

**State of New Mexico Children, Youth and Families Department
Financial Statements
for the Year Ended
June 30, 2018
and Independent Auditors' Report**

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Table of Contents

Official Roster	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Financial Statements	
Statement of Net Position.....	14
Statement of Activities.....	17
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	21
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities.....	22
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	23
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) - General and Major Special Revenue Funds.....	24
Notes to Financial Statements	27
Supplementary Information	
Schedule of General Fund Components - Balance Sheet.....	56
Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance	58
Combining Balance Sheet - By Fund Type - Non Major Funds.....	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type - Non Major Funds.....	62
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis).....	64
Other Information - Schedules Required Under 2.2.2 NMAC	
Schedule of Changes in Assets and Liabilities - Agency Funds.....	65
Supplemental Schedule of Special Appropriations.....	67
Supplemental Schedule of Individual Bank Accounts.....	69
Supplemental Schedule of Joint Powers Agreements.....	71
Single Audit	
Schedule of Expenditures of Federal Awards.....	74
Notes to Schedule of Expenditures of Federal Awards.....	80
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	81
Independent Auditors' Report on Compliance for Each Major Federal Program, Internal Control over Compliance, and the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	83
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results.....	86
Findings - Financial Statement Audit.....	87
Findings - Federal Awards.....	88
Findings - Other Matters.....	94
Summary Schedule of Prior Year Audit Findings.....	100
Exit Conference	101

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Official Roster

Year Ended June 30, 2018

<u>Name</u>	<u>Title</u>
Monique Jacobson	Secretary
Vacant	Deputy Secretary
Vacant	Director of Juvenile Justice Services
Elena Tercero	Interim Director of Administrative Services Chief Financial Officer
Vacant	Director of Protective Services
Bryce Pittenger	Director of Behavioral Health
Alejandra RebolledaRea	Interim Director of Early Childhood Services
Irene Luetgen	Chief Information Officer

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules of the general and major special revenue funds of the NM Children, Youth and Families Department, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules of the general and major special revenue funds of the NM Children, Youth and Families Department as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the NM Children, Youth and Families Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the NM Children, Youth and Families Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2018, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NM Children, Youth and Families Department's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparisons, and other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparisons, and other schedules required by Section 2.2.2 NMAC and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

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

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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the NM Children, Youth and Families Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NM Children, Youth and Families Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NM Children, Youth and Families Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following *Management's Discussion and Analysis*, or MD&A, for the State of New Mexico, Children, Youth and Families Department (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations for fiscal year ending June 30, 2018. Additionally, the MD&A provides a discussion of significant changes in the account categories presented in the entity-wide *Statement of Net Assets* and *Statement of Activities*. This summary should not be taken as a replacement for the basic financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

- The first two statements are *entity-wide financial statements* that report information about the Department's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* includes all of the Department's assets, liabilities, and net position. 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 special revenue funds. A separate column is presented to report any variances between the final budget and actual amounts.
- *Statement of Fiduciary Net Position* – 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
Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

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

	Current Year 30-Jun-18	Prior Year 30-Jun-17	Favorable or (Unfavorable)	Percentage Change
Assets				
Current Assets	\$ 75,215,576	\$ 80,998,661	\$ (5,783,085)	-7.14%
Capital Assets	2,073,323	1,670,526	402,797	24.11%
Total Assets	77,288,899	82,669,187	(5,380,288)	-6.51%
Liabilities				
Current Liabilities	51,882,233	48,596,639	3,285,594	6.76%
Long-Term Liabilities	5,505,583	5,424,151	81,432	1.50%
Total Liabilities	57,387,816	54,020,790	3,367,026	6.23%
Net Position				
Investment in Capital Assets	2,073,323	1,670,526	402,797	24.11%
Restricted	22,094,609	23,773,412	(1,678,803)	-7.06%
Unrestricted	(4,266,849)	3,204,459	(7,471,308)	-233.15%
Total Net Position	\$ 19,901,083	\$ 28,648,397	\$ (8,747,314)	-30.53%
Program Revenues and Expenses				
Program Revenues	\$ 242,615,641	\$ 229,522,496	\$ 13,093,145	5.70%
Program Expenses	(502,135,767)	(471,960,597)	(30,175,170)	6.39%
Net Revenue (Expense)	(259,520,126)	(242,438,101)	(17,082,025)	7.05%
General Revenues (Expenses)				
General Fund and Special Appropriations	249,217,100	244,963,600	4,253,500	1.74%
Special Appropriations	100,000	1,500,000	(1,400,000)	-93.33%
Distributions from Land Grant				
Permanent Fund	1,939,746	1,612,190	327,556	20.32%
Other Revenue	446,434	678,116	(231,682)	-34.17%
Other Sources (Uses), Net	-	(2,000,000)	2,000,000	-100.00%
Total General Revenues (Expenses)	251,703,280	246,753,906	4,949,374	2.01%
Reversion to State General Fund	(930,468)	(1,114,393)	183,925	-16.50%
Change in Net Position	(8,747,314)	3,201,412	(11,948,726)	-373.23%
Beginning Net Position	28,648,397	25,446,985	3,201,412	12.58%
Ending Net Position	\$ 19,901,083	\$ 28,648,397	\$ (8,747,314)	-30.53%

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE (CONTINUED)

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2018 are as follows:

- *Current Assets* decreased by \$5,783,085 or 7.14 percent. The net decrease consists of many changes over the prior year as follows: State Fund Investment Pool increased by \$4,881,781, Accounts Receivable increased by \$622,216, Due from Federal Government decreased by \$9,509,749, Other Cash decreased by \$7,194, Due from Other Funds decreased by \$216,968, Due from Local Governments decreased by \$3,025, Due from Other Agencies decreased by \$1,779,225, Inventories decreased by \$68,457, Other Assets increased by \$3,455 and Investments at State Investment Council increased by \$294,081.
- *Capital Assets and Investment in Capital Assets* increased by \$402,797 or 24.11 percent due to purchase of capital assets in the current fiscal year.
- *Total Assets* decreased by \$5,380,288 or 6.51 percent. See discussions under *Current Assets* and Capital Assets and Investment in Capital Assets above.
- *Current Liabilities* increased by \$3,285,594 or 6.76 percent due to several changes of the liability accounts as follows: Accounts Payable decreased by \$353,734, Due to Other Agencies decreased by \$520,412, Due to State General Fund decreased by \$417,564, Due to Federal Government decreased by \$209,709, Due to Local Government/Beneficiaries increased by \$830,219, Compensated Absences increased by \$190,012, and Other Liabilities increased by \$3,609,464, and Accrued Expenses increased by \$157,318.
- *Long-Term Liabilities* increased by \$81,433 or 1.50 percent due to the change in long term portion of compensated absences.
- *Total Liabilities* increased by \$3,367,027 or 6.23 percent. See discussion under *Current Liabilities* above.
- *Restricted Net Position* decreased by \$5,945,653 or 25.01 percent primarily due to the non-reverting language provided to CYFD by the Legislature for FY15 for Early Childhood Program. Refer to Note 16.
- *Unrestricted Net Position* decreased by \$7,471,308 or 233.15 percent due to the non-reversion language allowed in the FY17 and FY18 appropriations.
- *Total Net Position* decreased by \$8,747,314 or 30.53 percent. See discussion under *Current Assets and Current Liabilities* above.
- *Program Revenues* increased by \$13,093,145 or 5.7 percent. Net increase attributed to an increase in Federal Funds of \$13,923,521 and Other State Funds decreased by \$830,376.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE (CONTINUED)

- *Program Expenses* increased by \$30,175,170 or 6.39 percent due to the increase in the General Fund Appropriation and increase in Federal Funding for fiscal year 2018.
- *Deficiency of Program Revenues over Program Expenses* increased by \$17,082,025 or 7.05 percent. See discussion under *Program Revenues* and *Program Expenses* above.
- *General Fund Appropriations* increased by \$4,253,500 or 1.74 percent over the prior year's appropriations.
- *Special Appropriations* decreased by \$1,400,000 or 93.33%.
- Distributions from the Land Grant Permanent Fund increased by \$327,556 or 20.32 percent. This distribution is based on the Department's share of this overall investment held with the State of New Mexico Investment Council.
- *Other Revenues* decreased by \$231,682 or 34.17 percent.
- *Other Sources (Uses) net* decreased by \$2,000,000 or 100.00 percent.
- *A Reversion to State General Fund* decreased by \$183,925 or 16.50 percent from the prior year reversion. CYFD recognized an increase in programmatic expenses.
- *Change in Net Position* decreased by \$8,747,314 due to the non-reverting language by the Legislature for FY 17 and FY 18 for Early Childhood, Juvenile Justice and Protective Services Programs.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
Management's Discussion and Analysis
Year Ended June 30, 2018

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 30-Jun-18	Prior Year 30-Jun-17	Increase or (Decrease)	Percentage Change
Major Funds				
<i>General Fund</i>				
Nonspendable	\$ 186,877	\$ 255,334	\$ (68,457)	-26.81%
Restricted	5,583,437	5,540,038	43,399	0.78%
Committed	2,998,223	10,129,629	(7,131,406)	-70.40%
Total General Fund	8,768,537	15,925,001	(7,156,464)	-44.94%
<i>Pre-Kindergarten</i>				
Nonspendable	-	-	-	0.00%
Restricted	6,797,778	6,756,909	40,869	0.60%
Committed	-	-	-	0.00%
Total Pre-Kindergarten	6,797,778	6,756,909	40,869	0.60%
<i>Non-Major Funds</i>				
Nonspendable	2,000,000	2,000,000	-	0.00%
Restricted	7,713,393	9,476,465	(1,763,072)	-18.60%
Committed	2,500,000	2,500,000	-	0.00%
Total Non-Major Funds	12,213,393	13,976,465	(1,763,072)	-12.61%
Total	\$ 27,779,708	\$ 36,658,375	\$ (8,878,667)	-24.22%

Ending fund balance for the current fiscal year, in the General Fund accounted for 31.56 percent of total fund balance for the Department. Of the General Fund, approximately 34.19 percent was committed, 63.68 percent was restricted, and 2.13 percent was nonspendable.

FY18 GENERAL BUDGETARY HIGHLIGHTS

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature in the General Appropriations Act, Laws of 2017, Chapter 135, Section 4 appropriated \$249,216,300 in State General Fund for the FY 18 Operating Budget which is an increase from the FY17 of \$4,252,700. The FY18 appropriation included funding of \$2,382,700 for Juvenile Justice and \$1,500,000 for Early Childhood Services.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
Management's Discussion and Analysis
Year Ended June 30, 2018

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 2017, Chapter 135, Section 4 for the year ended June 30, 2018 were:

TYPE	MEASURE	TARGET	RESULT
Early Childhood Services:			
Outcome	Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	94.0%	94.9%
Outcome	Percent of parents who demonstrate progress in practicing positive parent-child interactions	45.0%	45.2%
Protective Services:			
Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	94.0%	92.1%
Output	Turnover rate from protective service workers	20.0%	26.3%
Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of prior determination of substantiated maltreatment	92.0%	89.4%
Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.8%
Juvenile Justice Services:			
Outcome	Percent of clients who successfully complete formal probation	84.0%	85.6%
Outcome	Turnover rate for youth care specialists	15.0%	30.8%
Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	8.0%	2.3%
Output	Number of physical assaults in juvenile justice facilities	<275	284

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
Management's Discussion and Analysis
Year Ended June 30, 2018

PERFORMANCE MEASURES (CONTINUED)

TYPE	MEASURE	TARGET	RESULT
Behavioral Health Services:			
Outcome	Percent of youth receiving community-based and juvenile detention center behavioral health services who perceive they are doing better in school or work because of the behavioral health services they have received	80.0%	72.0%

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

Total compensated absences at June 30, 2018 are \$6,351,949. The estimated amount to be paid from current General Fund appropriations within one year is \$4,446,365 or 70.0 percent, with \$1,905,584 or 30.0 percent due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2018.

FY19 OPERATING BUDGET

CYFD depends primarily on appropriations from the New Mexico State General Fund. . The State Legislature in the General Appropriations Act, Laws 2018, Chapter 73 Section 8 appropriated \$277,617,100. The FY18 appropriation is an increase from FY17 in the amount of \$28,400,800. The appropriation included additional funding of \$25,000,000 for Child Care Assistance to working families. An increase for Protective Services of \$1,000,000 to increase the number of field positions as well an increase of \$2,000,000 for Care and Support Services in Protective Services.

FY20 OPERATING BUDGET REQUEST

The FY20 Operating Budget Request includes a base general fund request of \$301,189,900, an increase of \$545,500 or 5.2% over the FY19 operating budget. The general fund increase supports a Department Vacancy rate of 13.1%, budgeting vacant positions at mid-point of the salary ranges.

The general fund request includes an increase for Protective Services of \$6,997,500; \$3,000,000 to increase time limited reunification, Domestic Violence and a Safety Organized Practice Tool; and \$3,997,500 for 100 additional full time employees to assist in reducing caseloads in areas of most need throughout New Mexico. Early Childhood Services is requesting an additional \$10,000,000; \$3,000,000 for Early PreK and Mixed Age PreK to allow more three and four year olds access to PreK; \$2,000,000 for At-Risk Child Care to allow families at risk of becoming involved with Protective Services to access Child Care; \$1,000,000 for Registered Home Quality Initiative/Differential Rates to bring FOCUS quality elements and a tiered reimbursement system to the registered field; \$2,000,000 for Child Care Scholarships for early childhood educators working in child care centers and homes and \$2,000,000 for Targeted Home Visiting Level II for at-risk families needing additional support services.

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 STATEMENTS

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Net Position**

As of June 30, 2018

	<u>Governmental Activities</u>
Current Assets:	
Cash equivalents: (Note 3)	
Investment in SGFIP	\$ 42,769,787
Other Cash (Note 3)	52,806
Accounts receivable, net (Note 4)	1,642,701
Due from:	
Federal government (Note 4)	24,024,007
Other state agencies (Note 13)	76,388
Local governments	18,080
Inventories	186,877
Investments at SIC (Note 3)	6,439,262
Other assets	5,668
Total Current Assets	<u>75,215,576</u>
Non-Current Assets:	
Capital assets, net (Note 5)	<u>2,073,323</u>
Total Non-Current Assets	<u>2,073,323</u>
Total Assets	<u><u>\$ 77,288,899</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Net Position**

As of June 30, 2018

	Governmental Activities
Current Liabilities:	
Accounts payable	\$ 12,995,654
Due to:	
Federal government	637,012
Other state agencies (Note 13)	31,120
State general fund (Note 12)	1,179,586
Local governments (Note 14)	854,487
Components of the state (Note 14)	4,755,553
Accrued expenses	5,201,837
Other liabilities	21,780,619
Compensated absences (Note 9)	4,446,365
Total Current Liabilities	51,882,233
Long-Term Liabilities:	
Lawsuit litigation accrual (Note 11)	3,600,000
Compensated absences (Note 9)	1,905,583
Total Long-Term Liabilities	5,505,583
Total Liabilities	57,387,816
Net Position:	
Investment in capital assets	2,073,323
Restricted for:	
Nonexpendable:	
Children's trust fund - permanent	2,000,000
Expendable:	
Children's trust fund - permanent and special revenue	5,243,549
Day care fund	89,367
Subsequent year expenditures by applicable legislation and law unrestricted	14,761,693
Unrestricted	(4,266,849)
Total Net Position	19,901,083
Total Liabilities and Net Position	\$ 77,288,899

See Independent Auditors' Report and Notes to Financial Statements

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Activities**

For the Year Ended June 30, 2018

	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities Net Program (Expense)
Governmental Activities:			
Program Support	\$ (17,923,124)	\$ 5,339,676	\$ (12,583,448)
Juvenile Justice Services	(73,116,833)	923,737	(72,193,096)
Protective Services	(148,853,344)	57,623,651	(91,229,693)
Early Childhood Services	(245,209,330)	175,943,626	(69,265,704)
Behavioral Health Services	(17,033,136)	2,784,951	(14,248,185)
Total Governmental Activities	\$ (502,135,767)	\$ 242,615,641	(259,520,126)
 General Revenues:			
General Fund			249,217,100
Special Appropriations			100,000
Distributions from Land Grant Permanent Fund			1,939,746
Miscellaneous Revenue			127,827
Interest			318,607
Total General Revenues			251,703,280
 Transfers:			
Reversions (Note 12)			(930,468)
Net Transfers			(930,468)
 Change in Net Position			(8,747,314)
 Net Position, Beginning of Fiscal Year			28,648,397
 Net Position, End of Fiscal Year			\$ 19,901,083

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Balance Sheet - Governmental Funds**

As of June 30, 2018

	<u>General Fund</u>	<u>Pre- Kindergarten Fund (SHARE 20080)</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash: (Note 3)				
Cash equivalents: (Note 3)				
Investment in SGFIP	25,941,818	10,663,163	6,164,806	42,769,787
Other Cash (Note 3)	52,806	-	-	52,806
Accounts receivable, net (Note 4)	1,642,011	-	690	1,642,701
Due from:				
Federal government (Note 4)	24,024,007	-	-	24,024,007
Other state agencies (Note 13)	76,388	-	-	76,388
Local governments	-	-	18,080	18,080
Inventories	186,877	-	-	186,877
Investments at SIC (Note 3)	-	-	6,439,262	6,439,262
Other assets	5,656	12	-	5,668
Total Assets	<u>\$ 51,929,563</u>	<u>\$ 10,663,175</u>	<u>\$ 12,622,838</u>	<u>\$ 75,215,576</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 10,879,676	\$ 2,032,549	\$ 83,429	\$ 12,995,654
Due to:				
Federal government	637,012	-	-	637,012
Other state agencies (Note 13)	31,120	-	-	31,120
State general fund (Note 12)	1,140,204	39,198	184	1,179,586
Local governments (Note 14)	345,829	187,178	321,480	854,487
Component units of the state (Note 14)	3,166,199	1,589,354	-	4,755,553
Accrued expenses	5,180,432	17,118	4,287	5,201,837
Other liabilities	21,780,554	-	65	21,780,619
Total Liabilities	<u>43,161,026</u>	<u>3,865,397</u>	<u>409,445</u>	<u>47,435,868</u>
Fund Balance:				
Non-spendable (Note 16)	186,877	-	2,000,000	2,186,877
Restricted (Note 16)	5,583,437	6,797,778	7,713,393	20,094,608
Committed (Note 16)	2,998,223	-	2,500,000	5,498,223
Total Fund Balance	<u>8,768,537</u>	<u>6,797,778</u>	<u>12,213,393</u>	<u>27,779,708</u>
Total Liabilities and Fund Balance	<u>\$ 51,929,563</u>	<u>\$ 10,663,175</u>	<u>\$ 12,622,838</u>	<u>\$ 75,215,576</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

As of June 30, 2018

Total Fund Balance - Governmental Funds	\$	27,779,708
(Balance Sheet - Governmental Funds)		

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

Governmental Capital Assets	5,767,745	
Less: Accumulated Depreciation	<u>(3,694,422)</u>	
		2,073,323
 Lawsuit Litigation Accrual		 (3,600,000)
 Compensated absences recorded in the Statement of Net Position not recorded in the governmental funds		 <u>(6,351,948)</u>
 Net Position of Governmental Activities (Statement of Net Position)		 <u><u>\$ 19,901,083</u></u>

See Independent Auditors' Report and Notes to Financial Statements

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**

For the Year Ended June 30, 2018

	General Fund	Pre- Kindergarten Fund (SHARE 20080)	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Federal awards	\$ 225,339,333	\$ 14,100,000	\$ -	\$ 239,439,333
Other state funds	1,872,505	-	1,303,803	3,176,308
Interest earnings	3,983	-	314,624	318,607
Other revenue	127,827	-	-	127,827
Total Revenues	<u>227,343,648</u>	<u>14,100,000</u>	<u>1,618,427</u>	<u>243,062,075</u>
Expenditures:				
Current:				
Operating costs	16,759,055	412,563	5,934	17,177,552
Personal services	92,973,035	305,540	22,803	93,301,378
Out-of-state travel	97,496	-	-	97,496
Grants and services	2,335,421	-	-	2,335,421
Travel	2,317,287	8,399	2,758	2,328,444
Maintenance and repairs	883,415	659	36	884,110
Supplies	3,740,575	4,823	511	3,745,909
Contractual services	68,310,009	26,358,652	2,806,845	97,475,506
Other costs	238,879,349	73,146	3,513,839	242,466,334
Employee benefits	41,506,254	105,349	7,173	41,618,776
Capital outlay	836,194	-	-	836,194
Total Expenditures	<u>468,638,090</u>	<u>27,269,131</u>	<u>6,359,899</u>	<u>502,267,120</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(241,294,442)</u>	<u>(13,169,131)</u>	<u>(4,741,472)</u>	<u>(259,205,045)</u>
Other Financing Sources (Uses):				
General fund appropriations	233,028,700	13,210,000	2,978,400	249,217,100
Special appropriations	100,000	-	-	100,000
Distributions from Land Grant Permanent Fund	1,939,746	-	-	1,939,746
Transfers (In): (Note 15)				
Inter-agency	-	-	-	-
Intra-agency	-	-	-	-
Transfers (out): (Note 15)				
Inter-agency	-	-	-	-
Intra-agency	-	-	-	-
Reversions (Note 12)	(930,468)	-	-	(930,468)
Total Other Financing Sources (Uses)	<u>234,137,978</u>	<u>13,210,000</u>	<u>2,978,400</u>	<u>250,326,378</u>
Net Changes in Fund Balance	(7,156,464)	40,869	(1,763,072)	(8,878,667)
Fund Balance, June 30, 2017	<u>15,925,001</u>	<u>6,756,909</u>	<u>13,976,465</u>	<u>36,658,375</u>
Fund Balance, June 30, 2018	<u>\$ 8,768,537</u>	<u>\$ 6,797,778</u>	<u>\$ 12,213,393</u>	<u>\$ 27,779,708</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

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

For the Year Ended June 30, 2018

Net Changes in Fund Balance - Total Governmental Funds	\$	(8,878,667)
(Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds)		

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	836,194	
Less: Current Year Depreciation	<u>(291,028)</u>	
		545,166

Disposal of Capital Assets		(142,369)
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Increase in Accrued Compensated Absences		<u>(271,444)</u>
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Change in Net Position of Governmental Activities (Statement of Activities)	\$	<u><u>(8,747,314)</u></u>
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STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Fiduciary Assets and Liabilities - Agency Funds

As of June 30, 2018

	<u>Agency Funds</u>
Assets:	
Cash equivalents:	
Investment in SGFIP	\$ 729,987
Other Cash	39,661
	<hr/>
Total Assets	\$ 769,648
	<hr/> <hr/>
Liabilities:	
Accounts payable	\$ 30,090
Deposits held for others	739,558
	<hr/>
Total Liabilities	\$ 769,648
	<hr/> <hr/>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - General Major Special Revenue Funds

For the Year Ended June 30, 2018

GENERAL FUND(S) (SHARE 06700, 06800, 48900, 49100, 83900, 84000,
84100)

	Budgeted Amounts		Actual Amounts (Modified Accrual)	Variance Over (Under)
	Original	Final		
Revenues and Other Financing Sources:				
Federal funds	\$ 225,047,500	\$ 228,572,185	\$ 225,339,333	\$ (3,232,852)
Other state funds	2,815,800	2,815,800	2,000,331	(815,469)
State general fund	233,028,700	233,028,700	233,028,700	-
Transfers outside the agency	-	-	1,939,746	1,939,746
Interest revenue	1,090,300	1,090,300	3,982	(1,086,318)
Total Revenues and Other Financing Sources	461,982,300	465,506,985	462,312,092	\$ (3,194,893)
Prior Year Funds Rebudgeted	-	8,982,570		
	\$ 461,982,300	\$ 474,489,555		
Expenditures and Other Financing Uses:				
Program Support:				
Personal services/employee benefits	\$ 12,532,300	\$ 11,348,300	11,315,252	\$ 33,048
Contractual services	1,558,900	1,558,900	1,094,802	464,098
Other	5,151,300	6,335,300	5,601,471	733,829
	<u>19,242,500</u>	<u>19,242,500</u>	<u>18,011,525</u>	<u>1,230,975</u>
Juvenile Justice Services:				
Personal services/employee benefits	55,996,000	53,847,000	53,171,577	675,423
Contractual services	10,574,100	11,254,100	9,058,868	2,195,232
Other	6,109,900	8,310,870	8,426,661	(115,791)
	<u>72,680,000</u>	<u>73,411,970</u>	<u>70,657,106</u>	<u>2,754,864</u>
Protective Services:				
Personal services/employee benefits	55,957,600	57,774,600	57,773,203	1,397
Contractual services	24,531,100	24,006,125	21,316,507	2,689,618
Other	64,849,800	66,407,775	68,783,111	(2,375,336)
	<u>145,338,500</u>	<u>148,188,500</u>	<u>147,872,821</u>	<u>315,679</u>
Early Childhood Services:				
Personal services/employee benefits	8,851,300	9,726,300	9,677,601	48,699
Contractual services	37,107,800	28,745,683	21,837,202	6,908,481
Other	161,895,200	177,578,825	182,547,207	(4,968,382)
	<u>207,854,300</u>	<u>216,050,808</u>	<u>214,062,010</u>	<u>1,988,798</u>
Behavioral Health Services:				
Personal services/employee benefits	2,293,900	2,563,077	2,541,655	21,422
Contractual services	14,224,000	14,494,900	14,001,140	493,760
Other	349,100	537,800	490,341	47,459
	<u>16,867,000</u>	<u>17,595,777</u>	<u>17,033,136</u>	<u>562,641</u>
Total Budgeted Expenditures and Other Financing Uses	\$ 461,982,300	\$ 474,489,555	467,636,598	\$ 6,852,957
Non-Budgeted Items:				
Reversions			930,468	
Total Expenditures and Other Financing Uses			<u>468,567,066</u>	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			<u>\$ (6,254,974)</u>	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds (special appropriations), which results in a net reconciling difference of \$901,490 from the statement of revenues, expenditures, and changes in fund balance.

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis) - General Major Special Revenue Funds

For the Year Ended June 30, 2018

	PRE-KINDERGARTEN FUND (SHARE 20080)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	\$ 14,100,000	\$ 14,100,000	\$ 14,100,000	\$ -
Other state funds	-	-	-	-
State general fund	13,210,000	13,210,000	13,210,000	-
Interest revenue	-	-	-	-
Total Revenues and Other Financing Sources	<u>27,310,000</u>	<u>27,310,000</u>	<u>27,310,000</u>	<u>\$ -</u>
Prior Year Funds Rebudgeted	1,684,800	1,684,800		
	<u>\$ 28,994,800</u>	<u>\$ 28,994,800</u>		
Expenditures and Other Financing Uses:				
Program Support:				
Personal services/employee benefits	\$ -	\$ -	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Juvenile Justice Services:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Protective Services:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Early Childhood Services:				
Personal services/employee benefits	386,400	426,400	410,888	15,512
Contractual services	28,004,600	28,004,600	26,358,652	1,645,948
Other	603,800	563,800	499,590	64,210
	<u>28,994,800</u>	<u>28,994,800</u>	<u>27,269,130</u>	<u>1,725,670</u>
Behavioral Health Services:				
Personal services/employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Budgeted Expenditures and Other Financing Uses	<u>\$ 28,994,800</u>	<u>\$ 28,994,800</u>	<u>27,269,130</u>	<u>\$ 1,725,670</u>
Non-Budgeted Items:				
Reversions			-	
Total Expenditures and Other Financing Uses			<u>27,269,130</u>	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			<u>\$ 40,869</u>	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds (special appropriations).

See Independent Auditors' Report and Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

NOTE 1 HISTORY AND FUNCTION

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

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

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

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

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

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

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

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

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.

5. The Information Technology Services Division supports the network infrastructure and all IT systems, including the mission-critical Family Automated Client Tracking System (FACTS) application for all CYFD staff. Support includes application development, network administration and planning, telecommunications, Help Desk, regional support, Internet/Intranet development and support, production control and business/technical feasibility analysis.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. The Department is a component 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 a part of the Statewide CAFR as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Department Secretary is appointed by the Governor, the secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Department has no blended or discretely presented component units during the year ended June 30, 2018.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Joint Venture

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

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

Basic Financial Statements

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

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

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

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

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

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

Basis of Presentation

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

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

The following are the governmental 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 type expenditures or fund liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

GOVERNMENTAL FUND TYPES (Continued)

Major Funds

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

06700 General Operating - The operating account for the Department. This is a reverting account, with the exception of amounts received from the Permanent Fund income and land income funds (NMSA 1978 33-1-18/19 and 32-2-2).

06800 Special Appropriation Light - Senator Light Donation by Representative Light when CYFD was established by the Department. Expenditures are unrestricted; however, consistent with the donation documentation the remaining account balance is not reverted.

48900 FACTS - Account established to issue "M" warrants which are payments to providers in the foster care and adoption programs. This is a reverting account.

49100 Child Care Payments - Account established to issue "M" warrants which are payments to the child care providers who have delivered child care services to eligible families. This is a reverting account.

83900 Juvenile Community Corrections - Account was created by NMSA 33-9A-1-6 to 33-9A-6 to account for resources used to divert juveniles from institutions and reintegrate them with society. In accordance with NMSA 33-9A-3, balances are not reverted.

84000 Federal Child Care Food Account - Payments to child and adult care providers for meals served to children and adults in nonresidential childcare settings. Resources include only federal, and is therefore nonreverting.

84100 JJDP/Children's Justice - The account was established in accordance with the Federal Juvenile Justice and Delinquency Prevention Act and the federal Children's Justice Act, which are federal funds, and is accordingly nonreverting to the State General Fund.

Special Revenue Fund

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

GOVERNMENTAL FUND TYPES (Continued)

Non-Major Funds

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

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.

20090 Regional Juvenile Services - This fund is created 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 nonreverting fund.

78000 Children's Trust Fund - This fund is created by NMSA 24-19-2 and is used to account for 50% of marriage license fees collected by county clerks, interest on investments and private donations to advocate for and educate about the prevention of child abuse and neglect.

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.

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.

94800 Children's Trust Fund Next Generation - This fund is created by NMSA 24-19-2 and is used to account for general fund appropriations to fund projects and programs that provide positive child and youth development activities that support physical, mental, and social well-being.

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.

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.

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

GOVERNMENTAL FUND TYPES (Continued)

Non-Major Funds (Continued)

Permanent Funds - (continued)

94900 Children's Trust Fund Next Generation - This fund is used to account for general fund appropriations, investments, and interest on investments.

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.

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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Federal revenue is considered available if it collected within 120 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual. The Department did not receive any bond proceeds for capital projects for the 2018 fiscal year.

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

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

Cash and State Fund Investment Pool

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

For the year ended June 30, 2018 the State of New Mexico is on the basis as the budgetary basis which differs from modified accrual in the following ways: per the General Appropriation Act of 2012 any account payable amount not paid by the statutory deadline for the current fiscal year must be paid out of the next year's budget. Additionally, as part of the budgetary basis, encumbrances will not longer carry over to the next year. Lastly, multi-year, special appropriations are not included in the Department's budget schedules.

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Accrued vacation up to 240 hours is recorded in the Statement of Net Position at 100% of the employee's hourly wage. In addition, accrued sick leave over 600 and up to 720 hours less the amount classified as current is recorded in the Statement of Net Position at 50% of the employee's hourly wage. Compensatory time is accrued at a rate of one and one-half hours for each hour of employment for which overtime compensation is required for those employees covered by the Fair Labor Standards Act (FLSA). Employees exempt from coverage by FLSA earn one hour of compensatory time for each overtime hour. The accrual for compensated absences is calculated at pay rates in effect at June 30, 2018, and includes direct and incremental salary related payments, such as the employees' share of social security taxes.

Pensions

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

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

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

The Department, as a part of the primary government, of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Federal Grants Receivable (Unearned Revenue)

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

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

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Fund Balance. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable represents reserves for imprest petty cash and change funds, supplies inventory, and prepaid postage. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See Note 16, Governmental Fund Balances - Nonspendable, Restricted, and Committed, for additional information about fund balances.

Net Position

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

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

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

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

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

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

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

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

Program Revenues

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

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash balances at financial institutions and on hand at June 30, 2018 consist of the following:

Bank Account - General Fund	\$ 52,806
Bank Accounts - Agency Funds	39,661
Cash on Hand	-
Total Cash Balance	\$ 92,467

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

General Fund Balance	\$ 25,941,818
20080 Pre-Kindergarten Balance	10,663,163
Nonmajor Government Funds Balances	6,164,806
Agency Funds	729,987
Total	\$ 43,499,774

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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

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

The Department follows GASB 40, Deposit and Investment Risk Disclosures. GASB 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Department does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks. Its only investments are invested by the State Investment Council. The Department's balances with financial institutions did not exceed depository insurance for the year ended June 30, 2018.

All funds on deposit with banking institutions were fully covered by Federal Deposit Insurance Corporation (FDIC) Insurance at June 30, 2018, as the bank balances indicate below:

	Wells Fargo Bank	Bank of America
Total Amount of Deposits per Bank	\$ 52,806	\$ 39,661
Less: FDIC Coverage	52,806	39,661
Total Uninsured Public Funds	<u>\$ -</u>	<u>\$ -</u>

CYFD investments held by the State Investment Council at June 30, 2018 were as follows:

	Permanent Children Trust	Permanent CTF-Next Gen
Level 1:		
Large Cap Index	\$ 1,005,896	\$ 390,186
Non US Developed Markets Pool	184,589	66,262
Non US Emerging Markets Pool	42,669	13,226
Level 2:		
US Core Bonds Pool	3,428,612	1,307,823
Total	<u>\$ 4,661,765</u>	<u>\$ 1,777,497</u>

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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

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

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

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

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

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

State General Fund Investment Pool

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

State General Fund Investment Pool (Continued)

The State Controller indicated on August 13, 2018 that as of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

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

Interest in the State General Fund Investment Pool

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

At June 30, 2018, the Department had the following invested in the State General Fund Investment Pool: \$43,499,775.

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, 2018.

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, 2018.

NOTE 4 ACCOUNTS AND FEDERAL RECEIVABLE

Accounts receivable at June 30, 2018 are as follows:

Accounts Receivable - Overpayment of Benefits	\$	7,033,903
Other Receivables		2,943,988
		9,977,891
Less: Contractual and Collectability Allowances		(8,335,190)
Total Accounts Receivable	\$	1,642,701

Federal Grants Receivable *	\$	24,557,096
Less: Uncollectible Accounts		(533,089)
Total Grants Receivable	\$	24,024,007

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

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

An analysis for the receivable allowances is as follows:

Balance - Beginning of Year	\$	8,551,452
Provision for Doubtful Accounts		316,827
Balance - End of Year	\$	8,868,279

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 5 CAPITAL ASSETS

The Department does not have any debt related to capital assets as of June 30, 2018. The current year additions were paid from the General Fund as the expenditures from the Capital Project Fund did not meet the capitalization criteria.

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities:				
Depreciable Assets:				
Buildings and Structures	\$ -	\$ 151,478	\$ -	\$ 151,478
Data Processing Equipment	2,738,402	140,849	(8,369)	2,870,882
Equipment and Machinery	869,655	71,397	(33,379)	907,673
Furniture and Fixtures	760,892	15,730	-	776,622
Vehicles	167,662	-	(167,662)	-
Leasehold Land Improvements	604,350	456,740	-	1,061,090
Total Depreciable Assets	5,140,961	836,194	(209,410)	5,767,745
Less Accumulated Depreciation:				
Buildings and Structures	-	-	-	-
Data Processing Equipment	2,283,759	135,689	(8,369)	2,411,079
Equipment and Machinery	425,496	55,720	(33,379)	447,837
Furniture and Fixtures	562,056	28,601	-	590,657
Vehicles	22,839	2,455	(25,293)	1
Leasehold Land Improvements	176,285	68,563	-	244,848
Total Accumulated Depreciation	3,470,435	291,028	(67,041)	3,694,422
Capital Assets, Net	\$ 1,670,526	\$ 545,166	\$ (142,369)	\$ 2,073,323

Depreciation expense was \$291,028 for the year ended June 30, 2018 and is considered a governmental activity and allocated to all governmental programs.

NOTE 6 RETIREMENT PLANS (STATE PERA AND ERB)

Public Employees Retirement Association's Pension Plan

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

NOTE 6 RETIREMENT PLANS (STATE PERA AND ERB) (Continued)

Public Employees Retirement Association's Pension Plan (Continued)

Funding Policy. Plan members are required to contribute from 4.78% to 8.92% (depending upon the division) of their gross salary. The Department is required to contribute from 16.99% to 26.12% (depending upon the division) of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2018, 2017, and 2016 were \$15,354,339, \$15,390,205, and \$15,301,906, respectively, which equal the amount of the required contribution for each fiscal year.

Educational Retirement Board's Pension Plan

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

Funding Policy.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required by statute to contribute 10.70% of their gross salary.

Employer Contributions

In fiscal year 2018, the Department was required to contribute 13.90%.

The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016 were \$415,965, \$374,143, and \$391,913, respectively, which equal the amount of the required contributions for each fiscal year.

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

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Rm 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM, 87501.

NOTE 8 BUDGETARY BASIS

For the year ended June 30, 2018 the State of New Mexico is on the budgetary basis which differs from the modified accrual in the following ways: per the General Appropriation Act of 2012 any account payable amount not paid by the statutory deadline for the current fiscal year must be paid out of the next year's budget. Additionally, as part of the budgetary basis, encumbrances will no longer carry over to the next year. Lastly, multi-year, special appropriations are not included in the Department's budget schedules.

NOTE 9 COMPENSATED ABSENCES

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

	Balance at June 30, 2017	Additions	Deletions	Ending Balance June 30, 2018
Compensated Absences:				
Annual Leave	\$ 4,692,256	\$ 4,811,310	\$ (4,871,592)	\$ 4,631,974
Compensatory Leave	1,242,647	1,773,234	(1,458,232)	1,557,649
Sick Leave	145,601	3,961,471	(3,944,747)	162,325
Total Compensated Absences	<u>6,080,504</u>	<u>\$ 10,546,015</u>	<u>\$ (10,274,571)</u>	6,351,948
Less: Current Portion	<u>4,256,353</u>			<u>4,446,365</u>
Net Long-Term Compensated Absences	<u>\$ 1,824,151</u>			<u>\$ 1,905,583</u>

The General Fund has been used to pay compensated absences.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 10 LEASE OBLIGATIONS

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

Years Ending June 30,	Facilities	Equipment
2019	\$ 9,622,300	\$ 702,900
2020	8,491,700	615,000
2021	3,934,198	615,000
2022	2,156,823	615,000
2023	982,481	615,000
Total	\$ 25,187,502	\$ 3,162,900

During the period ended June 30, 2018, facilities and equipment rent expenses amounted to \$10,276,584

NOTE 11 CLAIMS AND JUDGEMENTS

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

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

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

Long-term litigation liability is shown below:

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 12 REVERSIONS

Unexpended and unencumbered cash balances of certain accounts revert to the State General Fund at year-end. Also, cash recoveries during the fiscal year from stale dated warrants and documents, Child Care licensing fees, and fines per NMSA 24-1-5 are due to the State General Fund. The amounts due to the State General Fund for 2018 reversions are:

	Reversion	
	Calculation	General Fund
Fund Balance SHARE Funds 06700, 48900, 49100	\$ 4,115,568	\$ 4,115,568
Special Appropriations	(100,000)	(100,000)
Nonreverting Components of Fund Balances	-	(3,085,100)
Nonspendable Fund Balance	(186,877)	-
-State Permanent and Land Income 2018	(1,939,746)	-
-State Permanent and Land Income 2017	(800,152)	-
-Annie Casey Foundation	(105,519)	-
-Client Emergency	(52,806)	-
Calculated Current Year Reversion	930,468	930,468
Special Appropriations	(497,575)	(497,575)
	\$ 432,893	\$ 432,893

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

2018 Reversion Liability	\$ 742,371
Licensing Fees per NMSA 24-1-5	83,694
Stale Dated Warrants	176,644
Employee Reimbursements & Penalty Fees	27,908
Children's Trust Fund	184
Pre-Kindergarten	39,198
FACTs Protective Services	109,587
	\$ 1,179,586

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 13 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; the state share of Targeted Case Management to HSD; Birth and Death Certificates and Public Education Department for National School Lunch expenditures at CYFD facilities.

Due From Other State Agencies

<u>Amount From Other Agencies</u>			<u>Other Agencies</u>		
Fund	SHARE Fund No.	Amount	Agency	SHARE Fund No.	Amount
General Fund	06700	\$ 76,388	Human Services Department	05200	\$ 76,388
Total		<u>\$ 76,388</u>			<u>\$ 76,388</u>

Due To Other State Agencies

<u>Amount Due to Other Agencies</u>			<u>Other Agencies</u>		
Fund	SHARE Fund No.	Amount	Agency	SHARE Fund No.	Amount
General Fund	06700	\$ 86	District Attorney 3rd District	93300	\$ 86
General Fund	06700	22,422	Human Services Department	05200	22,422
General Fund	06700	120	Department of Health	06101	120
General Fund	06700	240	Department of Health	06105	240
General Fund	06700	8,252	Public Education Department	84402	8,252
Total		<u>\$ 31,120</u>			<u>\$ 31,120</u>

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

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 14 INTERGOVERNMENTAL PAYABLES

Due to Components of the State - Intergovernmental Payables (Educational Institutions and local governments) are expected to be settled within the next fiscal year.

Fund Name	Amount Due to Component Units of the State / Local Governments		Other Entity	
	SHARE No.	Fund Amount	Fund Name	Amount
Due to Component units of the State				
General Fund	06700	\$ 49,754	UNM Medical Group	\$ 49,754
General Fund	06700	17,607	Eastern New Mexico Univ.	17,607
General Fund	06700	567,144	New Mexico Highlands Univ.	567,144
General Fund	06700	776,863	New Mexico State University	776,863
General Fund	06700	1,738,565	University of New Mexico	1,738,565
General Fund	06700	16,266	Western New Mexico Univ.	16,266
Pre-Kindergarten	20080	720	New Mexico State University	720
Pre-Kindergarten	20080	1,578,971	University of New Mexico	1,578,971
Pre-Kindergarten	20080	9,663	Western New Mexico Univ.	9,663
Total Due to Beneficiaries		<u>\$ 4,755,553</u>		<u>\$ 4,755,553</u>
Due to Local Governments				
General Fund	06700	\$ 18,780	Bernalillo County	\$ 18,780
General Fund	06700	1,873	City of Las Cruces	1,873
General Fund	06700	51,128	County of Chavez	51,128
General Fund	06700	7,920	County of Colfax	7,920
General Fund	06700	96,657	County of Luna	96,657
General Fund	06700	734	County of Torrance	734
General Fund	06700	136,186	Gallup-McKinley County	136,186
General Fund	06700	100	Las Vegas City Schools	100
General Fund	06700	1,486	County of Otero	1,486
General Fund	06700	15,162	County of San Juan	15,162
Pre-Kindergarten	20080	26	Bernalillo County	26
Pre-Kindergarten	20080	187,152	City of Albuquerque	187,152
Regional Juvenile Justice	20090	13,345	Bernalillo County	13,345
Regional Juvenile Justice	20090	2,266	City of Las Cruces	2,266
Regional Juvenile Justice	20090	45,992	City of Las Vegas	45,992
Regional Juvenile Justice	20090	8,226	County of Chavez	8,226
Regional Juvenile Justice	20090	9,881	City of Raton	9,881
Regional Juvenile Justice	20090	11,911	City of Santa Fe	11,911
Regional Juvenile Justice	20090	17,198	City of Socorro	17,198

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements

NOTE 14 INTERGOVERNMENTAL RECEIVABLES / PAYABLES (CONTINUED)

Due to Local Governments (Continued)

Regional Juvenile Justice	20090	\$	18,862	County of T or C	\$	18,862
Regional Juvenile Justice	20090		32,511	County of Lincoln		32,511
Regional Juvenile Justice	20090		20,491	County of Luna		20,491
Regional Juvenile Justice	20090		7,433	County of Otero		7,433
Regional Juvenile Justice	20090		58,635	County of Sandoval		58,635
Regional Juvenile Justice	20090		14,733	County of Torrance		14,733
Regional Juvenile Justice	20090		22,052	County of Valencia		22,052
Regional Juvenile Justice	20090		9,200	County of Curry		9,200
Regional Juvenile Justice	20090		12,395	County of Grant		12,395
Regional Juvenile Justice	20090		10,312	Inc. County of Los Alamos, NV		10,312
Regional Juvenile Justice	20090		807	County of McKinley		807
Regional Juvenile Justice	20090		5,230	County of Rio Arriba		5,230
Juvenile Community Corrections	83900		5,835	County of Chavez		5,835
Juvenile Community Corrections	83900		8,165	County of Rio Arriba		8,165
Juvenile Community Corrections	83900		1,803	County of San Juan		1,803
Total Due to Local Governments		\$	<u>854,487</u>		\$	<u>854,487</u>

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements

NOTE 15 TRANSFERS

Intra-Agency Transfers

	FROM FUND TO FUND NO. NO. 06700 49100	Amount
To transfer cash from P577 fund 06700 to P782 fund 49100 and P578 fund 48900 per BAR #18-14	\$ (1,000,000) \$ 1,000,000	\$ -
	FROM FUND TO FUND NO. NO. 06700 48900	Amount
To transfer cash from P577 fund 06700 to P782 fund 49100 and P578 fund 48900 per BAR #18-14	(800,000) 800,000	-
	FROM FUND TO FUND NO. NO. 06700 48900	Amount
Technical Correction for BAR#18-13 - Moving cash from fund 06700 to 49100.	(4,970,600) 4,970,600	-
	\$ (6,770,600) \$ 6,770,600	\$ -

Intra-agency transfers are eliminated in the presentation of the government wide statement of revenues, expenditures and changes in fund balance.

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

NOTE 16 GOVERNMENTAL FUND BALANCES - NONSPENDABLE, RESTRICTED, AND COMMITTED

The Department's fund balances represent: (1) Nonspendable purposes include balances that are legally or contractually required to be maintained intact; (2) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (3) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. A summary of the nature and purpose of these reserves by fund type at June 30, 2018, follows:

Fund/Program	Restriction	Committed Purpose	Restricted Purposes	Nonspendable Purposes
General Fund:				
General Operating	The operating account of the Department. (P576,P577, P578 and P580) - subsequent year's expenditures - NMSA 19-1-17 State Permanent and Land Income; Laws of 2015, 1st Session, Ch. 101 Sec. 5 Item 44 and Laws of 2016, Ch. 11, Sec. 5 Item 41 - Non-Reverting Language.	\$ 2,998,223	\$ -	\$ -
General Operating	Supplies Inventory	-	-	186,877
Special Appropriation Light	Donation by Representative Light when CYFD was established as a Department	-	459,708	-
Juvenile Community Corrections	NMSA-33-9A.3 - Fund used to divert juveniles from institutions and reintegrate them with society	-	3,337,677	-
Federal Childcare Food Account	Payments to child and adult care providers for meals served to children and adults in non-residential childcare settings.	-	50,736	-
JJP/Children's Justice	Account established to implement the federal Juvenile Justice and Delinquency Prevention Act and the federal Children's Justice Act.	-	1,735,316	-
Total General Fund		2,998,223	5,583,437	186,877

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Financial Statements**

**NOTE 16 GOVERNMENTAL FUND BALANCES - NONSPENDABLE, RESTRICTED, AND COMMITTED
(CONTINUED)**

Fund/Program	Restriction	Committed Purpose	Restricted Purposes	Nonspendable Purposes
Major Special Revenue Fund:				
Pre-Kindergarten	NMSA 32A-23-I - carry out provisions of the Pre-Kindergarten	-	6,797,778	-
Fund Balance - Non-Major Funds:				
Children's Trust Fund	NMSA 1978 24-19-1 to 24-19-9 - contribute to Children's Trust Funds	-	1,365,151	-
CTF Next Generation	NMSA 1978 24-19-1 to 24-19-9 -used to account for general fund appropriations received for specific purposes	-	420,516	-
Day Care	NMSA 24-14-29 - resources contributed to or earned by the Day Care Fund	-	89,367	-
Regional Juvenile Services	NMSA 32a-23-I - carry out provisions of the Juvenile Services Act	-	2,377,912	-
Permanent Children's Trust Fund	NMSA 24-19-4 and is used to account for 50% of marriage license fees collected by county clerks	-	2,556,914	-
Permanent Children's Trust Fund	NMSA 24-19-4; principal amount of investment for this fund.	-	-	1,000,000
Permanent Children's Trust Fund	Committed by Children's Trust Fund Board to increase investment	2,500,000	-	-
Permanent CTF Next Gen	NMSA 1978 24-19-1 to 24-19-9; principal amount of investment for this fund.	-	-	1,000,000
Permanent CTF Next Gen	NMSA 1978 24-19-1 to 24-19-9 general fund appropriations, investments and interest on investments	-	900,968	-
Early Childhood Learning	NMSA 32A-23A-6 used to implement the State Early Childhood Care and Education Act	-	2,565	-
Total Fund Balance - Restricted / Committed for Subsequent Years' Expenditures		2,500,000	7,713,393	2,000,000
Total Fund Balance		\$ 5,498,223	\$ 20,094,608	\$ 2,186,877

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 \$390,234 recognized in the general fund as distributions from land grant permanent fund.

The Department has a 2/7th interest in the State Charitable, Penal and Reformatory Institutions Fund. Income of \$1,549,512 is recognized in the general fund as distributions from land grant permanent fund.

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.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of General Fund Components - Balance Sheet**

As of June 30, 2018

	General Operating Fund (SHARE 06700)	Special Appropriation Light (SHARE 06800)	FACTS Protective Services (SHARE 48900)	FACTS Child Care Payments (SHARE 49100)
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Cash equivalents:				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Investment in SGFIP	14,531,112	459,708	4,343,836	980,367
Other Cash	52,806	-	-	-
Accounts receivable, net	-	-	-	481,948
Due from:				
Federal government	8,975,750	-	409,692	10,110,576
Other funds	-	-	-	-
Other state agencies	76,388	-	-	-
State general fund	-	-	-	-
Local governments	-	-	-	-
Component units of the state	-	-	-	-
Inventories	186,877	-	-	-
Prepaid expenses - other	-	-	-	-
Investments at SIC	-	-	-	-
Other assets	-	-	-	-
Total Assets	\$ 23,822,933	\$ 459,708	\$ 4,753,528	\$ 11,572,891
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 9,998,854	\$ -	\$ 60,329	\$ 30
Due to:				
Federal government	380,316	-	16,461	240,235
Other funds	-	-	-	-
Other state agencies	31,120	-	-	-
State general fund	974,028	-	109,587	33,881
Local governments	330,026	-	-	-
Component units of the state	3,166,199	-	-	-
Unearned revenue	-	-	-	-
Accrued expenses	5,177,462	-	-	-
Deficiency in SGFIP	-	-	-	-
Other liabilities	579,828	-	4,567,151	11,298,745
Total Liabilities	20,637,833	-	4,753,528	11,572,891
Fund Balance:				
Non-spendable	186,877	-	-	-
Restricted	-	459,708	-	-
Committed	2,998,223	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	3,185,100	459,708	-	-
Total Liabilities and Fund Balance	\$ 23,822,933	\$ 459,708	\$ 4,753,528	\$ 11,572,891

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of General Fund Components - Balance Sheet**

Juvenile Community Corrections (SHARE 83900)	Federal Childcare Food Account (SHARE 84000)	JJDP/ Children's Justice (SHARE 84100)	Total General Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
3,573,202	584,905	1,468,688	25,941,818
-	1,160,063	-	52,806
-	4,156,855	371,134	1,642,011
-	-	-	24,024,007
-	-	-	76,388
-	-	-	-
-	-	-	-
-	-	-	186,877
-	-	-	-
-	2,093	3,563	-
<u>\$ 3,573,202</u>	<u>\$ 5,903,916</u>	<u>\$ 1,843,385</u>	<u>\$ 51,929,563</u>
\$ 216,752	\$ 495,915	\$ 107,796	\$ 10,879,676
-	-	-	637,012
-	-	-	-
-	22,708	-	31,120
15,803	-	-	1,140,204
-	-	-	345,829
-	-	-	3,166,199
2,970	-	-	-
-	-	-	5,180,432
-	5,334,557	273	-
<u>235,525</u>	<u>5,853,180</u>	<u>108,069</u>	<u>21,780,554</u>
<u>3,337,677</u>	<u>50,736</u>	<u>1,735,316</u>	<u>43,161,026</u>
-	-	-	186,877
-	-	-	5,583,437
-	-	-	2,998,223
-	-	-	-
<u>3,337,677</u>	<u>50,736</u>	<u>1,735,316</u>	<u>8,768,537</u>
<u>\$ 3,573,202</u>	<u>\$ 5,903,916</u>	<u>\$ 1,843,385</u>	<u>\$ 51,929,563</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2018

	General Operating Fund (SHARE 06700)	Special Appropriation Light (SHARE 06800)	FACTS Protective Services (SHARE 48900)	FACTS Child Care Payments (SHARE 49100)
Revenues:				
Federal awards	\$ 53,396,906	\$ -	\$ 31,677,700	\$ 97,090,608
Other state funds	461,879	-	1,410,626	-
Interest earnings	-	3,983	-	-
Other revenue	121,252	-	-	475
Total Revenues	53,980,037	3,983	33,088,326	97,091,083
Expenditures:				
Current:				
Operating costs	16,743,209	-	-	-
Personal services	92,893,836	-	-	-
Out-of-state travel	91,815	-	-	-
Grants and services	2,335,421	-	-	-
Travel	2,305,049	-	-	-
Maintenance and repairs	883,072	-	-	-
Supplies	3,737,071	-	-	-
Contractual services	65,564,288	-	-	-
Other costs	1,601,561	-	56,708,626	137,630,926
Employee benefits	41,467,619	-	-	-
Capital outlay	836,194	-	-	-
Total Expenditures	228,459,135	-	56,708,626	137,630,926
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,479,098)	3,983	(23,620,300)	(40,539,843)
Other Financing Sources (Uses):				
General fund appropriations	172,940,556	-	22,820,300	34,569,244
Special appropriations	100,000	-	-	-
Distributions from Land Grant Permanent Fund	1,939,746	-	-	-
Transfers (In):				
Inter-agency	-	-	-	-
Intra-agency	-	-	800,000	5,970,600
Transfers (out):				
Inter-agency	-	-	-	-
Intra-agency	(6,770,600)	-	-	-
Reversions	(930,467)	-	-	(1)
Total Other Financing Sources (Uses)	167,279,235	-	23,620,300	40,539,843
Net Changes in Fund Balance	(7,199,863)	3,983	-	-
Fund Balance, June 30, 2017	10,384,963	455,725	-	-
Fund Balance, June 30, 2018	\$ 3,185,100	\$ 459,708	\$ -	\$ -

See Independent Auditors' Report

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

Schedule of General Fund Components - Statement of Revenues, Expenditures and Changes in Fund Balance

Juvenile Community Corrections (SHARE 83900)	Federal Childcare Food Account (SHARE 84000)	JJDP/ Children's Justice (SHARE 84100)	Interfund Activity	Total General Fund
\$ -	\$ 42,624,688	\$ 549,431	\$ -	\$ 225,339,333
-	-	-	-	1,872,505
-	-	-	-	3,983
530	-	5,570	-	127,827
530	42,624,688	555,001	-	227,343,648
1,276	-	14,570	-	16,759,055
49,999	-	29,200	-	92,973,035
-	-	5,681	-	97,496
-	-	-	-	2,335,421
1,079	-	11,159	-	2,317,287
343	-	-	-	883,415
581	-	2,923	-	3,740,575
2,247,684	-	498,037	-	68,310,009
5,062	42,931,403	1,771	-	238,879,349
27,835	-	10,800	-	41,506,254
-	-	-	-	836,194
2,333,859	42,931,403	574,141	-	468,638,090
(2,333,329)	(306,715)	(19,140)	-	(241,294,442)
2,658,600	-	40,000	-	233,028,700
-	-	-	-	100,000
-	-	-	-	1,939,746
-	-	-	-	-
-	-	-	(6,770,600)	-
-	-	-	-	-
-	-	-	6,770,600	-
-	-	-	-	(930,468)
2,658,600	-	40,000	-	234,137,978
325,271	(306,715)	20,860	-	(7,156,464)
3,012,406	357,451	1,714,456	-	15,925,001
\$ 3,337,677	\$ 50,736	\$ 1,735,316	\$ -	\$ 8,768,537

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Combining Balance Sheet - By Fund Type - Non Major Funds**

As of June 30, 2018

	Early Childhood Care and Education Fund (SHARE 11520)	Regional Juvenile Services Fund (SHARE 20090)	Capital Projects Fund (SHARE 59700)	Children's Trust Fund (SHARE 78000)
Assets:				
Cash:				
Unrestricted	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Cash equivalents:				
Unrestricted	-	-	-	-
Restricted	-	-	-	-
Investment in SGFIP	2,565	2,718,983	-	901,068
Other Cash	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from:				
Federal government	-	-	-	-
Other funds	-	-	-	-
Other state agencies	-	-	-	-
State general fund	-	-	-	-
Local governments	-	-	-	8,495
Component units of the state	-	-	-	-
Inventories	-	-	-	-
Prepaid expenses - other	-	-	-	-
Investments at SIC	-	-	-	523,962
Other assets	-	-	-	-
Total Assets	\$ 2,565	\$ 2,718,983	\$ -	\$ 1,433,525
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	\$ 19,591	\$ -	\$ 63,838
Due to:				
Federal government	-	-	-	-
Other funds	-	-	-	-
Other state agencies	-	-	-	-
State general fund	-	-	-	184
Local governments	-	321,480	-	-
Component units of the state	-	-	-	-
Unearned revenue	-	-	-	-
Accrued expenses	-	-	-	4,287
Deficiency in SGFIP	-	-	-	-
Other liabilities	-	-	-	65
Total Liabilities	-	341,071	-	68,374
Fund Balance:				
Non-spendable	-	-	-	-
Restricted	2,565	2,377,912	-	1,365,151
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	2,565	2,377,912	-	1,365,151
Total Liabilities and Fund Balance	\$ 2,565	\$ 2,718,983	\$ -	\$ 1,433,525

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Combining Balance Sheet - By Fund Type - Non Major Funds**

Permanent Children's Trust Fund (SHARE 78100)	ARRA of 2009 Fund (SHARE 89000)	Day Care Fund (SHARE 91100)	CTF Next Generation Fund (SHARE 94800)	Permanent CTF Next Gen Fund (SHARE 94900)	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,908,836	-	89,367	29,265	514,722	6,164,806
690	-	-	-	-	690
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,585	-	-	-	-	18,080
-	-	-	-	-	-
-	-	-	-	-	-
4,137,803	-	-	391,251	1,386,246	6,439,262
\$ 6,056,914	\$ -	\$ 89,367	\$ 420,516	\$ 1,900,968	\$ 12,622,838
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,429
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	184
-	-	-	-	-	321,480
-	-	-	-	-	-
-	-	-	-	-	4,287
-	-	-	-	-	-
-	-	-	-	-	65
-	-	-	-	-	409,445
1,000,000	-	-	-	1,000,000	2,000,000
2,556,914	-	89,367	420,516	900,968	7,713,393
2,500,000	-	-	-	-	2,500,000
-	-	-	-	-	-
-	-	-	-	-	-
6,056,914	-	89,367	420,516	1,900,968	12,213,393
\$ 6,056,914	\$ -	\$ 89,367	\$ 420,516	\$ 1,900,968	\$ 12,622,838

See Independent Auditors' Report

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -
Non Major Funds

For the Year Ended June 30, 2018

	Early Childhood Care and Education Fund (SHARE 11520)	Regional Juvenile Services Fund (SHARE 20090)	Capital Projects Fund (SHARE 59700)	Children's Trust Fund (SHARE 78000)
Revenues:				
Federal awards	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	126,283
Interest earnings	-	-	-	106,267
Other revenue	-	-	-	-
Total Revenues	-	-	-	232,550
Expenditures:				
Current:				
Operating costs	-	-	-	5,934
Personal services	-	-	-	22,803
Out-of-state travel	-	-	-	-
Grants and services	-	-	-	-
Travel	-	-	-	2,758
Maintenance and repairs	-	-	-	36
Supplies	-	-	-	511
Contractual services	364,814	2,125,414	-	316,617
Other costs	-	-	-	463
Employee benefits	-	-	-	7,173
Capital outlay	-	-	-	-
Total Expenditures	364,814	2,125,414	-	356,295
Excess (Deficiency) of Revenues Over (Under) Expenditures	(364,814)	(2,125,414)	-	(123,745)
Other Financing Sources (Uses):				
General fund appropriations	-	2,765,000	-	213,400
Special appropriations	-	-	-	-
Distributions from Land Grant Permanent Fund	-	-	-	-
Transfers (In):				
Inter-agency	-	-	-	-
Intra-agency	-	-	-	-
Transfers (out):				
Inter-agency	-	-	-	-
Intra-agency	-	-	-	-
Reversions	-	-	-	-
Total Other Financing Sources (Uses)	-	2,765,000	-	213,400
Net Changes in Fund Balance	(364,814)	639,586	-	89,655
Fund Balance, June 30, 2017	367,379	1,738,326	-	1,275,496
Fund Balance, June 30, 2018	\$ 2,565	\$ 2,377,912	\$ -	\$ 1,365,151

See Independent Auditors' Report

STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - By Fund Type -
Non Major Funds**

Permanent Children's Trust Fund (SHARE 78100)	ARRA of 2009 Fund (SHARE 89000)	Day Care Fund (SHARE 91100)	CTF Next Generation Fund (SHARE 94800)	Permanent CTF Next Gen Fund (SHARE 94900)	Total Non Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
96,253	-	1,081,267	-	-	1,303,803
122,351	-	-	40,774	45,232	314,624
-	-	-	-	-	-
<u>218,604</u>	<u>-</u>	<u>1,081,267</u>	<u>40,774</u>	<u>45,232</u>	<u>1,618,427</u>
-	-	-	-	-	5,934
-	-	-	-	-	22,803
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,758
-	-	-	-	-	36
-	-	-	-	-	511
-	-	-	-	-	2,806,845
-	-	3,513,376	-	-	3,513,839
-	-	-	-	-	7,173
-	-	-	-	-	-
-	-	<u>3,513,376</u>	<u>-</u>	<u>-</u>	<u>6,359,899</u>
<u>218,604</u>	<u>-</u>	<u>(2,432,109)</u>	<u>40,774</u>	<u>45,232</u>	<u>(4,741,472)</u>
-	-	-	-	-	2,978,400
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	<u>2,978,400</u>
<u>218,604</u>	<u>-</u>	<u>(2,432,109)</u>	<u>40,774</u>	<u>45,232</u>	<u>(1,763,072)</u>
<u>5,838,310</u>	<u>-</u>	<u>2,521,476</u>	<u>379,742</u>	<u>1,855,736</u>	<u>13,976,465</u>
<u>\$ 6,056,914</u>	<u>\$ -</u>	<u>\$ 89,367</u>	<u>\$ 420,516</u>	<u>\$ 1,900,968</u>	<u>\$ 12,213,393</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Statement of Revenues and Expenditures - Budget and Actual
(Modified Accrual Basis)**

For the Year Ended June 30, 2018	CHILDREN, YOUTH, AND FAMILIES DEPARTMENT			
	agency wide funds			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	Over (Under)
Revenues and Other Financing Sources:				
Federal funds	\$ 239,147,500	\$ 242,672,185	\$ 239,439,333	\$ (3,232,852)
Other state funds	2,983,000	3,974,900	3,304,135	(670,765)
State general fund	249,217,100	249,217,100	249,217,100	-
Transfers outside the agency	-	-	1,939,746	1,939,746
Interest revenue	1,090,300	1,090,300	318,607	(771,693)
Total Revenues and Other Financing Sources	492,437,900	496,954,485	494,218,921	\$ (2,735,564)
Prior Year Funds Rebudgeted	1,684,800	13,953,660		
	\$ 494,122,700	\$ 510,908,145		
Expenditures and Other Financing Uses:				
Program Support:				
Personal services/employee benefits	\$ 12,532,300	\$ 11,348,300	11,315,252	\$ 33,048
Contractual services	1,558,900	1,558,900	1,094,802	464,098
Other	5,151,300	6,335,300	5,601,472	733,828
	19,242,500	19,242,500	18,011,526	1,230,974
Juvenile Justice Services:				
Personal services/employee benefits	55,996,000	53,847,000	53,171,577	675,423
Contractual services	13,339,100	14,419,100	11,184,282	3,234,818
Other	6,109,900	8,310,870	8,426,661	(115,791)
	75,445,000	76,576,970	72,782,520	3,794,450
Protective Services:				
Personal services/employee benefits	55,987,700	57,804,700	57,803,179	1,521
Contractual services	24,860,600	24,335,625	21,633,124	2,702,501
Other	64,870,800	66,428,775	68,792,815	(2,364,040)
	145,719,100	148,569,100	148,229,118	339,982
Early Childhood Services:				
Personal services/employee benefits	9,237,700	10,152,700	10,088,489	64,211
Contractual services	65,112,400	57,115,097	48,560,668	8,554,429
Other	162,499,000	181,656,001	186,560,173	(4,904,172)
	236,849,100	248,923,798	245,209,330	3,714,468
Behavioral Health Services:				
Personal services/employee benefits	2,293,900	2,563,077	2,541,655	21,422
Contractual services	14,224,000	14,494,900	14,001,140	493,760
Other	349,100	537,800	490,341	47,459
	16,867,000	17,595,777	17,033,136	562,641
Total Budgeted Expenditures and Other Financing Uses	\$ 494,122,700	\$ 510,908,145	501,265,630	\$ 9,642,515
Non-Budgeted Items:				
Reversions			930,468	
Total Expenditures and Other Financing Uses			502,196,098	
Excess (Deficiency) of Revenues Over (Under)				
Expenditures and Other Financing Sources and Uses			\$ (7,977,177)	

The legal level of budgetary compliance is at the appropriation program level at the entity-wide level, except for multiyear funds (special appropriations), which results in a net reconciling difference of \$901,490 from the statement of revenues, expenditures, and changes in fund balance.

The Department is compliant with the budgets at the P-code level

See Independent Auditors' Report

OTHER INFORMATION - SCHEDULES REQUIRED UNDER 2.2.2 NMAC

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Changes in Assets and Liabilities - Agency Funds**

Fund 25500 Resident Agency Accounts	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Assets				
Other Cash	\$ 32,415	\$ 75,366	\$ (68,120)	\$ 39,661
Liabilities				
Deposits Held for Others	\$ 32,415	\$ 75,366	\$ (68,120)	\$ 39,661
Funds 49000/09600 Children's Social Security Agency Funds				
Assets				
Cash equivalents:				
Investment in SGFIP	\$ 897,826	\$ 1,771,241	\$ (1,939,080)	\$ 729,987
Due from:				
Other state agencies	-	-	-	-
Total Assets	<u>\$ 897,826</u>	<u>\$ 1,771,241</u>	<u>\$ (1,939,080)</u>	<u>\$ 729,987</u>
Liabilities				
Accounts payable	\$ -	\$ 30,090	\$ -	\$ 30,090
Deposits Held for Others	680,858	1,768,482	(1,749,443)	699,897
Other Liabilities	-	3,150	(3,150)	-
Due to:				
Other funds	216,968	-	(216,968)	-
Total Liabilities	<u>\$ 897,826</u>	<u>\$ 1,801,722</u>	<u>\$ (1,969,561)</u>	<u>\$ 729,987</u>
Combined Agency Funds				
Assets				
Cash equivalents:				
Investment in SGFIP	\$ 897,826	\$ 1,771,241	\$ (1,939,080)	\$ 729,987
Other Cash	32,415	75,366	(68,120)	39,661
Due from:				
Other state agencies	-	-	-	-
Total Assets	<u>\$ 930,241</u>	<u>\$ 1,846,607</u>	<u>\$ (2,007,200)</u>	<u>\$ 769,648</u>
Liabilities				
Accounts payable	\$ -	\$ 30,090	\$ -	\$ 30,090
Deposits Held for Others	713,273	1,843,848	(1,817,563)	739,558
Due to:				
Other funds	216,968	-	(216,968)	-
Total Liabilities	<u>\$ 930,241</u>	<u>\$ 1,873,938</u>	<u>\$ (2,034,531)</u>	<u>\$ 769,648</u>

See Independent Auditors' Report

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**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Special Appropriations**

As of June 30, 2018

<u>Z-Code</u>	<u>Bud Ref</u>	<u>Special Appropriations</u>	<u>Appropriation Amount</u>	<u>Adjusted Budget</u>	<u>Actual Cash Received June 30, 2018</u>
ZA1360	91724	Laws 2017, Chapter 2, Section 5, Item 5 E	\$ 1,500,000	\$ 1,500,000	\$ -
ZC5591	91824	Laws 2018, Chapter 73, Section 5	100,000	100,000	100,000
Z50721	918	Laws of 2017, Chapter 135, Section 7, Item 11 *	<u>497,574</u>	<u>497,574</u>	<u>-</u>
			<u>\$ 2,097,574</u>	<u>\$ 2,097,574</u>	<u>\$ 100,000</u>

* \$497,574 Z-code Z50721 Bud Ref 91536 reversion amount reauthorized in laws of 2017

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Special Appropriations**

<u>Actual Cash Received Prior Year</u>	<u>Expenditures June 30, 2018</u>	<u>Expenditures Prior Year</u>	<u>Reversions</u>	<u>Appropriation Balance as of June 30, 2018</u>	<u>Balance for Subsequent Exp. June 30, 2018</u>
\$ 1,500,000	\$ 624,226	\$ 875,774	\$ -	\$ -	\$ -
-	-	-	-	100,000	100,000
<u>497,574</u>	<u>377,264</u>	<u>-</u>	<u>120,310</u>	<u>-</u>	<u>-</u>
<u>\$ 1,997,574</u>	<u>\$ 1,001,490</u>	<u>\$ 875,774</u>	<u>\$ 120,310</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Individual Bank Accounts**

As of June 30, 2018

Account Name	Fund Type	SHARE Fund No.	Type of Account
General Fund:			
Wells Fargo Bank	Client Emergency Misc. Expenses	General 06700	Checking
N/A	Petty Cash Closed in FY15	General 06700	Petty Cash
Total General Fund Cash			
Fiduciary Funds:			
Banks of America	YDDC - Girls' Resident Trust	Agency 25500	Checking
Banks of America	YDDC - Girls' Resident Activity	Agency 25500	Checking
Banks of America	J. Paul Taylor - Resident Trust	Agency 25500	Checking
Banks of America	J. Paul Taylor - Resident Activity	Agency 25500	Checking
Total Fiduciary Funds Cash			
Total Department Cash			
General Fund - State Treasurer (with SHARE Fund Numbers):			
State Treasurer	General Operating	General 06700	State Treasurer
State Treasurer	Special Appropriation - Light	General 06800	State Treasurer
State Treasurer	FACTS Protective Services	General 48900	State Treasurer
State Treasurer	FACTS Child Care Payments	General 49100	State Treasurer
State Treasurer	Juvenile Community Corrections	General 83900	State Treasurer
State Treasurer	Federal Childcare Food	General 84000	State Treasurer
State Treasurer	JJDP/Children's Justice	General 84100	State Treasurer
State Treasurer	Early Childhood Care and Ed	Special Revenue 11520	State Treasurer
State Treasurer	Regional Juvenile Services	Special Revenue 20090	State Treasurer
State Treasurer	Capital Projects	Special Revenue 59700	State Treasurer
State Treasurer	Children's Trust Fund	Special Revenue 78000	State Treasurer
State Treasurer	Permanent Children's Trust	Special Revenue 78100	State Treasurer
State Treasurer	ARRA of 2009	Special Revenue 89000	State Treasurer
State Treasurer	Day Care	Special Revenue 91100	State Treasurer
State Treasurer	CTF Next Generation	Special Revenue 94800	State Treasurer
State Treasurer	Permanent CTF Next Generation	Special Revenue 94900	State Treasurer
State Treasurer	Pre-Kindergarten	Special Revenue 20080	State Treasurer
State Treasurer	Children's Social Security	Fiduciary 09600/49000	State Treasurer
Total State General Fund Investment Pool			

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Individual Bank Accounts**

Interest Bearing	Cash per Bank	Less Outstanding Warrants	Other Reconciling Items	Reconciled Balance at June 30, 2018
No	\$ 53,611	\$ (805)	\$ -	52,806
-	-	-	-	-
	<u>53,611</u>	<u>(805)</u>	<u>-</u>	<u>52,806</u>
No	23,343	(1,901)	-	21,442
No	11,623	(72)	-	11,551
No	5,440	(423)	-	5,017
No	1,721	(70)	-	1,651
	<u>42,127</u>	<u>(2,466)</u>	<u>-</u>	<u>39,661</u>
	<u>\$ 95,738</u>	<u>\$ (3,271)</u>	<u>\$ -</u>	<u>92,467</u>
No	\$ 14,531,112	\$ -	\$ -	14,531,112
No	459,708	-	-	459,708
No	4,343,836	-	-	4,343,836
No	980,367	-	-	980,367
No	3,573,202	-	-	3,573,202
No	584,905	-	-	584,905
No	1,468,688	-	-	1,468,688
No	2,565	-	-	2,565
No	2,718,983	-	-	2,718,983
No	-	-	-	-
No	901,068	-	-	901,068
No	1,908,836	-	-	1,908,836
No	-	-	-	-
No	89,367	-	-	89,367
No	29,265	-	-	29,265
No	514,722	-	-	514,722
No	10,663,163	-	-	10,663,163
No	729,987	-	-	729,987
	<u>\$ 43,499,774</u>	<u>\$ -</u>	<u>\$ -</u>	<u>43,499,774</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Joint Powers Agreements**

JPA Number (FY, Agency Code, Division Number)	Primary Party Secondary Party	Responsible Party
JPA	Regulation and Licensing Department	CYFD
JPA	Aging and Long Term Services Department	CYFD
JPA	Public Education Department	CYFD
JPA	Human Services Department - Medical Assistance Division	CYFD
JPA	Human Services Department - Medical Assistance Division	CYFD
GSA	Human Services Department - Medical Assistance Division	CYFD
GSA	Human Services Department - Medical Assistance Division	CYFD
GSA	Human Services Department - Medical Assistance Division	CYFD
GSA	Human Services Department - Behavioral Health Services Division	CYFD
GSA	Human Services Department - Behavioral Health Services Division	CYFD
GSA	Human Services Department - Behavioral Health Services Division	CYFD
JPA	The New Mexico Administrative Office of the Courts	CYFD
98-690-0381	Pueblo de Cochiti	CYFD
15-690-17831	Navajo Nation	CYFD
JPA	Pueblo of Picuris	CYFD
02-690-5066	Santa Clara Pueblo	CYFD
JPA	Jicarilla Apache	CYFD
17-690-20138	Pueblo of Zuni	CYFD
JPA	Taos Pueblo	CYFD
98-690-0380	Nambe Pueblo	CYFD
JPA	Pueblo of Acoma	CYFD
98-690-0382	Santa Ana Pueblo	CYFD
JPA	Pojoaque Pueblo	CYFD
18-690-14780	Pueblo of ZIA	CYFD
18-690-00-14506	Pueblo of Isleta	CYFD

See Independent Auditors' Report

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Supplemental Schedule of Joint Powers Agreements**

Description of Services	Dates of Agreement		Amount Agency	Audit
	Beginning	Ending	Contributed in FY	Responsibility
IV-E Admin.	07/01/2016	Continuous	\$ -	100% CYFD
SSBG	06/30/2013	06/30/2021	\$ -	100% CYFD
Race to the Top-Early Learning Challenge	01/01/2013	12/31/2018	\$ -	100% CYFD
Medicaid - Title XIX	09/08/1994	Continuous	\$ -	100% CYFD
Medicaid - Title XIX	06/18/1996	Continuous	\$ -	100% CYFD
TANF Supportive Housing	07/01/2017	06/30/2018	\$ 900,000	100% CYFD
TANF Child Care	07/01/2018	06/30/2019	\$ 52,627,500	100% CYFD
TANF Supportive Housing	07/01/2018	06/30/2019	\$ 900,000	100% CYFD
Community Mental Health Services Block Grant	07/01/2016	06/30/2020	\$ 126,800	100% CYFD
SAMHSA	07/01/2017	04/30/2018	\$ 161,800	100% CYFD
SAMHSA	05/01/2018	04/30/2019	\$ -	100% CYFD
			\$ 105,935	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	12/12/1997	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	08/08/2001	06/30/2018	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	12/12/1997	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	11/12/2001	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	12/12/1997	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	03/31/2006	06/30/2020	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	02/11/2005	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	12/12/1997	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	03/22/2006	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	12/12/1997	Continuous	\$ -	100% CYFD
Tribal Foster Care & Adoption Assistance - Federal IV-E	09/20/2005	Continuous	\$ -	100% CYFD
Children's Justice Act	07/01/2017	06/30/2018	\$ 10,000	100% CYFD
Title II Formula Grant	07/01/2017	06/30/2018	\$ 20,000	100% CYFD

See Independent Auditors' Report

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SINGLE AUDIT

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2018

Federal Agency/ Pass-Through Agency	Pass Through Agency	Federal CFDA Number
---	---------------------------	---------------------------

Direct Assistance Programs:

U.S. Department of Agriculture:

Child Care Food Program 16		10.558
Child Care Food Program 17		10.558
Child Care Food Program 18		10.558
Summer Food Service Program 17		10.559 *
Summer Food Service Program 18		10.559 *
State Administrative Expense 16		10.560
State Administrative Expense 17		10.560
State Administrative Expense 18		10.560
Subtotal		
National School Lunch - YDDC 17-18	NMPED	10.555 *
National School Lunch - JPTC 17-18	NMPED	10.555 *
National School Lunch - CN 17-18	NMPED	10.555 *
Subtotal		

* *These are part of the Child Nutrition Cluster, with total expenditures of* \$ 5,939,989
 Total U.S. Department of Agriculture:

U.S. Department of Health and Human Services:

Children's Justice FY15		93.643
Children's Justice FY16		93.643
Head start Collaboration Grant 17		93.600
Child Care Development Funds Grant 15		93.596 ***
Child Care Development Funds Grant 16		93.596 ***
Child Care Development Funds Grant 17		93.596 ***
Child Care Development Funds Grant 18		93.596 ***
Family Preservation and Family Support 16		93.556
Family Preservation and Family Support 17		93.556
Promoting Safe and Stable Families (caseworker visits) 16		93.556
Promoting Safe and Stable Families (caseworker visits) 17		93.556
Child Abuse and Neglect (CAN) Part I 13		93.669
Child Abuse and Neglect (CAN) Part I 14		93.669
Child Abuse and Neglect (CAN) Part I 15		93.669

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures		Total
		From Direct Awards	From Pass Through Awards	
12-35-3511	\$ -	(1) \$	-	(1) \$
12-35-3511	10,579,538	10,579,538	-	10,579,538
12-35-3511	26,432,953	26,432,953	-	26,432,953
12-35-3511	2,763,964	2,767,121	-	2,767,121
12-35-3511	2,843,695	2,845,077	-	2,845,077
12-35-3511	-	(1)	-	(1)
12-35-3511	-	732,141	-	732,141
12-35-3511	269,515	1,670,313	-	1,670,313
	42,889,665	45,027,141	-	45,027,141
12-35-3523-93	\$ -	-	128,041	\$ 128,041
12-35-3523-93	-	-	85,428	85,428
12-35-3523-93	-	-	114,322	114,322
	-	-	327,791	327,791
	\$ 42,889,665	\$ 45,027,141	\$ 327,791	\$ 45,354,932
G-1501NMCJA1	\$ -	2,818	-	2,818
G-1601NMCJA1	-	137,734	-	137,734
06-CD004042-01	19,800	114,078	-	114,078
G-1501NMCCDF	-	7,038,046	-	7,038,046
G-1601NMCCDF	-	11,073,646	-	11,073,646
G-1701NMCCDF	2,231,755	21,422,843	-	21,422,843
G-1801NMCCDF	98,106	37,112,777	-	37,112,777
G-1601NMFPS	393,062	611,425	-	611,425
G-1701NMFPS	1,327,709	1,794,786	-	1,794,786
G-1611NMFPCV	-	32,995	-	32,995
G-1711NMFPCV	-	108,769	-	108,769
G-1301NMCA01	3,254	3,254	-	3,254
G-1401NMCA01	194,375	205,464	-	205,464
G-1501NMCA01	77,738	107,406	-	107,406

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2018

Federal Agency/ Pass-Through Agency	Pass Through Agency	Federal CFDA Number
U.S. Department of Health and Human Services (continued):		
CAPTA-Community Based Family Resource Program 15		93.590
CAPTA-Community Based Family Resource Program 16		93.590
Title IV-E Foster Care 16		93.658
Title IV-E Foster Care 17		93.658
Title IV-E Foster Care 18		93.658
Title IV-E Adoptions 17		93.659
Title IV-E Adoptions 18		93.659
Title IV-E Guardianship 18		93.659
Title IV-B CWS 17		93.645
Title IV-B CWS 18		93.645
Chafee Foster Care Independence Program 16		93.674
Chafee Foster Care Independence Program 17		93.674
Education and Training Voucher Program 16		93.599
Education and Training Voucher Program 17		93.599
Family Violence Prevention 16		93.671
Family Violence Prevention 17		93.671
Title XX SOSR 17		93.667
Title XX SOSR 18		93.667
Families and Organizations Collaborating for a United System (FOCUS)		93.104
NM Communities of Care Expansion Grant (year 3)		93.104
NM Communities of Care Expansion Grant (year 4)		93.104
Healthy Transitions New Mexico (year 3)		93.243
Healthy Transitions New Mexico (year 4)		93.243
SAMHSA Treatment Drug Courts - NM SOAR (Year 3)		93.243
SAMHSA SYT Planning Project (Year 2)		93.243
SAMHSA NM AWARE (Year 2)		93.243
SAMHSA NM AWARE (Year 3)		93.243
SAMHSA NM ASURE-TI (Year 1)		93.243
Behavioral Health System Transformation Grant (carryover year 4)		93.243
Behavioral Health System Transformation Grant (year 5)		93.243
Federal Home Visiting Competitive 2012 (year 2)		93.505 **
Federal Home Visiting Competitive 2015 (year 1)		93.505 **
Federal Home Visiting Formula 2016		93.87 **
Subtotal		

**** Part of MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING (MIECHV) cluster with total expenditures of \$2,987,131**

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures		Total
		From Direct Awards	From Pass Through Awards	
G-1501NMFRPG	\$ 60,778	\$ 60,778	\$ -	\$ 60,778
G-1601NMFRPG	315,528	330,513	-	330,513
G-1601NMFOST	-	1	-	1
G-1701NMFOST	470,928	5,791,929	-	5,791,929
G-1801NMFOST	2,096,624	17,345,867	-	17,345,867
G-1701NMADPT	-	5,433,989	-	5,433,989
G-1801NMADPT	-	16,174,978	-	16,174,978
G-180NMGARD	-	184,510	-	184,510
G-1701NMCWSS	-	384,566	-	384,566
G-1801NMCWSS	-	462,591	-	462,591
G-1601NMCILP	128,989	259,971	-	259,971
G-1701NMCILP	262,351	453,921	-	453,921
G-1601NMCETV	55,430	55,430	-	55,430
G-1701NMCETV	79,486	86,048	-	86,048
G-1601NMFVPS	856,064	1,055,169	-	1,055,169
G-1701NMFVPS	4,211	4,211	-	4,211
G-1701NMSOSR	841,562	3,116,275	-	3,116,275
G-1801NMSOSR	919,298	5,921,103	-	5,921,103
5U79SM059020-06	-	4,132	-	4,132
1U79SM061648-01	298,299	298,299	-	298,299
1U79SM061648-01	510,808	733,043	-	733,043
5H79SM061905-03	99,949	141,442	-	141,442
5H79SM061905-04	808,674	945,178	-	945,178
5H79TI025480-03	50,181	210,217	-	210,217
1H79TI026032-01	61,400	61,400	-	61,400
5H79SM062827-02	11,233	11,233	-	11,233
5H79SM062827-03	58,911	67,129	-	67,129
1H79T1080190-01	-	1,664	-	1,664
1-U79SMS7464-05	-	-	-	-
1-U79SMS7464-05	-	-	-	-
D89MC23143	-	3,030	-	3,030
D89MC28261-01	193,235	193,235	-	193,235
X10MC29492	2,695,907	2,700,866	-	2,700,866
	15,225,645	142,258,758	-	142,258,758

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2018

Federal Agency/ Pass-Through Agency	Pass Through Agency	Federal CFDA Number
U.S. Department of Health and Human Services (continued):		
Child Care Development Funds (TANF) 17	NMHSD	93.596 ***
Child Care Development Funds (TANF) 18	NMHSD	93.596 ***
Supportive Housing TANF 18	NMHSD	93.558 ****
Pre-K TANF 18	NMHSD	93.558 ****
Homevisiting TANF 18	NMHSD	93.558 ****
Subtotal		
Total U.S. Department of Health and Human Services:		
U.S. Department of Justice:		
JJDP Formula Grant 13 -Year 1		16.540
JJDP Formula Grant 14 -Year 2		16.540
JJDP Formula Grant 15		16.540
JJDP Formula Grant 16		16.540
Enforcing the Underage Drinking Laws Block Grant 08		16.727
NM Prison Rape Elimination Act (PREA) 14		16.735
Total U.S. Department of Justice:		
U.S. Department of Education:		
Race To The Top Early Learning Challenge Grant	NMPED	84.412
Total U.S. Department of Education:		

TOTAL FEDERAL FINANCIAL ASSISTANCE

*** Part of the Childcare and Development Funds (CCDF) cluster with total expenditures of \$107,174,812

**** Part of the Temporary Assistance for Needy Families (TANF) cluster with total expenditures of \$19,944,013

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Schedule of Expenditures of Federal Awards**

Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures		Total
		From Direct Awards	From Pass Through Awards	
G-1701NMCCDF	\$ 6,645,381	\$ 7,631,875	\$ -	\$ 7,631,875
G-1801NMCCDF	4,449,693	22,895,625	-	22,895,625
18-630-9000-0007	310,559	869,838	-	869,838
18-630-9000-003	13,189,521	14,100,000	-	14,100,000
18-630-9000-003	4,825,785	4,974,175	-	4,974,175
	<u>29,420,939</u>	<u>50,471,513</u>	<u>-</u>	<u>50,471,513</u>
	<u>\$ 44,646,584</u>	<u>\$ 192,730,271</u>	<u>\$ -</u>	<u>\$ 192,730,271</u>
2013-MU-FX-0053	\$ -	\$ -	\$ -	-
2013-MU-FX-0053	169,874	245,224	-	245,224
2015-JF-FX-0047	149,246	297,084	-	297,084
2016-JF-FX-0061	-	-	-	-
2008-AH-FX-0011	-	-	-	-
2014-JF-FX-0125	-	7,124	-	7,124
	<u>\$ 319,120</u>	<u>\$ 549,432</u>	<u>\$ -</u>	<u>\$ 549,432</u>
S412A130025	\$ 1,451,116	\$ 1,463,168	\$ -	\$ 1,463,168
	<u>\$ 1,451,116</u>	<u>\$ 1,463,168</u>	<u>\$ -</u>	<u>\$ 1,463,168</u>
	<u>\$ 89,306,485</u>	<u>\$ 239,770,012</u>	<u>\$ 327,791</u>	<u>\$ 240,097,803</u>

See Independent Auditors' Report and Notes to Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO
CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Notes to Schedule of Expenditures of Federal Awards**

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the State of New Mexico Children, Youth and Families Department (Department) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Department.

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

Summary of Significant Accounting Policies

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

Reconciliation to Governmental Funds Financial Statements

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

Federal Revenue Earned	\$ 239,439,333
Less: Adjustments	<u>658,470</u>
Total FY18 Federal Expenditures per Schedule	<u><u>\$ 240,097,803</u></u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison schedules of the general and major special revenue funds of NM Children, Youth and Families Department, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise NM Children, Youth and Families Department's basic financial statements, and have issued our report thereon dated November 30, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NM Children, Youth and Families Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, 2018-006, 2018-007, and 2018-008.

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

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2018



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

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

Report on Compliance for Each Major Federal Program

We have audited NM Children, Youth and Families Department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NM Children, Youth and Families Department's major federal programs for the year ended June 30, 2018. NM Children, Youth and Families Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, NM Children, Youth and Families Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-004, and 2018-005, that we consider to be significant deficiencies.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Summary of Auditors' Results**

For the Year Ended June 30, 2018

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Non-compliance material to financials statements noted? Yes No

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes None Reported

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster Care
10.558	Child and Adult Care Food Program
93.558	Temporary Assistance for Needy Families

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

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Financial Statement Audit**

Section II - Findings - Financial Statement

2018-001 (Previously 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency) (Repeated and Modified)

Condition: During single audit testwork, multiple versions of the Schedule of Expenditures of Federal Awards (SEFA) were provided in order to agree the schedule to work performed during the audit. The Department's tracking mechanisms (reporting categories) were not aligning correctly with respective grants to agree expenditures per the SEFA to grant reconciliations and underlying general ledger data. Delays in receiving the final SEFA and underlying reconciliations caused by the Department's final reversion calculation also resulted in the inability to submit the audited financial statements by the statutorily required deadline.

The initial draft provided by the department, federal revenue per the Statement of Revenue, Expenditures, and Changes in Fund Balances did not tie to federal expenditures per the SEFA. The department ultimately adjusted SEFA by approximately \$10 million and reconciled this matter to an immaterial amount.

Management's Response to Repeat Finding:

Training took place between the Budget Director and the Budget Director that retired in June 2018 as well as review of importance with the Grants Manager of completion of timely reconciliations in order to complete the audit in a timely fashion. With the turnover of staff in the Grants Unit and other areas of Administrative Services not all training was completed as anticipated.

Criteria: FIN 16.9 "Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements" and NMAC 2.20.5.8 (C) (10) states that all reporting of financial information must be timely, complete and accurate.

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

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

Repeat Finding: The finding is a repeat finding of the prior year and was previously numbered as 2017-001.

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

Views of responsible officials and planned corrective actions:

The Grants Manager has set a timeline to continue monthly grant reconciliations. The Budget Director and Grants Manager will review and approve each monthly grant reconciliation, to include confirmation that the correct reporting categories noted on the reconciliations and those entered on the Schedule of Expenditures of Federal Awards (SEFA). The Budget Director and Grants Manager will work with the grants staff to train and show them the importance of this accurate monthly process. The CFO will conduct training on the SEFA preparation with the Budget Director, the Financial Manager and the Grants Manager. After proper training the Grants Manager and the Budget Director will reconcile the SEFA with the grant reconciliations on a quarterly basis. This will be completed by June 30, 2019.

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit**

Section III - Findings and Questioned Costs - Major Federal Programs

2018-001 (Previously 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency in Internal Control over Compliance) (Repeated and Modified)

Federal agency:

Department of Health and Human Services
United States Department of Agriculture
Department of Health and Human Services

Federal program title:

CFDA 93.658: Foster Care
CFDA 10.558: Child and Adult Care Food Program
CFDA 93.558: Temporary Assistance for Needy Families
CFDA 10.560: State Administrative Expense
CFDA 93.659: Adoptions
CFDA 93.556: Child Care Development Funds
CFDA 93.667: Social Services Block Grant
CFDA 93.104: SAMHSA NM Communities of Care

Federal Award Number:

93.658: 1701NMFOST, 1801NMFOST
10.558: CCFP FFY17 & CCFP FFY18
93.558: GSA 18-630-9000-0007 & 18-630-9000-0003
10.560: Letter of Credit NO. 12-35001/05
93.659: 1701NMADPT, 1801NMADPT
93.556: G-1801NMCCDF
93.667: G-1801NMSOSR
93.104: GRANT AWARD # 1U79SM061648-01

Award Period:

93.658, 93.659: 10/01/2016 – 9/30/2017
93.658, 93.659, 10.558, 10.560, 93.556, 93.667: 10/01/2017 – 9/30/2018
93.104: 9/30/16-9/29/17

Questioned costs:

None

Condition:

During single audit testwork, multiple versions of the Schedule of Expenditures of Federal Awards (SEFA) in order to agree the schedule to work performed during the audit. Additionally, the Department's tracking mechanism (reporting categories) were not aligning correctly with respective grants to agree expenditures per the SEFA to grant reconciliations and underlying general ledger data. In the initial draft provided by the department, federal revenue per the Statement of Revenue, Expenditures, and Changes in Fund Balances did not tie to federal expenditures per the SEFA. The department ultimately reconciled this matter.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit

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

2018-001 (Previously 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency in Internal Control over Compliance) (Repeated and Modified) (Continued)

Management's Response to Repeat Finding:

The department had a transition of grant reconciliation staff through the fiscal year that did not allow the proper training to be completed in a timely fashion.

Criteria:

FIN 16.9 "Responsibility for Accounting Function – Chief Financial Officer Delegation Requirements" and NMAC 2.20.5.8 (C) (10) states that all reporting of financial information must be timely, complete and accurate.

Context:

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

Cause:

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

Effect:

Single audit testing was delayed and the timing of audit deliverables caused a delay in meeting audit milestones and meeting the required deadline to submit the audited financial statements in accordance with the NM State Audit Rule.

Repeat finding:

The finding is a repeat finding of the prior year and was previously numbered as 2017-001.

Recommendation:

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

Views of responsible officials:

The Grants Manager has set a timeline to continue monthly grant reconciliations. The Budget Director and Grants Manager will review and approve each monthly grant reconciliation, to include confirmation that the correct reporting categories noted on the reconciliations and those entered on the Schedule of Expenditures of Federal Awards (SEFA). The Budget Director and Grants Manager will work with the grants staff to train and show them the importance of this accurate monthly process. The CFO will conduct training on the SEFA preparation with the Budget Director, the Financial Manager and the Grants Manager. After proper training the Grants Manager and the Budget Director will reconcile the SEFA with the grant reconciliations on a quarterly basis. This will be completed by June 30, 2019.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit

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

2018-004 (Previously 2017-007 / 2016-006) Subrecipient Financial Monitoring (Significant Deficiency in Internal Control over Compliance and Other Matters) (Repeated and Modified)

Federal agency:

United States Department of Agriculture
United States Department of Health and Human Services

Federal program title:

CFDA 10.558: Child and Adult Care Food Program
CFDA 93.558: Temporary Assistance for Needy Families

Federal Award Number:

10.558: CCFP FFY17 & CCFP FFY18
93.558: GSA 18-630-9000-0007 & 18-630-9000-0003

Award Period:

10/01/2016 – 9/30/2017, 10/01/2017 – 9/30/2018

Questioned costs:

None

Condition:

During our testwork over subrecipient monitoring, we noted deficiencies pertaining to the Department's review of subrecipient audit reports and lack of adequate programmatic monitoring. The Department has not updated its agreements with respective subrecipients to include the required points under 2 CFR §200.331 Requirements for pass-through entities.

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

CFDA 10.558: Child and Adult Care Food Program

- 2 out of the 40 subrecipients tested did not have required point under 2 CFR §200.331.

CFDA 93.558: Temporary Assistance for Needy Families

- 10 out of the 13 subrecipients tested did not include an audit report which we could substantiate the Department had evaluated.
- 13 out of the 13 subrecipients tested did not have required point under 2 CFR §200.331.

Management's Response to Repeat Finding:

The contracts audit unit experienced turnover of staff that did not allow continuation of training for subrecipient audits.

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit**

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

2018-004 (Previously 2017-007 / 2016-006) Subrecipient Financial Monitoring (Significant Deficiency in Internal Control over Compliance and Other Matters) (Repeated and Modified) (Continued)

Criteria:

Guidance outlined by 2 CFR §200.331 Requirements for pass-through entities require pass through entities to monitor the activity of their subrecipients. Agreements with subrecipients are required to contain key points to provide the subrecipient with appropriate information.

As the pass-through entity, the Department is also required to monitor the programmatic activities of its subrecipients, but the Department could not substantiate this monitoring for all samples tested for CFDA 10.558 and 93.558.

Context:

We tested on a sample basis.

Cause:

Turnover and inadequate staffing within the Contract Audit Unit. Additionally, program staff needs to make these endeavors a priority.

Effect:

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

Repeat finding:

The finding is a repeat finding of the prior year and was previously numbered as 2017-007.

Recommendation:

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

Views of responsible officials:

As recommended, the Administrative Services Division (ASD) Contract Audit Unit will continue to complete desk audits and site-visit reviews of CYFD's subrecipients and contractors audit reports and financial reports, per the CYFD Administrative and Fiscal Standards (*Attachment 3 of Professional Services Contracts and Agreements*). In addition, the ASD Contract Audit Unit will continue to review the subrecipients and contractors audit reports and financial reports to determine if federal dollars are properly reported and to verify proper controls are in place to disburse those federal dollars per §200.330. Program staff responsible for completing agreements and contracts utilizing federal funding will continue to ensure that the key points of the Uniform Grant Guidance are provided in an adequate and timely fashion.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit

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

2018-005 Allowable Costs (Significant Deficiency in Internal Control over Compliance and Other Matter)

Federal agency:

United States Department of Health and Human Services

Federal program title:

CFDA 93.658: Foster Care

FFDA Number:

93.658: 1701NMFOST, 1801NMFOST

Award Period:

10/01/2016 – 9/30/2017, 10/01/2017 – 9/30/2018

Questioned costs:

\$277.40

Condition:

During our single audit testwork over allowable disbursements we identified two instances for which the Department was unable to provide support.

Criteria:

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

Cause:

Oversight by the program to ensure all necessary support documents kept with file.

Effect:

Unallowable purchases could be made with program monies if program is not able to review applicable receipts for purchases.

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings and Questioned Costs - Major Federal Award Programs Audit**

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

2018-005 Allowable Costs (Significant Deficiency in Internal Control over Compliance and Other Matter) (Continued)

Repeat finding:

No

Recommendation:

We recommend the Department review what is required to be kept as support for receipts to ensure documentation and support meets requirements.

Views of responsible officials:

The agency strives to ensure all expenditures are verified with backup documentation. Our current Management Information System does not allow for providers or staff to upload documents or receipts for review and payment. Most documentation is in the form of paper, which is easy to lose. The Payment to Burlington Coat Factory was a clothing voucher. These are issued to providers on behalf of our children. The receipt for the purchases was not located. The second was for mileage requested by a foster parent for transportation. We require Foster Parents to submit a mileage sheet before reimbursement is processed for payment. This was also misplaced.

The agency will continue to work with staff to ensure that receipts are obtained from all providers or merchants. The receipts should be placed in the hard file of the child's record.

The agency is also working toward a payment module that will allow providers and foster parents to upload receipts for storage in the record and for payment.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters

Section IV - Findings - Compliance and Other Matters

2018-002 Cash in Area Bank Accounts (Matter that doesn't rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))

Condition:

Department bank accounts outside of the State General Fund Investment Pool (SGFIP) are not being reconciled to SHARE monthly.

Criteria:

In accordance with MAPS FIN 2.8 Establishment of non-SGFIP Bank Accounts, if the accounting system used to record cash activity is not SHARE then the agency shall periodically but no less than once a month and prior to the fifth workday of the subsequent month prepare and submit Journal Entries to the FCD to record cash activity in SHARE.

Cause:

Oversight on behalf of the Department.

Effect:

Noncompliance with MAPS.

Repeat finding:

No

Recommendation:

We recommend the Department reconcile these accounts after the end of each month consistent with MAPS.

Views of responsible officials:

The Cash Control Unit reconciles each of these accounts each month. The Cash Control Unit will post monthly transaction activity in these accounts to SHARE so that the monthly ending balances between SHARE and the fiscal agent bank are in agreement.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters

Section IV - Findings - Compliance and Other Matters (continued)

2018-003 (Previously 2017-003) Tracking of Cell Phones/Portable Electronics and Capital Assets (Matters that doesn't rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))

Condition:

During our testwork over physical controls over capital assets and cell phones/portable electronics we noted the following:

- Cell phone listing provided to sample from was not updated to reflect most recent employee with possession of phones.
 - o List identifies a retired employee is still responsible for 25 electronic devices.
 - o 1 employee with 5 phone lines
 - o 4 employees with 4 phone lines
 - o 84 employees with 3 phone lines
 - o 134 employees with 2 phone lines
- Of the five cell phones/portable electronics sampled for physical observation, two phones were not provided to substantiate possession. Additionally, one phone was in the possession of an employee which did not agree to the tracking spreadsheet.
- Of the five capital asset additions from the year under audit sampled for physical observation in October 2018, four did not have an asset tag to identify the asset number to the capital asset listing.

Management's Response to Repeat Finding:

Staff within administrative services updated the agency policy and procedure related to cell phones during the fiscal year. The liasons within the program areas had turnover as well as the Capital Asset Coordinator which did not allow for a complete clean up of the asset listing. The oversight agency also had a delay in completing the submitted changes.

Criteria:

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

In accordance with MAPS FIN 6.7 Safeguarding Capital Assets, state agencies shall mark or tag each capital asset (property and equipment) with a unique number that identifies the state agency and the specific asset.

Effect:

If the tracking of these assets is not effective there is an increased likelihood of abuse and noncompliance with MAPS.

Cause:

Ineffective processes over tracking assets.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters

Section IV - Findings - Compliance and Other Matters (continued)

2018-003 (Previously 2017-003) Tracking of Cell Phones/Portable Electronics and Capital Assets (Matters that doesn't rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))

Repeat finding:

This finding is a repeat from the immediately prior audit and was previously numbered as 2017-003.

Recommendation:

We recommend the Department updates it policies as it relates to the tracking of cell phones and other portable electronics. We are aware the Department is in the process of updating its policies and procedures. We also recommend the Department strengthen controls to tag capitalized assets in a timelier manner.

Views of responsible officials:

The tracking of telcom devices begin with division staff and then provided to Administrative Services Telecom unit. It is important that timely and accurate communication occurs between the division staff, their supervisors and the Telcom unit so that all changes can be reported to the oversight agency for billing changes. The Telcom Unit will implement agency wide review periodically throughout the year. If an item cannot be verified, the Telcom Unit will notify the appropriate division based on the last known user. The division will then need to respond in a timely fashion if the equipment is still active and to whom the device is assigned and provide any necessary updated information. If the reponse is not received in a timely fashion the Telcom unit will suspend the line and notify the division.

The Capital Asset Specialist within Administrative Services will work with the division liasons to continue training. The Capital Asset Specialist will ensure that the liasons understand the importance of tracking the assets as well as placing the tags on the assets in a timely fashion.

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters**

Section IV - Findings - Compliance and Other Matters (continued)

2018-006 (Previously 2017-004/2016-008) Use of State Issued Gas Credit Cards (Noncompliance with NM State Audit Rule)

Condition:

During our testwork over gas cards, which had charges of approximately \$429,000, we identified the matters

- Unsupported transactions of \$357.46.
- Two instances where vehicles exceeded monthly allowed washes.

Management's Response to Repeat Finding:

The agency has been able to review the WEX receipts in a more timely and efficient manner. The audit findings remain due the number of transactions processed on a yearly basis along with the large number of staff utilizing the vehicles and WEX cards.

Criteria:

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

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

Effect:

Noncompliance with NM Statutes and Department policies and procedures.

Cause:

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

Repeat finding:

This finding is a repeat from the immediately prior audit and was previously numbered as 2017-004.

Recommendation:

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

Views of responsible officials:

The agency currently processes over 23,000 WEX transactions annually. These transactions are monitored by liaison staff within each division as well as at the Administrative Services level. All new hires are required to review the internal policies and procedures currently in place for WEX transactions and sign an acknowledgement that this has happened. The acknowledgment is turned into Administrative Services before the WEX pin number is assigned to the employee. Throughout the year Administrative Services send reminder notifications to the liaisons as well as conduct in person training on a yearly basis. When transactions are identified where the procedures were not followed Administrative Services works with the employee and liaison to ensure that corrective action can be taken. The division directors are also notified of repeat issues.

**STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters**

Section IV - Findings - Compliance and Other Matters (continued)

2018-007 Falsification of Timesheets (Matter that doesn't rise to the level of a significant deficiency)

Condition:

During our review of an internal investigation conducted by the Department's Employee Relations Bureau, we note the Department substantiated allegations of falsification of timesheets of 4 employees at the J. Paul Taylor Center for a period of 8 days.

Criteria:

Payroll policies outlined in HR 4 Time and Labor of the Manual of Model Accounting Practices (MAPs) issued by the Department of Finance and Administration (DFA) describe the procedures to be followed by State employees regarding time-keeping records. Additionally, Section 30-23-2 NMSA 1978 addresses the receipt of public money for services not rendered

Cause:

Lack of adherence to established policies and lack of adequate supervision and review of timesheet records.

Effect:

For a period of 8 workdays investigated, there was an approximate overpayment of \$4,900 among the 4 employees investigated.

Repeat finding:

No

Recommendation:

We recommend the Department follow policies outlined by DFA and implement strong internal controls to prevent the falsification of timesheets. Additionally, the Department needs to ensure its internal policies are updated and maintained to address the various time procedures at the J. Paul Taylor Center.

Views of responsible officials:

Written policies and procedures exist within CYFD and NM State Government that provide some direction for time reporting and accountability. Additionally, there is an established process for reporting fraud, waste and abuse and posters are located through CYFD offices and facilities with the contact information to the Office of Inspector General. Immediately upon receipt of the allegations the division contacted the Inspector General (IG) who provided direction that the Employee Relations Bureau (ERB) should conduct an investigation. Upon conclusion of the investigation, all levels of CYFD administration, to include the IG, were consulted and agreed that all employees involved in the allegations receive discipline. In addition to previous emails that had outlined the expectations, the Deputy Director had a face-to-face meeting with the Superintendent and Program Manager to provide clear direction on the expectations. The Superintendent was required to submit an outline of how JPTC would better ensure time accountability and accuracy in reporting; this was submitted on June 26, 2018.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Findings - Compliance and Other Matters

Section IV - Findings - Compliance and Other Matters (continued)

2018-008 Late Submission of Audit Report (Noncompliance with NM State Audit Rule)

Condition:

The Department did not submit its audited financial statements by the statutorily required deadline of November 1, 2018.

Criteria:

Section 2.2.2.9 A. of the New Mexico State Audit Rule outlines the due date as November 1, 2018.

Cause:

Delays in preparation of final reconciliations, specially related to single audit and the year-end reversion calculation.

Effect:

The Department is not in compliance with the NM State Auditor's required deadline.

Repeat finding:

No

Recommendation:

We recommend the Department evaluate its reconciliation processes throughout the year to assist with the final, year-end reconciliation processes.

Views of responsible officials:

The Chief Financial Officer will work to implement a monthly reconciliation process to assist with the year end compilation of the financial statements. The employees responsible for the monthly reconciliations will be provided timelines and necessary training will take place throughout the year.

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENT
Summary Schedule of Prior Year Audit Findings

Section II - Findings - Financial Statement

- 2017-001 Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards
(Significant Deficiency) - Repeated and Modified as Finding 2018-001
- 2017-002 Reclassification of Accounts Payable (Significant Deficiency) - Resolved

Section III - Findings and Questioned Costs - Major Federal Programs

- 2017-007 Subrecipient Financial Monitoring
(Significant Deficiency and Non-Compliance) - Repeated and Modified as Finding 2018-004
- 2017-009 Period of Performance
(Significant Deficiency and Non-Compliance) - Resolved

Section IV - Findings - Compliance and Other Matters

- 2017-003 Tracking of Cell Phones/Portable Electronics
(Matter that doesn't rise to the level of a significant deficiency) - Repeated and Modified
as Finding 2018-003
- 2017-004 Use of State Issued Gas Credit Cards
(Noncompliance with NM State Audit Rule) - Repeated and Modified as Finding 2018-006
- 2017-005 Procurement Process
(Matter that does not rise to the level of a significant deficiency)
(Noncompliance with Manual of Model Accounting Practices (MAPS)) - Resolved
- 2017-006 Improve Information Technology Controls
(Matter that does not rise to the level of a significant deficiency) - Resolved
- 2017-008 Schedule of Joint Powers Agreements
(Matter that does not rise to the level of a significant deficiency) - Resolved

An exit conference was held with the Children, Youth and Families Department on November 28, 2018. The conference was held at the Department's offices in Albuquerque, New Mexico. In attendance were:

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENTS

Thomas Montoya, Early Childhood Services Deputy Director
Elena Tercero, Chief Financial Officer and Interim Administrative Services Director
John Jaramillo, Office of the Secretary
Melanie Sharpe, Administrative Services Budget Director
Rosemary Whitegeese, Administrative Services Financial Manager
Monique Jacobson, Cabinet Secretary

CLIFTONLARSONALLEN, LLP

Goergie Ortiz, Principal
Laura Beltran-Schmitz, Director
Jeff Roybal, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department and are the responsibility of management.