184,916 in June of 2013. These items were later included on the FY2013 capital asset listing in September of 2013.
 - OSA staff were provided with documentation of an asset certification performed in November of 2013 which indicated that three items with a total cost of \$14,511 were located at a different location than where they were listed. One item with a purchase price of \$1,540 could not be located. However, in certification performed on June 25, 2013, by the same personnel and for the same location, the asset listing was certified to be correct indicating that the assets on the list had been located and accounted for.
 - Asset Certifications for fiscal year end were not provided for all of the assets. The certifications were performed from March of 2013 to September of 2013.
 - Documentation of signatory approval of asset certifications performed at fiscal year end by the governing authority of the agency was not provided.
- During inventory observations, it was noted that one Polycom system at a cost of \$6,373 was included in the listing for the wrong location, the Polycom system with a cost of \$6,472 for the Fifth Street Location could not be located during the first site visit, and this same system was not tagged when auditors returned to the location. Additionally, two items with a cost of \$1,000 each could not be located during the observation process although the most recent asset certification which indicated the asset list was correct and all items were located for the office had been performed only one month prior to the site visit, after year end.
- The Department deleted 49 items mostly consisting of computer equipment and printers from the capital asset listing with a total original cost of \$150,147, based on their inability to locate the assets.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets – Significant Deficiency (Continued)

Condition (Continued):

In addition, we noted a lack of monitoring over the calculation and recording of depreciation by the department, which resulted in an increase in Net Investment in Capital Assets of \$58,975 resulting from numerous errors in the original calculations as provided by the department.

Criteria:

Pursuant to 2.20.1.15 NMAC, “each agency shall establish controls over its fixed assets for the primary purposes of safeguarding them and establishing accountability for their custody and use.” 2.20.1.15(A)(3) NMAC requires that all “newly received fixed assets shall be tagged at the time they are received.” Additionally, pursuant to 12-6-10(A) NMAC “The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars and under the control of the governing authority. Upon completion, the inventory shall be certified by the governing authority as to correctness.” Per 2.2.2.10(V)(1) NMAC, agencies are required to notify OSA of dispositions in accordance with Sections 13-6-1 and 13-6-2 NMSA 1978 at least thirty days prior to the disposition of the property. Pursuant to FIN 6.2 section of MAPs, the “depreciation of assets should be recorded in compliance with generally accepted accounting practices.”

Cause:

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

Effect:

The Department's master capital asset listing is not properly recorded and maintained. Lack of adequate internal controls increases the risk of fraud and misappropriation and could lead to potential misstatement of financial statements.

Recommendation:

The Department should continue to develop and implement controls related to the management and tracking of capital assets. Staff performing capital asset certifications should be knowledgeable of the value of assets as well as the location and purpose of assets. When conducting capital asset certifications, department staff should consider whether other inventory items in their area should be included in the capital asset list. Management should encourage department staff to complete the asset certifications timely and accurately.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit (Continued)

08-02 Capital Assets – Significant Deficiency (Continued)

Responsible Official's View:

The Department will continue to develop and implement controls related to the management, tracking and reporting of capital assets. The Department has identified and begun the budgeting and resource identification processes to implement the Capital Asset Management Module in the Statewide Human Resources, Accounting and Financial Management Reporting System (SHARE) as well as the development of the specific policies and procedures necessary to resolve the conditions of this finding.

The Department filled the Capital Asset Administrator position in January 2013. Pursuant to Secretary directive, CYFD division Capital Asset Coordinators, located at each office throughout the state shall provide the agency Capital Asset Administrator a verifiable Capital Asset Physical Inventory on a quarterly basis. Quarterly physical inventories should allow for improved performance of the annual physical inventory through repetition, verification and assessment feedback to improve the processes and level of assurance. The department is in the process of obtaining a Secretary directive to delegate authority for capital asset physical inventory certification.

The specific policies and procedures are to be completed before the fiscal year ending June 30, 2014 to establish controls over capital assets for the purposes of safeguarding and accountability and to ensure new assets are tagged upon receipt; chain of custody for controlled assets; annually conduct a timely and comprehensive verifiable capital asset physical inventory; specific delegation of authority for certification of the capital asset physical inventory; NM OSA advance notification of proposed dispositions pursuant to New Mexico Statutes, Rules and Regulations, DFA Model of Accounting Practices (MAPs) as well as Governmental Accounting Standards Board Statements and generally accepted accounting practices.

The capital asset management software and policies and procedures implementation will greatly enhance our ability to accurately document and communicate the results of the annual physical inventory, at the multiple locations statewide, provide a basis for the reconciliation to tracking of transfers and other activities timely and efficiently.

The Capital Asset Management Module, in the Statewide Human Resources, Accounting and Financial Management Reporting System (SHARE) is anticipated to be implemented before the end of the fiscal year ending June 30, 2015.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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 five months during fiscal year 2013, with total expenditures of \$256,105, the transactions were examined for compliance with applicable statutes and department policy. As a result of this review, we noted:

- 21 instances where super-unleaded gasoline was purchased at a cost of \$648,
- 56 instances where unleaded plus gasoline was purchased at a cost of \$1,928,
- Three instances where employees purchased diesel fuel using the fuel card assigned to vehicles requiring regular unleaded gasoline at a cost of \$95,
- One instance where a single car wash was purchased for \$110,
- One instance where car washes were purchased on two consecutive days for the same vehicle exceeding \$100, by the same employee,
- One instance where three car washes were purchased for the same vehicle during a 30 day period,
- 22 instances where non-fuel transactions were not supported for a total of \$786,
- One instance where 9.619 gallons of fuel were purchased at a cost of \$28, when the vehicle had only been driven six miles since vehicle was previously fueled with 13.141 gallons of fuel,
- Two instances where transactions on the WEX invoice were labeled as food purchases totaling \$82 for which supporting receipts were not provided,
- No documentation was provided where individuals had reimbursed the Department for unauthorized or unsupported purchases.

Criteria:

Pursuant to 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. Per department policy, the maximum allowed amount for a car wash is \$100, with a maximum of 2 washes purchased for any single vehicle during a 30 day period.

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.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit (Continued)

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

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 View

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 department followed up on the instance of a single car wash that was purchased for \$110. This was an error on the billing statement from Wright Express, in which the vendor corrected. The other instance where car washes were purchased on two consecutive days for the same vehicle exceeding \$100, by the same employee and the one instance where three car washes were purchased for the same vehicle during a 30 day period were both done in error and the WEX Fuel Card was improperly used for the car washes. The department has notified the CYFD vehicle liaisons and CYFD employees authorized to drive a state vehicle they are not to purchase multiple car washes within a month, and adhere to departmental policy requirements.

The department followed up on the two instances where a transactions on the WEX invoice were labeled as a food purchases totaling \$82 with no supporting receipts. In both instances, the two employees reported having problems with the outside payment for the WEX Fuel Card. When they paid the merchant inside for the unleaded gas, they in error misplaced the receipt. Both employees' indicated the purchase was for unleaded gas and not food.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit Audit (Continued)

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

Responsible Official's View (Continued)

The department has notified CYFD vehicle liaisons that they are responsible to ensure discrepancies, unauthorized, or unsupported non-fuel transactions on the WEX Fuel Card transactions will have written supporting documentation from the user or authorized driver, which will be reported monthly to the CYFD Agency Vehicle Coordinator. Additionally, CYFD will investigate the cost of the unauthorized purchase(s) from the WEX Fuel Card from the user or authorized driver. The results of the investigation, will be submitted to CYFD Employee Support Services for further review and possible disciplinary action 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
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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit

13-01 Violation of Government Conduct Act – Other Finding

Condition:

An employee of the Department who earns approximately \$30 per hour attended a non-work related meeting on July 26, 2013, for two hours during the normal work day without taking leave for the time away from work or properly flexing time to make up for time not spent at work.

Criteria:

Pursuant to 10-16-3(A-B) NMSA 1978, a public employee shall treat the public employee's government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people, at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

Pursuant to the Code of Conduct contained in Chapter 1 Part 2 Section 1 of the Department's Policies and Procedures,

- 2.1.1.8.2 Personal business on work time, CYFD employees are expected to be fully engaged in the performance of their duties during their working hours; conducting personal business on work time should be brief and not disruptive to co-workers or clients.
- 2.1.1.14.2 Outside employment cannot be conducted on CYFD premises or on state time, or with the use of CYFD equipment, supplies, machines, technical data or telephones.
- 2.1.1.14.3 Authorized outside employment may not occur during the hours the employee is scheduled to work for CYFD.

Cause:

The employee improperly reported time which was not spent in the performance of job responsibilities.

Effect:

The employee violated the Government Conduct Act and received compensation from the Department for the non-work related meeting during the normal work day. Payment was made by the Department for services not rendered.

Recommendation:

The Department should promote integrity in time reporting and clearly communicate consequences of failure to comply with Department policies.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

B. Findings – Financial Statement Audit (Continued)

13-01 Violation of Government Conduct Act – Other Finding (Continued)

Responsible Official's View:

The Department concurs that this 2013 finding occurred in fiscal year 2014. Per approval of the supervisor of the employee, the employee was authorized to flex their work schedule during the work week of July 22nd to July 26th. The employee has corrected their timesheet reporting in the SHARE Human Capital Management (HCM) for attending a non-work related meeting on July 26, 2013. This was an oversight by the employee, and no intent to violate the Government Conduct Act.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

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

08-01 Internal Audit Function – Significant Deficiency

Condition:

In the 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. During 2013 some of the mental health providers suspected of Medicaid fraud by the Human Services Department have also been providing services to the Department. The Department has performed additional testwork on these providers and have not found any reporting instances of fraudulent billing, however, the additional test work was not performed by internal audit. The Department hired an Inspector General in March 2012. However, the internal audit function is a total of two people.

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. Comments of non-compliance noted in these reviews need to have better documentation as to any financial impact to the Department. There are many areas for an internal audit function to include in the internal audit plan that would exceed what a two person department can perform. For example, internal audit should test cell phone usage and assignment of cell phones to Department personnel. Internal audit should work with the Department of Information and Technology to determine if exception reports can be prepared to detect unusual cell phone activity.

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.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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 – Significant Deficiency (Continued)

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.

The internal audit function should have sufficient resources to include in the audit plan to test Department cell phone use and assignment of cell phones for instances of non-compliance with Department policy.

Responsible Official's Views:

During Fiscal Year 2013, the Inspector General was assigned a variety of investigations and reviews, including possible employee misconduct and program/process reviews. Investigations into allegations of employee misconduct included possible employee fraud or other misconduct that may be considered criminal in nature. The Inspector General works with law enforcement as they pursue charges when criminal activity is suspected. Program and process reviews included research and analysis of:

- The Department's use of a Collection Agency;
- Creation and pursuit of overpayments;
- Revision of the abuse allegation investigation process within Juvenile Justice Service (JJS) Division facilities;
- Account receivable conversion to SHARE;
- Established a Memorandum of Understanding with Workforce Solutions (WFS) to access wage data provided to WFS by employers to determine eligibility for Department services;
- Reviewed the SSI application process within JJS; and
- Various law enforcement agencies' addressing possible child abuse at a facility not licensed by CYFD.

Currently, the employee use of and need to have a state-issued cell phone has been determined by and tracked within each CYFD division. To identify employee inappropriate use of state-issued cell phones and as part of the Department's audit plan, the Department of Information and Technology will be contacted to determine if reports can be generated which would show deviations in an unusual use of state cell phones issued to Department employees.

The Department has not been able to identify any fraudulent billing by vendors identified by the Human Services Department which are suspected of Medicaid fraud. Additional reviews and test work can be performed by the Office of Inspector General in this fiscal year to identify any fraudulent billing previously not identified.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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 – Significant Deficiency (Continued)

Responsible Official's Views (Continued):

It has been the practice of CYFD to maintain internal controls of division-specific processes and procedures within each division, but the Department also recognizes the need to have additional resources in the Office of Inspector General to review additional programs and processes within the Department to test for possible non-compliance with Department policies and procedures.

The Special Investigator hired in Fiscal Year 2013 conducts investigations into allegations of abuse of youth in the JJS facilities to identify gaps in or lack of documented processes or procedures that may have led to inappropriate contact between youth in a JJS facility and a facility staff, other employee, contractor or volunteer.

A State Personnel Office posting for an Assistant Inspector General position closed on December 6, 2013. When filled, the person selected for this position will also be involved in conducting internal audits and reviews of Department processes and procedures.

Though the Department appreciates the internal audit function suggestions in this report, it should also be noted that this finding continues to include a reference to a fraud case from 2008 which was identified and addressed several years ago and is not tied to the Fiscal Year 2013 audit.

Other Department processes and procedures will continue to be assigned to the Office of Inspector General for review and analysis when potential issues are identified, along with potential employee misconduct that may involve fraud or criminal activity.

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

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

12-03 Internal Control Over Compliance – Other Findings

Condition 1:

During the review of the Education, Training and Voucher (ETV) Program, CFDA #93.599, grant year 2011; award #G-1101NMCETV, direct award from the U.S. Department of Health and Human Services, we selected a sample of 20 out of 39 total youth, who, in altogether, received \$69,602 of the total \$115,542 funds spent directly for youth enrolled in the program during fiscal year 2013. Files were reviewed for compliance with applicable requirements, allowable cost and activities, supporting documentation, and eligibility. Out of the 20 youth tested, one youth did not turn in receipts to support purchases of \$350 from Wal-Mart. Department staff were unable to locate youth to obtain receipts or refund of ETV funds.

Condition 2:

As part of compliance testwork, Title IV-E Adoption Assistance, CFDA #93.659, grant year 2013, award #G-1301NM1407, direct award from the U.S. Department of Health and Human Services, participant files were reviewed for supporting documentation of compliance with eligibility provisions of the *Agency Plan for Title IV-E of the Social Security Act Foster Care and Adoption Assistance State of New Mexico* (Agency Plan).

- One participant file did not have an Assistant Placement Agreement that agreed to the payment selected for testwork.

Condition 3:

As part of compliance testwork, Title IV-E Foster Care, CFDA #93.658, grant year 2012, award #G-1201NM1401, direct award from the U.S. Department of Health and Human Services, participant files were reviewed for supporting documentation of compliance with eligibility provisions of the *Agency Plan for Title IV-E of the Social Security Act Foster Care and Adoption Assistance State of New Mexico* (Agency Plan).

- One payment was not made in accordance with the proper assessed level of needs maintenance rate. The participant was assessed at a maintenance rate level 1 but a maintenance rate level 2 was disbursed. This resulted in an overpayment of \$623.

Condition 4:

As part of compliance testwork, Child Care Development Fund, CFDA #93.596, grant year 2013, award #G-1301NMCCDF, direct award from the U.S. Department of Health and Human Services, provider Survey Inspector Reports were reviewed for compliance with licensing requirements and child care payments were reviewed for compliance with applicable rates and co-payments of the Child Care and Development Fund Plan (CCDF Plan)

- One provider only had one inspection during the year of payment selected for testwork.
- One payment was calculated using a whole month instead of the partial period for services provided. Provider was paid a one-time payment of \$25.63 and the payment should have been \$17.09 resulting in an overpayment of \$8.54.

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

12-03 Internal Control Over Compliance – Other Findings (Continued)

Criteria 1:

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.

Criteria 2:

- Section 3 C *Adoption Assistance Agreement* of the Agency Plan requires a written agreement binding on all parties between the Department and the prospective adoptive parents. A written agreement is required to ensure the payment is an allowed activity for Title IV-E Adoption Assistance.

Criteria 3:

- Foster care payments should be made in accordance with the needs assessment and paid at the proper maintenance rate level.

Criteria 4:

- The CCDF Plan 3.1.3 *Enforcement of Licensing Requirements* requires inspections more than once a year to ensure child care providers caring for participants receiving CCDF services comply with the applicable health and safety requirements.
- Child care payments should be made for the actual period of services provided.

Cause 1:

YTS and department staff were unable to locate youth to obtain receipts or refund for the \$350 provided in the form of a Wal-Mart gift card.

Cause 2:

- The Department's procedures for participant file documentation did not appear to be sufficient for this instance.

Cause 3:

- The Department's procedures did not appear to be sufficient to ensure the payment was in accordance with the assessed level of needs maintenance rate.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

12-03 Internal Control Over Compliance – Other Findings (Continued)

Cause 4:

- The Department's inspection procedure for providers did not comply with the licensing requirements.
- Error in calculation of one-time payment to provider.

Effect 1:

Lack of compliance with Department policy regarding the collection of receipts for all funding provided to youth through the ETV program resulted in a \$350 payment without supporting documentation.

Effect 2:

The Department is not in compliance with the Agency Plan Section 3 C *Adoption Assistance Agreement* and NMAC 8.26.2.24. The Department does not have proper supporting documentation for this Title IV-E payment.

Effect 3:

- An overpayment to the provider of \$623.

Effect 4:

- The Department is not in compliance with the CCDF Plan 3.1.3 *Enforcement of Licensing Requirements* for one Child Care Development Fund expenditure.
- An overpayment to the provider of \$8.54.

Recommendation 2:

The Department needs to enhance its process for participant file maintenance to ensure federal expenditures are in accordance with program requirements.

Recommendation 3:

The Department should enhance procedures for participant file maintenance to ensure proper documentation of eligibility in accordance with 45 CFR §1356.21(b)(2) *Foster care maintenance payments program implementation requirements* and that expenditures are in accordance with proper assessed level of needs.

Recommendation 4:

The Department needs to enhance its process of provider inspections to ensure provider health and safety requirements are met. The Department should implement procedures to review child care payment calculations to ensure expenditures are accurate.

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CHILDREN, YOUTH AND FAMILIES DEPARTMENT**

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

12-03 Internal Control Over Compliance – Other Findings (Continued)

Responsible Official's View 1:

The Youth Services Bureau made several attempts to obtain the \$350 receipt from the youth. The Youth Transition Specialist (YTS) repeatedly called, texted, and e-mailed him, but he did not respond. The YTS attempted to contact the youth at his last known residence; however, the youth had moved with no forwarding address. Youth Services had the gift card cancelled after verifying that the gift card had not been reloaded. The youth last used the card on September 13, 2012 with no further activity and without any suspicion of misuse. This youth's gift card was issued in August of 2012.

Since December 1, 2012, the Youth Services Bureau implemented tighter internal controls and protocols for the issuance of gift cards. As a result, we obtained approximately 95% of ETV receipts for SFY 2013.

Responsible Official's View 2:

A level III assessment was completed by the case worker and approved by supervisor and documented in FACTS 60 days prior the finalization of adoption. A new request for an initial adoption agreement to request the new amount was not submitted to central adoption unit, however, the increased amount was approved. Effective immediately, the adoption subsidy manager will verify the amount the child is receiving in foster care to support the request. The agency will implement a new procedure that requires the adoption and foster care bureau chief approval for any level III request after approval from the deputy director

Responsible Official's View 3:

- There was an overpayment of \$623.00 made to a foster parent for the period 4/27/12 – 08/12/12. The case worker completed a foster care needs level assessment in FACTS, but did not follow procedure in changing the placement type to reflect the change which resulted in the overpayment. FACTS does not require the worker to change the placement when a foster care needs assessment level is changed. There is a code change freeze for FACTS code changes until 2018. Internal controls related to Title IV-E Eligibility are being incorporated into the EPICS design which will provide further controls to mitigate this error. In the interim, we may be able to request a pop up in FACTS that reminds the worker to look at the placement type to make sure it matches the foster care needs assessment level.

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Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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

12-03 Internal Control Over Compliance – Other Findings (Continued)

Responsible Official's View 4:

Early Childhood Services - Child Care Licensing acknowledges that two visits were not conducted for this one provider as outlined in policy. Going forward this policy will be reviewed with all licensing staff to ensure compliance of this policy at all times. Licensing supervisors will be advised to track compliance through a monthly review process.

Early Childhood Services – Child Care Assistance provided field staff with One-Time-Only (OTO) calculators to assist them with their work, which has improved accuracy. Also, Early Childhood Services is implementing a change in the Family Automated Client Tracking System (FACTS) on December 11, 2013, which will greatly reduce the need for staff to rely on OTO payments. Field staff will be reminded of the importance in using the FACTS enhancements to make accurate payments to Child Care Providers.

**STATE OF NEW MEXICO
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Schedule of Findings and Questioned Costs

June 30, 2013

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
12-03	Internal Control Deficiencies Over Education, Training and Voucher Disbursement	✓		12-03
12-04	AmeriCorp Program Lack of Supporting Documentation		✓	

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

Exit Conference

June 30, 2013

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

An exit conference was held on December 12, 2013 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
Helen Quintana	Chief of Staff
Annette Romero	ASD Deputy Director
Sandra Steckler	Chief Financial Officer
Sandra Salazar	Bureau Chief
Bernice Tapia	Financial Manager

Barraclough & Associates, P.C.

John E. Barraclough	Principal
Douglas W. Fraser	Senior Audit Manager
Lynette Kennard	Audit Supervisor

Office of the State Auditor

Carla Martinez	Deputy State Auditor
Natalie Cordova	Financial Audit Director
Miranda Mascarenas	Audit Supervisor
Lisa Jennings	Senior Auditor

