

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019



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**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
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**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2019**

Name	Title
Brian Blalcok	Secretary
Terry Locke	Deputy Secretary
Nick Costales	Director of Juvenile Justice Services
Melanie Sharpe	Interim Director of Administrative Services
Rosemary Whitegeese	Interim CFO (Through August 2019)
David Soveranez	Interim CFO (August 2019 – Report Date)
Annamarie Luna	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

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., 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 State of New Mexico Children, Youth, and Families Department, as of and for the year ended June 30, 2019, 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 an opinion 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.

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., 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 State of New Mexico Children, Youth, and Families Department as of June 30, 2019, 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 State of New Mexico 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 State of New Mexico 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, 2019, and the changes in the financial position for the year then ended, inconformity 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 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Mexico 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.

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., New Mexico State Auditor

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 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 October 30, 2019, on our consideration of the State of New Mexico 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 State of New Mexico 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 State of New Mexico Children, Youth, and Families Department's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 30, 2019

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. 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, 2019**

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:

	June 30, 2019	June 30, 2018	Favorable or Unfavorable	Percent Change
ASSETS				
Current Assets	\$ 86,527,421	\$ 75,215,576	\$ 11,311,845	15.04 %
Capital Assets	2,041,516	2,073,323	(31,807)	(1.53)
Total Assets	<u>88,568,937</u>	<u>77,288,899</u>	<u>11,280,038</u>	<u>14.59</u>
LIABILITIES				
Current Liabilities	56,942,262	51,882,233	5,060,029	9.75
Long-Term Liabilities	1,678,279	5,505,583	(3,827,304)	(69.52)
Total Liabilities	<u>58,620,541</u>	<u>57,387,816</u>	<u>1,232,725</u>	<u>2.15</u>
NET POSITION				
Investment in Capital Assets	2,041,516	2,073,323	(31,807)	(1.53)
Restricted	25,493,356	22,094,609	3,398,747	15.38
Unrestricted	2,413,524	(4,266,849)	6,680,373	156.56
Total Net Position	<u>\$ 29,948,396</u>	<u>\$ 19,901,083</u>	<u>\$ 10,047,313</u>	<u>50.49</u>
PROGRAM REVENUE AND EXPENSES				
Program Revenues	\$ 221,361,243	\$ 242,615,641	\$ (21,254,398)	(8.76)
Program Expenses	(489,889,556)	(502,135,767)	12,246,211	(2.44)
Net Revenue (Expense)	<u>(268,528,313)</u>	<u>(259,520,126)</u>	<u>(9,008,187)</u>	<u>3.47</u>
GENERAL REVENUES (EXPENSES)				
General Fund	277,617,100	249,217,100	28,400,000	11.40
Special Appropriations	300,000	100,000	200,000	200.00
Distributions from Land Grant				
Permanent Fund	1,920,217	1,939,746	(19,529)	(1.01)
Other Revenue	57,960	127,827	(69,867)	(54.66)
Interest	95,257	318,607	(223,350)	(70.10)
Total General Revenues (Expenses)	<u>279,990,534</u>	<u>251,703,280</u>	<u>28,287,254</u>	<u>11.24</u>
TRANSFERS				
Reversions	(3,326,458)	(930,468)	(2,395,990)	257.50
Transfer from Other State Agencies	1,963,816	-	1,963,816	-
Transfer of Capital Assets	(52,266)	-	(52,266)	-
Net Transfers	<u>(1,414,908)</u>	<u>(930,468)</u>	<u>(484,440)</u>	<u>52.06</u>
CHANGE IN NET POSITION				
	10,047,313	(8,747,314)	18,794,627	214.86
Net Position - Beginning of Year	<u>19,901,083</u>	<u>28,648,397</u>	<u>(8,747,314)</u>	<u>(30.53)</u>
NET POSITION - END OF YEAR	<u>\$ 29,948,396</u>	<u>\$ 19,901,083</u>	<u>\$ 10,047,313</u>	<u>50.49</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019 are as follows:

- Current Assets increased by \$11,311,845 or 15.04%. The net increase consists of many changes over the prior year significant highlights as follows: state fund investment pool decreased by \$4,464,432, accounts receivable decreased by \$470,361, due from federal government increased by \$10,650,195, inventories increased by \$192,021, and investments at state investment council increased by \$569,581.
- Capital assets and investment in capital assets experienced a net decrease of \$31,807 or 1.53% due to deletions and transfers of capital assets and depreciation in the current fiscal year.
- Total assets increased by \$11,280,038 or 14.59%. See discussions under current assets and capital assets and investment in capital assets above.
- Current liabilities increased by \$5,060,029 or 9.75% due to several changes of the liability accounts significant highlights as follows: overdraft in the state general fund investment pool of \$4,920,155, accounts payable decreased by \$574,026, due to state general fund decreased by \$1,019,252, due to federal government increased by \$5,178,712, due to local government/beneficiaries increased by \$104,593, compensated absences decreased by \$530,380, other liabilities decreased by \$2,031,637, and accrued expenses increased by \$347,838.
- Long-term liabilities decreased by \$3,827,304 or 69.52% due to the change in long term portion of compensated absences and the dismissal of the legal liability of \$3,600,000.
- Total liabilities decreased by \$3,687,430 or 6.43%. See discussion under current liabilities above.
- Restricted net position increased by \$3,398,747 or 15.38% primarily due to the nonreverting language provided to CYFD by the Legislature for FY15 for Early Childhood Program. Refer to Note 16.
- Unrestricted net position increased by \$6,680,373 or 156.56% due to the nonreversion language allowed in the FY18 and FY19 appropriations.
- Total net position increased by \$10,047,313 or 50.49%. See discussion under current assets and current liabilities above.
- Program revenues decreased by \$21,254,398 or 8.76%. Net decrease attributed to a decrease in federal funds of \$21,420,667 and other state funds increased by \$166,269.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE (CONTINUED)

- Program expenses decreased by \$12,246,211 or 2.44% due to the decreases in Other Costs.
- Deficiency of program revenues over program expenses increased by \$9,008,187 or 3.47%. See discussion under program revenues and program expenses above.
- General Fund appropriations increased by \$28,400,000 or 11.40% over the prior year's appropriations.
- Special appropriations increased by \$200,000 or 200%.
- Distributions from the Land Grant Permanent Fund decreased by \$19,529 or 1.01%. 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 \$69,867 or 54.66%.
- A reversion to state General Fund increased by \$2,395,990 or 257.5% from the prior year reversion. CYFD recognized an increase in programmatic expenses.
- Change in net position decreased by \$8,747,314 due to the nonreverting language by the Legislature for FY17 and FY18 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, 2019**

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:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase or (Decrease)</u>	<u>Percent Change</u>
MAJOR FUNDS				
General Fund:				
Nonspendable	\$ 378,898	\$ 186,877	\$ 192,021	102.75 %
Restricted	7,114,100	5,583,437	1,530,663	27.41
Committed	2,230,669	2,998,223	(767,554)	(25.60)
Unassigned	3,277,119	-	3,277,119	-
Total General Fund	<u>13,000,786</u>	<u>8,768,537</u>	<u>4,232,249</u>	<u>48.27</u>
Pre-Kindergarten:				
Nonspendable	-	-	-	-
Restricted	7,094,545	6,797,778	296,767	4.37
Committed	-	-	-	-
Total Pre-Kindergarten	<u>7,094,545</u>	<u>6,797,778</u>	<u>296,767</u>	<u>4.37</u>
Nonmajor Funds:				
Nonspendable	2,000,000	2,000,000	-	-
Restricted	8,905,813	7,713,393	1,192,420	15.46
Committed	2,500,000	2,500,000	-	-
Total Nonmajor Funds	<u>13,405,813</u>	<u>12,213,393</u>	<u>1,192,420</u>	<u>9.76</u>
Total	<u>\$ 33,501,144</u>	<u>\$ 27,779,708</u>	<u>\$ 5,721,436</u>	<u>20.60</u>

Ending fund balance for the current fiscal year, in the General Fund accounted for 39% of total fund balance for the Department. Of the General Fund, approximately 17% was committed, 54% was restricted, and 26% was unassigned.

FY19 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 2018, Chapter 73 Section 4 appropriated \$279,879,100 in State General Fund for the FY19 Operating Budget which is an increase from the FY18 of \$30,662,000. The FY19 appropriation included funding of \$7,297,700 for Protective Services and \$20,067,600 for Early Childhood Services.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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 2018, Chapter 73, Section 4 for the year ended June 30, 2019 were:

Type	Measure	Target	Result
<u>Early Childhood Services</u>			
Outcome	Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	93.0 %	95.0 %
Outcome	Percent of parents who demonstrate progress in practicing positive parent-child interactions	40.0 %	45.5 %
<u>Protective Services</u>			
Outcome	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	90.0 %	81.1 %
Output	Turnover rate for protective service workers	20.0 %	38.5 %
Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of prior determination of substantiated maltreatment	93.0 %	86.8 %
Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	93.0 %	86.8 %
<u>Juvenile Justice Services</u>			
Outcome	Percent of clients who successfully complete formal probation	85.0 %	85.8 %
Outcome	Turnover rate for youth care specialists	18.0 %	18.4 %
Outcome	Percent of clients recommitted to a children, youth, and families department facility within two years of discharge from facilities	12.0 %	19.0 %
Output	Number of physical assaults in juvenile justice facilities	<300	235
<u>Behavioral Health Services</u>			
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	83.0 %	85.6 %

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Total capital assets, net of depreciation, for the Department makes up 3% of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2019 are \$5,594,264. The estimated amount to be paid from current General Fund appropriations within one year is \$3,915,985 or 70%, with \$1,678,279 or 30% due after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2019.

FY20 OPERATING BUDGET

CYFD depends primarily on appropriations from the New Mexico State General Fund. The State Legislature in the General Appropriations Act, Laws 2019, Chapter 271 Section 4 appropriated \$312,961,100. The FY20 appropriation is an increase from FY19 in the amount of \$33,082,000. The appropriation included additional funding of \$19,617,900 for Child Care Assistance to working families. An increase for Protective Services of \$9,426,900 to increase the number of field positions as well an increase of \$9,578,700 for Care and Support Services in Protective Services.

FY21 OPERATING BUDGET REQUEST

The FY21 Operating Budget Request includes a base general fund request of \$241,815,700, a decrease of \$71,145,400 or 23% under the FY20 operating budget. The general fund request includes a decrease for CYFD as Early Childhood Services within the Department will be transferring to a new business unit on July 1, 2020. The new state agency is to be called the Early Childhood Education and Care Department and was established through the 54th Legislature, 1st Session, Laws 2019, Chapter 48, and Senate Bill 22

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
P.O. Drawer 5160
Santa Fe, New Mexico 87502-5160

FINANCIAL STATEMENTS

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
CURRENT ASSETS	
Cash Equivalents:	
Investment in SGFIP	\$ 43,137,761
Other Cash	53,700
Accounts Receivable, Net	1,172,340
Due From:	
Federal Government	34,674,202
Other State Agencies	81,835
Local Governments	13,901
Inventories	378,898
Investments at SIC	7,008,843
Other Assets	5,941
Total Current Assets	86,527,421
NONCURRENT ASSETS	
Capital Assets, Net	2,041,516
Total Noncurrent Assets	2,041,516
Total Assets	\$ 88,568,937
CURRENT LIABILITIES	
Accounts Payable	\$ 12,517,345
Interest in State General Fund	
Investment Pool - Overdraft	4,920,155
Due To:	
Federal Government	5,824,776
Other State Agencies	32,170
State General Fund	160,495
Local Governments	959,080
Components of the State	3,418,368
Accrued Expenses	5,549,675
Other Liabilities	19,644,213
Compensated Absences	3,915,985
Total Current Liabilities	56,942,262
LONG-TERM LIABILITIES	
Compensated Absences	1,678,279
Total Long-Term Liabilities	1,678,279
Total Liabilities	58,620,541
NET POSITION	
Investment in Capital Assets	2,041,516
Restricted For:	
Nonexpendable:	
Children's Trust Fund - Permanent	2,000,000
Expendable:	
Children's Trust Fund - Permanent and Special Revenue	5,948,090
Day Care Fund	165,991
Subsequent Year Expenditures by Applicable Legislation and Law Unrestricted	17,379,275
Unrestricted	2,413,524
Total Net Position	29,948,396
Total Liabilities and Net Position	\$ 88,568,937

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Expenses	Program Revenues Operating Grants and Contributions	Governmental Activities Net Program (Expense)
GOVERNMENTAL ACTIVITIES			
Program Support	\$ (16,706,852)	\$ 4,871,892	\$ (11,834,960)
Juvenile Justice Services	(71,994,901)	842,813	(71,152,088)
Protective Services	(142,969,283)	52,575,518	(90,393,765)
Early Childhood Services	(241,446,747)	160,530,045	(80,916,702)
Behavioral Health Services	(16,771,773)	2,540,975	(14,230,798)
	\$ (489,889,556)	\$ 221,361,243	(268,528,313)
 GENERAL REVENUES			
General Fund			277,617,100
Special Appropriations			300,000
Distributions from Land Grant Permanent Fund			1,920,217
Other Revenue			57,960
Interest			95,257
Total General Revenues			279,990,534
 TRANSFERS			
Reversions			(3,326,458)
Transfer from Other State Agencies			1,963,816
Transfer of Capital Assets			(52,266)
Net Transfers			(1,414,908)
 CHANGE IN NET POSITION			10,047,313
Net Position - Beginning of Fiscal Year			19,901,083
 NET POSITION - END OF FISCAL YEAR			\$ 29,948,396

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Pre- Kindergarten Fund 20080	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash:				
Cash Equivalents:				
Investment in SGFIP	\$ 27,069,010	\$ 9,172,659	\$ 6,896,092	\$ 43,137,761
Other Cash	53,700	-	-	53,700
Accounts Receivable	1,171,650	-	690	1,172,340
Due From:				
Federal Government	34,674,202	-	-	34,674,202
Other State Agencies	81,835	-	-	81,835
Local Governments	-	-	13,901	13,901
Inventories	378,898	-	-	378,898
Investments at SIC	-	-	7,008,843	7,008,843
Other Assets	5,929	12	-	5,941
	<u>\$ 63,435,224</u>	<u>\$ 9,172,671</u>	<u>\$ 13,919,526</u>	<u>\$ 86,527,421</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 10,730,957	\$ 1,715,175	\$ 71,213	\$ 12,517,345
Interest in State General Fund				
Investment Pool - Overdraft	4,920,155	-	-	4,920,155
Due To:				
Federal Government	5,824,776	-	-	5,824,776
Other State Agencies	32,170	-	-	32,170
State General Fund	121,113	39,198	184	160,495
Local Governments	331,462	189,654	437,964	959,080
Components of the State	3,302,281	116,087	-	3,418,368
Accrued Expenses	5,527,376	18,012	4,287	5,549,675
Other Liabilities	19,644,148	-	65	19,644,213
Total Liabilities	<u>50,434,438</u>	<u>2,078,126</u>	<u>513,713</u>	<u>53,026,277</u>
FUND BALANCE				
Nonspendable	378,898	-	2,000,000	2,378,898
Restricted	7,114,100	7,094,545	8,905,813	23,114,458
Committed	2,230,669	-	2,500,000	4,730,669
Unassigned	3,277,119	-	-	3,277,119
Total Fund Balance	<u>13,000,786</u>	<u>7,094,545</u>	<u>13,405,813</u>	<u>33,501,144</u>
	<u>\$ 63,435,224</u>	<u>\$ 9,172,671</u>	<u>\$ 13,919,526</u>	<u>\$ 86,527,421</u>
Total Liabilities and Fund Balance	<u>\$ 63,435,224</u>	<u>\$ 9,172,671</u>	<u>\$ 13,919,526</u>	<u>\$ 86,527,421</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balance - Governmental Funds \$ 33,501,144

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Capital Assets	\$ 5,844,633	
Less: Accumulated Depreciation	<u>(3,803,117)</u>	
Total		2,041,516

Compensated absences recorded in the statement of net position not recorded in the governmental funds		<u>(5,594,264)</u>
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Net Position of Governmental Activities \$ 29,948,396

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund	Pre- Kindergarten Fund 20080	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Federal Awards	\$ 203,918,666	\$ 14,100,000	\$ -	\$ 218,018,666
Other State Funds	1,542,917	39,572	1,760,088	3,342,577
Interest Earnings	14,908	-	80,349	95,257
Other Revenue	57,960	-	-	57,960
Total Revenues	<u>205,534,451</u>	<u>14,139,572</u>	<u>1,840,437</u>	<u>221,514,460</u>
EXPENDITURES				
Current:				
Operating Costs	15,773,550	261,915	19,206	16,054,671
Personal Services	95,712,598	350,239	-	96,062,837
Out-of-State Travel	106,620	-	1,378	107,998
Grants and Services	2,362,785	-	-	2,362,785
Travel	2,378,425	15,612	2,796	2,396,833
Maintenance and Repairs	1,393,759	3,246	-	1,397,005
Supplies	4,240,041	3,527	1,965	4,245,533
Contractual Services	71,288,458	28,667,212	2,671,896	102,627,566
Other Costs	225,294,690	122,820	900,476	226,317,986
Employee Benefits	42,165,759	128,234	-	42,293,993
Capital Outlay	592,513	-	-	592,513
Total Expenditures	<u>461,309,198</u>	<u>29,552,805</u>	<u>3,597,717</u>	<u>494,459,720</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(255,774,747)	(15,413,233)	(1,757,280)	(272,945,260)
OTHER FINANCING SOURCES (USES)				
General Fund Appropriations	258,957,400	15,710,000	2,949,700	277,617,100
Special Appropriations	300,000	-	-	300,000
Distributions from Land Grant				
Permanent Fund	1,920,217	-	-	1,920,217
Transfers In:				
Inter-Agency	1,963,816	-	-	1,963,816
Reversions	(3,326,458)	-	-	(3,326,458)
Total Other Financing Sources (Used)	<u>259,814,975</u>	<u>15,710,000</u>	<u>2,949,700</u>	<u>278,474,675</u>
NET CHANGES IN FUND BALANCE	4,040,228	296,767	1,192,420	5,529,415
Fund Balance				
Beginning of Year	8,768,537	6,797,778	12,213,393	27,779,708
Increase in Nonspendable for Inventories	192,021	-	-	192,021
FUND BALANCE - END OF YEAR	<u>\$ 13,000,786</u>	<u>\$ 7,094,545</u>	<u>\$ 13,405,813</u>	<u>\$ 33,501,144</u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Changes in Fund Balance - Total Governmental Funds \$ 5,529,415

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	592,513	
Less: Current Year Depreciation	<u>(563,602)</u>	
Total		28,911

The Statement of Activities reports the gain (loss) on sale and transfer of equipment, while the Statement of Revenues, Expenditures, and Changes in Fund Balances reports the proceeds.

The reconciling amount is the difference: (8,452)

The Statement of Activities shows the transfer of capital assets to the General Services Department. This is not recorded on the Statement of Revenues, Expenditures, and Changes in Fund Balance:

(52,266)

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

Change in Inventory		192,021
Decrease in Accrued Compensated Absences		757,685
Decrease in Lawsuit Litigation Accrual		3,600,000
Reconciling Item		<u>(1)</u>

Change in Net Position of Governmental Activities \$ 10,047,313

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
(MODIFIED ACCRUAL BASIS) – GENERAL AND MAJOR SPECIAL REVENUE FUNDS
YEAR JUNE 30, 2019**

	General Fund(s) (SHARE 06700, 06800, 48900, 49100, 83900, 84000, 84100)			
	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Modified Accrual)	Over (Under)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 217,602,100	\$ 218,485,150	\$ 203,918,666	\$ (14,566,484)
Other State Funds	2,226,500	2,226,500	1,600,877	(625,623)
State General Fund	259,667,400	259,667,400	259,257,400	(410,000)
Transfers Outside the Agency	2,762,000	2,762,000	3,884,033	1,122,033
Interest Revenue	1,358,200	1,358,200	14,908	(1,343,292)
Total Revenues and Other Financing Sources	483,616,200	484,499,250	468,675,884	\$ (15,823,366)
Prior Year Funds Rebudgeted	-	1,626,411		
Total Revenues and Other Financing Sources	\$ 483,616,200	\$ 486,125,661		
EXPENDITURES AND OTHER FINANCING USES				
Program Support:				
Personal Services/Employee Benefits	\$ 12,688,100	\$ 11,823,257	11,231,122	\$ 592,135
Contractual Services	1,560,400	1,286,800	1,284,887	1,913
Other	5,357,900	6,796,343	6,277,258	519,085
Total Program Support	19,606,400	19,906,400	18,793,267	1,113,133
Juvenile Justice Services:				
Personal Services/Employee Benefits	52,004,100	53,504,100	53,332,308	171,792
Contractual Services	10,965,100	10,311,100	8,147,895	2,163,205
Other	5,956,800	6,737,211	6,225,593	511,618
Total Juvenile Justice Services	68,926,000	70,552,411	67,705,796	2,846,615
Protective Services:				
Personal Services/Employee Benefits	59,822,400	59,822,400	58,422,381	1,400,019
Contractual Services	24,674,200	25,959,820	23,968,193	1,991,627
Other	67,919,100	66,633,480	65,500,424	1,133,056
Total Protective Services	152,415,700	152,415,700	147,890,998	4,524,702
Early Childhood Services:				
Personal Services/Employee Benefits	9,520,700	10,249,600	10,095,719	153,881
Contractual Services	29,316,600	28,987,710	24,677,264	4,310,446
Other	184,572,300	184,172,290	173,741,403	10,430,887
Total Early Childhood Services	223,409,600	223,409,600	208,514,386	14,895,214
Behavioral Health Services:				
Personal Services/Employee Benefits	5,061,800	4,826,800	4,796,827	29,973
Contractual Services	12,749,100	13,855,425	13,210,219	645,206
Other	433,500	445,225	397,705	47,520
Total Behavioral Health Services	18,244,400	19,127,450	18,404,751	722,699
Total Budgeted Expenditures and Other Financing Uses	\$ 482,602,100	\$ 485,411,561	461,309,198	\$ 24,102,363
NONBUDGETED ITEMS				
Reversions			3,326,458	
Total Expenditures and Other Financing Uses			464,635,656	
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES AND USES			\$ 4,040,228	

See accompanying 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 AND MAJOR SPECIAL REVENUE FUNDS
(CONTINUED)
YEAR JUNE 30, 2019**

	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	-	-	39,572	39,572
State General Fund	15,710,000	15,710,000	15,710,000	-
Interest Revenue				-
Total Revenues and Other Financing Sources	29,810,000	29,810,000	29,849,572	\$ 39,572
Prior Year Funds Rebudgeted	1,684,800	1,684,800		
Total Revenues and Other Financing Sources	\$ 31,494,800	\$ 31,494,800		
EXPENDITURES AND OTHER FINANCING USES				
Early Childhood Services:				
Personal Services/Employee Benefits	\$ 387,000	\$ 483,000	478,473	\$ 4,527
Contractual Services	30,504,600	30,490,900	28,667,212	1,823,688
Other	603,200	520,900	407,120	113,780
Total Early Childhood Services	31,494,800	31,494,800	29,552,805	1,941,995
Total Budgeted Expenditures and Other Financing Uses	\$ 31,494,800	\$ 31,494,800	\$ 29,552,805	\$ 1,941,995
NONBUDGETED ITEMS				
Reversions			-	
Total Expenditures and Other Financing Uses			29,552,805	
EXCESS (DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES AND USES			\$ 296,767	

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

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash Equivalents:	
Investment in SGFIP	\$ 971,566
Other Cash	<u>49,097</u>
Total Assets	<u><u>\$ 1,020,663</u></u>
LIABILITIES	
Accounts Payable	\$ 43,069
Deposits Held for Others	<u>977,594</u>
Total Liabilities	<u><u>\$ 1,020,663</u></u>

See accompanying Notes to Financial Statements.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 HISTORY AND FUNCTION

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 HISTORY AND FUNCTION (CONTINUED)

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The chief executive of the Department is the Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. The Department is a component 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, 2019.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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

Joint Venture

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

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

Basic Financial Statements

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

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

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

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

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 Nonexpendable 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Fund Types (Continued)

Nonmajor 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Fund Types (Continued)

Nonmajor Funds

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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 measureable 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 2019 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 noncurrent 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 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 no 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

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

Inventories

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

Federal Grants Receivable (Unearned Revenue)

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

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

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

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

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

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, 2019 consist of the following:

Bank Account - General Fund	\$ 53,700
Bank Accounts - Agency Funds	49,097
Cash on Hand	-
Total Cash Balance	<u>\$ 102,797</u>

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

General Fund Balance	\$ 27,069,010
20080 Pre-Kindergarten Balance	9,172,659
Nonmajor Government Funds Balances	6,896,092
Agency Funds	971,566
Total	<u>\$ 44,109,327</u>

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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, 2019.

All funds on deposit with banking institutions were fully covered by Federal Deposit Insurance Corporation (FDIC) Insurance at June 30, 2019, as the bank balances indicate below:

	Wells Fargo Bank	Bank of America
Total Amount of Deposits per Bank	\$ 53,700	\$ 49,097
Less: FDIC Coverage	(53,700)	(49,097)
Total Uninsured Public Funds	<u>\$ -</u>	<u>\$ -</u>

CYFD investments held by the State Investment Council at June 30, 2019 were as follows:

	Permanent Children Trust	Permanent CTF-Next Gen
Level 1:		
Large Cap Index	\$ 1,129,287	\$ 438,053
Non-U.S. Developed Markets Pool	185,105	66,447
Non-U.S. Emerging Markets Pool	42,957	13,316
Level 2:		
U.S. Core Bonds Pool	3,716,169	1,417,509
Total	<u>\$ 5,073,518</u>	<u>\$ 1,935,325</u>

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

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 and 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.

The State Controller indicated on September 17, 2019 that as of June 30, 2019, 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.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

State General Fund Investment Pool (Continued)

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, 2019, the Department had the following invested in the State General Fund Investment Pool: \$39,276,921.

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, 2019.

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, 2019.

NOTE 4 ACCOUNTS AND FEDERAL RECEIVABLE

Accounts receivable at June 30, 2019 are as follows:

Accounts Receivable - Overpayment of Benefits and Other Receivables	\$ 11,011,333
Less: Contractual and Collectability Allowances	(9,838,993)
Total Accounts Receivable	<u>\$ 1,172,340</u>
 Federal Grants Receivable*	 <u>\$ 34,674,202</u>

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

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 ACCOUNTS AND FEDERAL RECEIVABLE (CONTINUED)

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	\$ 8,868,279
Provision for Doubtful Accounts	<u>970,714</u>
Balance - End of Year	<u><u>\$ 9,838,993</u></u>

NOTE 5 CAPITAL ASSETS

The Department does not have any debt related to capital assets as of June 30, 2019. 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, 2018	Additions	Deletions	Transfers	Balance - June 30, 2019
<u>Governmental Activities</u>					
Capital Assets, Being Depreciated:					
Buildings and Structures	\$ 151,478	\$ 241,863	\$ -	\$ -	\$ 393,341
Data Processing Equipment	2,870,882	45,845	(207,332)	-	2,709,395
Equipment and Machinery	907,673	94,631	(133,469)	-	868,835
Furniture and Fixtures	776,622	139,379	(107,203)	-	808,798
Vehicles	-	53,153	-	(53,153)	-
Leasehold Land Improvements	1,061,090	17,642	(14,468)	-	1,064,264
Total Capital Assets, Being Depreciated	5,767,745	592,513	(462,472)	(53,153)	5,844,633
Less Accumulated Depreciation:					
Buildings and Structures	-	9,092	-	-	9,092
Data Processing Equipment	2,411,079	263,323	(207,332)	-	2,467,070
Equipment and Machinery	447,837	113,141	(126,573)	-	434,405
Furniture and Fixtures	590,657	60,109	(107,203)	-	543,563
Vehicles	1	886	-	(887)	-
Leasehold Land Improvements	244,848	117,051	(12,912)	-	348,987
Total Accumulated Depreciation	3,694,422	563,602	(454,020)	(887)	3,803,117
Capital Assets, Net	\$ 2,073,323	\$ 28,911	\$ (8,452)	\$ (52,266)	\$ 2,041,516

During the year, the Department transferred a vehicle with cost of \$53,153 and accumulated depreciation of \$887 (net book value \$52,266) to the NM General Services Department.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was \$563,602 for the year ended June 30, 2019 and is considered a governmental activity and allocated to all governmental programs, as follows:

Program Support	\$	20,118
Juvenile Justice Services		82,067
Protective Services		167,074
Early Childhood Services		275,225
Behavioral Health Services		19,118
		563,602
	\$	563,602

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>.

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, 2019, 2018, and 2017 were \$15,876,429, \$15,354,339, and \$15,390,205, 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Educational Retirement Board's Pension Plan (Continued)

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 2019, the Department was required to contribute 13.9%.

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, 2019, 2018, and 2017 were \$395,839, \$415,965, and \$374,143, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 7 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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, 2019 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.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8 BUDGETARY BASIS

For the year ended June 30, 2019 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 - June 30, 2018	Additions	Deletions	Balance - June 30, 2019	Current
Compensated Absences:	\$ 6,351,949	\$ 5,462,204	\$ (6,219,889)	\$ 5,594,264	\$ 3,915,985

The General Fund has been used to pay compensated absences.

NOTE 10 LEASE OBLIGATIONS

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

Year Ending June 30,	Facilities	Equipment
2020	\$ 7,921,000	\$ 614,100
2021	8,167,700	501,200
2022	3,277,278	501,200
2023	2,744,053	501,200
2024	1,950,813	501,200
Total	\$ 24,060,844	\$ 2,618,900

During the period ended June 30, 2019, facilities and equipment rent expenses amounted to \$10,217,665.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 was one judgment that was not covered by Risk Management at June 30, 2018. The judgment found the Department's contemptuous conduct deprived the plaintiffs of family relationships. During the current fiscal year, in December 2018, the New Mexico Supreme Court ruled that the New Mexico District Court did not exercise its contempt power for the purpose of preserving the defendant's chance of reconciling with the respondents for the purpose of coercing the Department into compliance with its Placement Order. Therefore, the New Mexico Supreme Court vacated the entire award. As such, the liability will be deleted from the Statement of Net Position.

Long-term litigation liability activity is shown below:

	Balance - June 30, 2018	Additions	Deletions	Balance - June 30, 2019
Total Long-Term Litigation Liability	\$ 3,600,000	\$ -	\$ (3,600,000)	\$ -

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 2019 reversions are:

	Reversion Calculation	General Fund
Fund Balance SHARE Funds 06700, 48900, 49100	\$ 5,847,305	\$ 5,847,305
Special Appropriations	(155,528)	(155,528)
Nonreverting Components of Fund Balances	-	(2,365,319)
Nonspendable Fund Balance	(378,898)	-
State Permanent and Land Income 2018	(1,920,217)	-
Annie Casey Foundation	(13,398)	-
Client Emergency	(52,806)	-
Calculated Current Year Reversion	<u>3,326,458</u>	<u>3,326,458</u>
Special Appropriations	-	-
Total	<u>\$ 3,326,458</u>	<u>\$ 3,326,458</u>

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

Stale Dated Warrants	\$ 121,357
Pre-Kindergarten	<u>39,138</u>
Total	<u>\$ 160,495</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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>		
SHARE Fund			SHARE Fund		
<u>Fund</u>	<u>Number</u>	<u>Amount</u>	<u>Agency</u>	<u>Number</u>	<u>Amount</u>
General Fund	06700	\$ 81,835	Human Services Department	05200	\$ 81,835
Total		<u>\$ 81,835</u>	Total		<u>\$ 81,835</u>

Due To Other State Agencies

<u>Amount From Other Agencies</u>			<u>Other Agencies</u>		
SHARE Fund			SHARE Fund		
<u>Fund</u>	<u>Number</u>	<u>Amount</u>	<u>Agency</u>	<u>Number</u>	<u>Amount</u>
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	480	Department of Health	06105	480
General Fund	06700	8,252	Public Education Department	84402	8,252
General Fund	06700	810	General Services Department	75203	810
Total		<u>\$ 32,170</u>	Total		<u>\$ 32,170</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
JUNE 30, 2019

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.

Amount Due to Component of the State/Local Governments			Other Entity	
Fund	SHARE Fund		Fund	Amount
	Number	Amount		
<u>Due to Component of the State</u>				
General Fund	06700	\$ 12,571	UNM Medical Group	\$ 12,571
General Fund	06700	13,961	Eastern New Mexico University	13,961
General Fund	06700	291,988	New Mexico Highlands University	291,988
General Fund	06700	776,176	New Mexico State University	776,176
General Fund	06700	2,180,786	University of New Mexico	2,180,786
General Fund	06700	26,799	Western New Mexico University	26,799
Pre-Kindergarten	20080	20,242	New Mexico State University	20,242
Pre-Kindergarten	20080	83,759	University of New Mexico	83,759
Pre-Kindergarten	20080	12,086	Western New Mexico University	12,086
Total Due to Beneficiaries		<u>\$ 3,418,368</u>	Total	<u>\$ 3,418,368</u>
<u>Due to Local Governments</u>				
General Fund	06700	\$ 1,511	City of Las Cruces	\$ 1,511
General Fund	06700	58,353	County of Chavez	58,353
General Fund	06700	18,525	County of Colfax	18,525
General Fund	06700	107,503	County of Luna	107,503
General Fund	06700	100	Las Vegas City Schools	100
General Fund	06700	41,741	County of San Juan	41,741
General Fund	06700	9,130	Bernalillo County	9,130
Pre-Kindergarten	20080	189,636	City of Albuquerque	189,636
Pre-Kindergarten	20080	18	Bernalillo County	18
Regional Juvenile Justice	20090	60,948	City of Las Cruces	60,948
Regional Juvenile Justice	20090	26,145	County of Chavez	26,145
Regional Juvenile Justice	20090	7,365	City of Raton	7,365
Regional Juvenile Justice	20090	82,843	City of Santa Fe	82,843
Regional Juvenile Justice	20090	15,959	City of Socorro	15,959
Regional Juvenile Justice	20090	24,726	City of T or C	24,726
Regional Juvenile Justice	20090	29,535	Bernalillo County	29,535
Regional Juvenile Justice	20090	23,711	County of Lincoln	23,711
Regional Juvenile Justice	20090	19,431	County of Luna	19,431
Regional Juvenile Justice	20090	12,324	County of Otero	12,324
Regional Juvenile Justice	20090	50,790	County of Sandoval	50,790
Regional Juvenile Justice	20090	10,290	County of San Miguel	10,290
Regional Juvenile Justice	20090	13,850	County of Torrance	13,850
Regional Juvenile Justice	20090	4,795	County of Valencia	4,795
Regional Juvenile Justice	20090	2,789	County of Curry	2,789
Regional Juvenile Justice	20090	28,012	County of Grant	28,012
Regional Juvenile Justice	20090	21,400	Inc. County of Los Alamos, NM	21,400
Regional Juvenile Justice	20090	81,638	County of McKinley	81,638
Regional Juvenile Justice	20090	3,052	County of Rio Arriba	3,052
Juvenile Community Corrections	83900	7,024	County of Chavez	7,024
Juvenile Community Corrections	83900	2,643	County of Rio Arriba	2,643
Juvenile Community Corrections	83900	3,293	County of San Juan	3,293
Total Due to Local Governments		<u>\$ 959,080</u>	Total	<u>\$ 959,080</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 15 TRANSFERS

The Department received the following transfers during the year, as required by New Mexico Legislature:

<u>Department Fund Name</u>	<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>	<u>Agency</u>	<u>Fund</u>	<u>Amount</u>
Major Funds						
Operating	06700	\$ 179,405,400	General Fund Appropriation	34101	85300	\$ 179,405,400
Operating	06700	300,000	Special Appropriation	34100	85300	300,000
Operating	06700	1,963,816	Compensation Package	34100	62000	1,963,816
Operating	06700	1,920,217	Land Grant Distributions	33700	60100	1,920,217
FACTS Protective Services	48900	23,510,900	General Fund Appropriation	34101	85300	23,510,900
FACTS Childcare	49100	53,342,500	General Fund Appropriation	34101	85300	53,342,500
Juvenile Community Corrections	83900	2,658,600	General Fund Appropriation	34101	85300	2,658,600
JJDP/Children's Justice	84100	40,000	General Fund Appropriation	34101	85300	40,000
Pre-Kindergarten	20080	15,710,000	General Fund Appropriation	34101	85300	15,710,000
Subtotal Major Funds		<u>278,851,433</u>				<u>278,851,433</u>
Non-Major Funds						
Regional Juvenile	20090	2,765,000	General Fund Appropriation	34101	85300	2,765,000
Children's Trust	78000	184,700	General Fund Appropriation	34101	85300	184,700
Subtotal Nonmajor Funds		<u>2,949,700</u>				<u>2,949,700</u>
Total		<u>\$ 281,801,133</u>				<u>\$ 281,801,133</u>

Additionally, during the year, the Department transferred a vehicle with cost of \$53,153 and accumulated depreciation of \$887 (net book value \$52,266) to the NM General Services Department. This will be reported in Statement of Activities.

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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, 2019, follows:

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Fund/Program	Restriction	Committed Purpose	Restricted Purposes	Nonspendable Purposes
<u>General Fund</u>				
General Operating	The opening 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 - Nonreverting Language.	\$ 2,230,669		
General Operating	Supplies Inventory	-		378,898
Special Appropriation	Donation by Representative Light when CYFD was established as a Department.	-	474,616	
Juvenile Community Corrections	NMSA-33-9A.3 - Fund used to divert juveniles from institutions and reintegrate them with society	-	3,918,921	
Federal Childcare Food Account	Payments to child and adult care providers for meals served to children and adults in nonresidential childcare settings	-	981,024	
JJP/Children's Justice	Account established to implement the federal Juvenile Justice and Delinquency Prevention Act and the federal Children's Justice Act	-	1,739,539	
Total General Fund		2,230,669	7,114,100	378,898
<u>Major Special Revenue Fund</u>				
Pre-Kindergarten	NMSA 32A-23-I - carry out provisions of the Pre-Kindergarten		7,094,545	
<u>Fund Balance - Nonmajor Funds</u>				
Children's Trust Fund	NMSA 1978 24-19-1 to 24-19-9 - contribute to Children's Trust Funds		1,533,260	
CTF Next Generation	NMSA 1978 24-19-1 to 24-19-9 - used to account for general fund appropriations received for specific purposes		499,430	
Day Care	NMSA 24-14-29 - resources contributed to or earned by the Day Care Fund		165,991	
Regional Juvenile Services	NMSA 32a-23-I - carry out provisions of the Juvenile Services Act		2,789,167	
Permanent Children's Trust Fund	NMSA 24-19-4 and is used to account for 50% of marriage license fees collected by county clerks		2,918,826	
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		996,574	
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	8,905,813	2,000,000
Total Fund Balance		\$ 4,730,669	\$ 23,114,458	\$ 2,378,898

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 \$1,622,033 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.

NOTE 19 SUBSEQUENT EVENT

The Early Childhood Services Division within the Department will be transferring to a new business unit on July 1, 2020. The new state agency is to be called the Early Childhood Education and Care Department and was established through the 54th Legislature, 1st Session, Laws 2019, Chapter 48, and Senate Bill 22. The agency will also include the Department of Health's Family, Infant, Toddler Program and Family First Home Visiting program. It is being created in an effort to expand the early pre-kindergarten and pre-kindergarten programs within the state to prepare children for school.

Between July 1, 2019 and July 1, 2020, the accounts and financial control functions that will belong to the Early Childhood Education and Care Department shall continue being performed by the administrative services divisions of the Department, the Public Education Department, the Human Services Department and the Department of Health, as appropriate; provided, however, that the administrative services divisions of the Department and the Department of Health shall provide for separate reporting of accounts and finances between the Early Childhood Education and Care Department and the Department and the

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 19 SUBSEQUENT EVENT (CONTINUED)

Department of Health and shall provide necessary administrative services related to the Early Childhood Education and Care Department at the direction of the Secretary of Early Childhood Education and Care.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS
BALANCE SHEET
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund 06700	Special Appropriation Light 06800	FACTS Protective Services 48900	FACTS Child Care Payments 49100
ASSETS				
Cash Equivalents:				
Investment in SGFIP	\$ 16,254,627	\$ 474,616	\$ 3,912,924	\$ -
Other Cash	53,700	-	-	-
Accounts Receivable, Net	42,088	-	-	666,999
Due From:				
Federal Government	12,447,389	-	2,945,400	15,552,870
Other Funds	-	-	-	-
Other State Agencies	81,835	-	-	-
State General Fund	-	-	-	-
Local Governments	-	-	-	-
Component Units of the State	-	-	-	-
Inventories	378,898	-	-	-
Prepaid Expenses - Other	-	-	-	-
Investments at SIC	-	-	-	-
Other Assets	-	-	-	-
	<u>\$ 29,258,537</u>	<u>\$ 474,616</u>	<u>\$ 6,858,324</u>	<u>\$ 16,219,869</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 10,274,760	\$ -	\$ 163,331	\$ -
Interest in State General Fund				
Investment Pool - Overdraft	-	-	-	4,920,155
Due to:				
Federal Government	3,320,580	-	2,289,811	212,555
Other	-	-	-	-
Other State Agencies	32,170	-	-	-
State General Fund	19,172	-	24,077	56,348
Local Governments	318,502	-	-	-
Component Units of the State	3,302,281	-	-	-
Unearned Revenue	-	-	-	-
Accrued Expenses	5,524,619	-	-	-
Other Liabilities	579,767	-	4,381,105	11,030,811
Total Liabilities	<u>23,371,851</u>	<u>-</u>	<u>6,858,324</u>	<u>16,219,869</u>
FUND BALANCE				
Nonspendable	378,898	-	-	-
Restricted	-	474,616	-	-
Committed	2,230,669	-	-	-
Unassigned	3,277,119	-	-	-
Total Fund Balance	<u>5,886,686</u>	<u>474,616</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 29,258,537</u>	<u>\$ 474,616</u>	<u>\$ 6,858,324</u>	<u>\$ 16,219,869</u>

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS
BALANCE SHEET (CONTINUED)
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Juvenile Community Corrections 83900	Federal Childcare Food Account 84000	JJDP/ Children's Justice 84100	Total General Fund
ASSETS				
Cash Equivalents:				
Investment in SGFIP	\$ 4,116,908	\$ 613,385	\$ 1,696,550	\$ 27,069,010
Other Cash	-	-	-	53,700
Accounts Receivable, Net	-	462,563	-	1,171,650
Due From:				
Federal Government	-	3,626,355	102,188	34,674,202
Other Funds	-	-	-	-
Other State Agencies	-	-	-	81,835
State General Fund	-	-	-	-
Local Governments	-	-	-	-
Component Units of the State	-	-	-	-
Inventories	-	-	-	378,898
Prepaid Expenses - Other	-	-	-	-
Investments at SIC	-	-	-	-
Other Assets	-	2,093	3,836	5,929
	<u>\$ 4,116,908</u>	<u>\$ 4,704,396</u>	<u>\$ 1,802,574</u>	<u>\$ 63,435,224</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 182,270	\$ 47,834	\$ 62,762	\$ 10,730,957
Interest in State General Fund				
Investment Pool - Overdraft	-	-	-	4,920,155
Due to:				
Federal Government	-	1,830	-	5,824,776
Other	-	-	-	-
Other State Agencies	-	-	-	32,170
State General Fund	-	21,516	-	121,113
Local Governments	12,960	-	-	331,462
Component Units of the State	-	-	-	3,302,281
Unearned Revenue	-	-	-	-
Accrued Expenses	2,757	-	-	5,527,376
Other Liabilities	-	3,652,192	273	19,644,148
Total Liabilities	<u>197,987</u>	<u>3,723,372</u>	<u>63,035</u>	<u>50,434,438</u>
FUND BALANCE				
Nonspendable	-	-	-	378,898
Restricted	3,918,921	981,024	1,739,539	7,114,100
Committed	-	-	-	2,230,669
Unassigned	-	-	-	3,277,119
Total Fund Balance	<u>3,918,921</u>	<u>981,024</u>	<u>1,739,539</u>	<u>13,000,786</u>
Total Liabilities and Fund Balance	<u>\$ 4,116,908</u>	<u>\$ 4,704,396</u>	<u>\$ 1,802,574</u>	<u>\$ 63,435,224</u>

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	General Operating Fund 06700	Special Appropriation Light 06800	FACTS Protective Services 48900	FACTS Child Care Payments 49100	Juvenile Community Corrections 83900
REVENUES					
Federal Awards	\$ 53,268,078	\$ -	\$ 30,775,677	\$ 80,085,082	\$ -
Other State Funds	450,511	-	1,092,406	-	-
Interest Earnings	-	14,908	-	-	-
Other Revenue	57,960	-	-	-	-
Total Revenues	<u>53,776,549</u>	<u>14,908</u>	<u>31,868,083</u>	<u>80,085,082</u>	<u>-</u>
EXPENDITURES					
Current:					
Operating Costs	15,752,852	-	-	-	1,567
Personal Services	95,639,589	-	-	-	50,961
Out-of-State Travel	101,072	-	-	-	-
Grants and Services	2,362,785	-	-	-	-
Travel	2,353,025	-	390	-	1,540
Maintenance and Repairs	1,393,744	-	-	-	15
Supplies	4,237,174	-	-	-	426
Contractual Services	69,212,429	-	-	-	1,996,180
Other Costs	440,496	-	52,883,426	133,237,304	-
Employee Benefits	42,129,725	-	-	-	26,667
Capital Outlay	592,513	-	-	-	-
Total Expenditures	<u>234,215,404</u>	<u>-</u>	<u>52,883,816</u>	<u>133,237,304</u>	<u>2,077,356</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(180,438,855)	14,908	(21,015,733)	(53,152,222)	(2,077,356)
OTHER FINANCING SOURCES (USES)					
General Fund Appropriations	179,405,400	-	23,510,900	53,342,500	2,658,600
Special Appropriations	300,000	-	-	-	-
Distributions from Land Grant Permanent Fund	1,920,217	-	-	-	-
Transfers In:					
Inter-Agency	1,963,816	-	-	-	-
Transfers Out:					
Inter-Agency	-	-	-	-	-
Reversions	(641,013)	-	(2,495,167)	(190,278)	-
Total Other Financing Sources (Uses)	<u>182,948,420</u>	<u>-</u>	<u>21,015,733</u>	<u>53,152,222</u>	<u>2,658,600</u>
NET CHANGES IN FUND BALANCE	2,509,565	14,908	-	-	581,244
Fund Balance					
Beginning of Year	3,185,100	459,708	-	-	3,337,677
Increase in Nonspendable for Inventories	192,021	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 5,886,686</u>	<u>\$ 474,616</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,918,921</u>

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF GENERAL FUND COMPONENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(CONTINUED)
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Federal Childcare Food Account 84000	JJDP/ Children's Justice 84100	Interfund Activity	Total General Fund
REVENUES				
Federal Awards	\$ 39,626,991	\$ 162,838	\$ -	\$ 203,918,666
Other State Funds	-	-	-	1,542,917
Interest Earnings	-	-	-	14,908
Other Revenue	-	-	-	57,960
Total Revenues	<u>39,626,991</u>	<u>162,838</u>	<u>-</u>	<u>205,534,451</u>
EXPENDITURES				
Current:				
Operating Costs	-	19,131	-	15,773,550
Personal Services	-	22,048	-	95,712,598
Out-of-State Travel	-	5,548	-	106,620
Grants and Services	-	-	-	2,362,785
Travel	-	23,470	-	2,378,425
Maintenance and Repairs	-	-	-	1,393,759
Supplies	-	2,441	-	4,240,041
Contractual Services	-	79,849	-	71,288,458
Other Costs	38,696,703	36,761	-	225,294,690
Employee Benefits	-	9,367	-	42,165,759
Capital Outlay	-	-	-	592,513
Total Expenditures	<u>38,696,703</u>	<u>198,615</u>	<u>-</u>	<u>461,309,198</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	930,288	(35,777)	-	(255,774,747)
OTHER FINANCING SOURCES (USES)				
General Fund Appropriations	-	40,000	-	258,957,400
Special Appropriations	-	-	-	300,000
Distributions from Land Grant Permanent Fund	-	-	-	1,920,217
Transfers In:				
Inter-Agency	-	-	-	1,963,816
Transfers Out:				
Inter-Agency	-	-	-	-
Reversions	-	-	-	(3,326,458)
Total Other Financing Sources (Uses)	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>259,814,975</u>
NET CHANGES IN FUND BALANCE	930,288	4,223	-	4,040,228
Fund Balance				
Beginning of Year	50,736	1,735,316	-	8,768,537
Increase in Nonspendable for Inventories	-	-	-	192,021
FUND BALANCE - END OF YEAR	<u>\$ 981,024</u>	<u>\$ 1,739,539</u>	<u>\$ -</u>	<u>\$ 13,000,786</u>

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
COMBINING BALANCE SHEET – BY FUND TYPE
NONMAJOR FUNDS
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Early Childhood Care and Education Fund 11520	Regional Juvenile Services Fund 20090	Capital Projects Fund 59700	Children's Trust Fund 78000	Permanent Children's Trust Fund 78100
ASSETS					
Cash Equivalents:					
Investment in SGFIP	\$ 2,565	\$ 3,259,236	\$ -	\$ 840,863	\$ 2,066,758
Other Cash	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	690
Due From:					
Federal Government	-	-	-	-	-
Other Funds	-	-	-	-	-
Other State Agencies	-	-	-	-	-
State General Fund	-	-	-	-	-
Local Governments	-	-	-	6,203	7,698
Component Units of the State	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Expenses - Other	-	-	-	-	-
Investments at SIC	-	-	-	729,838	4,343,680
Other Assets	-	-	-	-	-
Total Assets	\$ 2,565	\$ 3,259,236	\$ -	\$ 1,576,904	\$ 6,418,826
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ 32,105	\$ -	\$ 39,108	\$ -
Due to:					
Federal Government	-	-	-	-	-
Other Funds	-	-	-	-	-
Other State Agencies	-	-	-	-	-
State General Fund	-	-	-	184	-
Local Governments	-	437,964	-	-	-
Component Units of the State	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Accrued Expenses	-	-	-	4,287	-
Other Liabilities	-	-	-	65	-
Total Liabilities	-	470,069	-	43,644	-
FUND BALANCE					
Nonspendable	-	-	-	-	1,000,000
Restricted	2,565	2,789,167	-	1,533,260	2,918,826
Committed	-	-	-	-	2,500,000
Total Fund Balance	2,565	2,789,167	-	1,533,260	6,418,826
Total Liabilities and Fund Balance	\$ 2,565	\$ 3,259,236	\$ -	\$ 1,576,904	\$ 6,418,826

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
COMBINING BALANCE SHEET – BY FUND TYPE
NONMAJOR FUNDS (CONTINUED)
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	ARRA of 2009 Fund 89000	Day Care Fund 91100	CTF Next Generation Fund 94800	Permanent CTF Next Gen Fund 94900	Total Nonmajor Funds
ASSETS					
Cash Equivalents:					
Investment in SGFIP	\$ -	\$ 165,991	\$ 29,265	\$ 531,414	\$ 6,896,092
Other Cash	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	690
Due From:					
Federal Government	-	-	-	-	-
Other Funds	-	-	-	-	-
Other State Agencies	-	-	-	-	-
State General Fund	-	-	-	-	-
Local Governments	-	-	-	-	13,901
Component Units of the State	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid Expenses - Other	-	-	-	-	-
Investments at SIC	-	-	470,165	1,465,160	7,008,843
Other Assets	-	-	-	-	-
Total Assets	\$ -	\$ 165,991	\$ 499,430	\$ 1,996,574	\$ 13,919,526
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 71,213
Due to:					
Federal Government	-	-	-	-	-
Other Funds	-	-	-	-	-
Other State Agencies	-	-	-	-	-
State General Fund	-	-	-	-	184
Local Governments	-	-	-	-	437,964
Component Units of the State	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Accrued Expenses	-	-	-	-	4,287
Other Liabilities	-	-	-	-	65
Total Liabilities	-	-	-	-	513,713
FUND BALANCE					
Nonspendable	-	-	-	1,000,000	2,000,000
Restricted	-	165,991	499,430	996,574	8,905,813
Committed	-	-	-	-	2,500,000
Total Fund Balance	-	165,991	499,430	1,996,574	13,405,813
Total Liabilities and Fund Balance	\$ -	\$ 165,991	\$ 499,430	\$ 1,996,574	\$ 13,919,526

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BY FUND TYPE
NONMAJOR FUNDS
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Early Childhood Care and Education Fund 11520	Regional Juvenile Services Fund 20090	Capital Projects Fund 59700	Children's Trust Fund 78000	Permanent Children's Trust Fund 78100
REVENUES					
Federal Awards	\$ -	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	327,381	298,255
Interest Earnings	-	-	-	-	63,657
Other Revenue	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,381</u>	<u>361,912</u>
EXPENDITURES					
Current:					
Operating Costs	-	-	-	19,206	-
Personal Services	-	-	-	-	-
Out-of-State Travel	-	-	-	1,378	-
Grants and Services	-	-	-	-	-
Travel	-	-	-	2,796	-
Maintenance and Repairs	-	-	-	-	-
Supplies	-	-	-	1,965	-
Contractual Services	-	2,353,745	-	318,151	-
Other Costs	-	-	-	476	-
Employee Benefits	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>2,353,745</u>	<u>-</u>	<u>343,972</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,353,745)	-	(16,591)	361,912
OTHER FINANCING SOURCES (USES)					
General Fund Appropriations	-	2,765,000	-	184,700	-
Special Appropriations	-	-	-	-	-
Distributions from Land Grant Permanent Fund	-	-	-	-	-
Transfers (in): Inter-agency	-	-	-	-	-
Transfers (out): Inter-agency	-	-	-	-	-
Reversions	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,765,000</u>	<u>-</u>	<u>184,700</u>	<u>-</u>
NET CHANGES IN FUND BALANCE	-	411,255	-	168,109	361,912
Fund Balance - Beginning of Year	<u>2,565</u>	<u>2,377,912</u>	<u>-</u>	<u>1,365,151</u>	<u>6,056,914</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,565</u></u>	<u><u>\$ 2,789,167</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,533,260</u></u>	<u><u>\$ 6,418,826</u></u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCE – BY FUND TYPE
 NONMAJOR FUNDS (CONTINUED)
 YEAR ENDED JUNE 30, 2019
 (SEE INDEPENDENT AUDITORS' REPORT)**

	ARRA of 2009 Fund 89000	Day Care Fund 91100	CTF Next Generation Fund 94800	Permanent CTF Next Gen Fund 94900	Total Nonmajor Funds
REVENUES					
Federal Awards	\$ -	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	976,624	78,914	78,914	1,760,088
Interest Earnings	-	-	-	16,692	80,349
Other Revenue	-	-	-	-	-
Total Revenues	<u>-</u>	<u>976,624</u>	<u>78,914</u>	<u>95,606</u>	<u>1,840,437</u>
EXPENDITURES					
Current:					
Operating Costs	-	-	-	-	19,206
Personal Services	-	-	-	-	-
Out-of-State Travel	-	-	-	-	1,378
Grants and Services	-	-	-	-	-
Travel	-	-	-	-	2,796
Maintenance and Repairs	-	-	-	-	-
Supplies	-	-	-	-	1,965
Contractual Services	-	-	-	-	2,671,896
Other Costs	-	900,000	-	-	900,476
Employee Benefits	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>900,000</u>	<u>-</u>	<u>-</u>	<u>3,597,717</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	76,624	78,914	95,606	(1,757,280)
OTHER FINANCING SOURCES (USES)					
General Fund Appropriations	-	-	-	-	2,949,700
Special Appropriations	-	-	-	-	-
Distributions from Land Grant	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Transfers (in):	-	-	-	-	-
Inter-agency	-	-	-	-	-
Transfers (out):	-	-	-	-	-
Inter-agency	-	-	-	-	-
Reversions	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,949,700</u>
NET CHANGES IN FUND BALANCE	-	76,624	78,914	95,606	1,192,420
Fund Balance - Beginning of Year	<u>-</u>	<u>89,367</u>	<u>420,516</u>	<u>1,900,968</u>	<u>12,213,393</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 165,991</u>	<u>\$ 499,430</u>	<u>\$ 1,996,574</u>	<u>\$ 13,405,813</u>

**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
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	Balance - June 30, 2018	Additions	Deductions	Balance - June 30, 2019
<u>Fund 25500 - Resident Agency Funds</u>				
ASSETS				
Other Cash	\$ 39,661	9,436	\$ -	\$ 49,097
LIABILITIES				
Deposits Held for Others	\$ 39,661	9,436	\$ -	\$ 49,097
<u>Funds 49000/09600 - Children's Social Security Agency Funds</u>				
ASSETS				
Cash Equivalents:				
Investment in SGFIP	\$ 729,987	241,579	\$ -	\$ 971,566
Due from:				
Other State Agencies	-	-	-	-
Total Assets	<u>\$ 729,987</u>	<u>\$ 241,579</u>	<u>\$ -</u>	<u>\$ 971,566</u>
LIABILITIES				
Accounts Payable	\$ 30,090	13,009	(30)	\$ 43,069
Deposits Held for Others	699,897	228,600	-	928,497
Other Liabilities	-	-	-	-
Due to:				
Other Funds	-	-	-	-
Total Liabilities	<u>\$ 729,987</u>	<u>\$ 241,609</u>	<u>\$ (30)</u>	<u>\$ 971,566</u>
<u>Combined Agency Funds</u>				
ASSETS				
Cash Equivalents:				
Investment in SGFIP	\$ 729,987	\$ 241,579	\$ -	\$ 971,566
Other Cash	39,661	9,436	-	49,097
Due from:				
Other State Agencies	-	-	-	-
Total Assets	<u>\$ 769,648</u>	<u>\$ 251,015</u>	<u>\$ -</u>	<u>\$ 1,020,663</u>
LIABILITIES				
Accounts Payable	\$ 30,090	\$ 13,009	\$ (30)	\$ 43,069
Deposits Held for Others	739,558	238,036	-	977,594
Other Liabilities	-	-	-	-
Due to:				
Other Funds	-	-	-	-
Total Liabilities	<u>\$ 769,648</u>	<u>\$ 251,045</u>	<u>\$ (30)</u>	<u>\$ 1,020,663</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
 SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS
 JUNE 30, 2019
 (SEE INDEPENDENT AUDITORS' REPORT)**

<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, 2019</u>
ZC5591	91824	Laws 2018, Chapter 73, Section 5	\$ 100,000	\$ 100,000	\$ -
ZC5592	919	Laws 2018, Chapter 73, Section 5 Item 92	250,000	250,000	250,000
ZD9096	91924	Laws of 2019, Chapter 279, Section 21 A, Item 4	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
		Total	<u><u>\$ 400,000</u></u>	<u><u>\$ 400,000</u></u>	<u><u>\$ 300,000</u></u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
 SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
 JUNE 30, 2019
 (SEE INDEPENDENT AUDITORS' REPORT)**

Actual Cash Received June 30, 2018	Expenditures June 30, 2019	Expenditures June 30, 2018	Reversions	Appropriation Balance - June 30, 2019	Balance for Subsequent Expenditures June 30, 2019
\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -	\$ -
-	144,472	-	-	105,528	105,528
-	-	-	-	50,000	50,000
<u>\$ 100,000</u>	<u>\$ 244,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,528</u>	<u>\$ 155,528</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL BANK ACCOUNTS
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	Account Name	Fund Type	SHARE Fund Number
GENERAL FUND			
Wells Fargo Bank	Client Emergency Misc. Expenses	General	06700
N/A	Petty Cash Closed in FY15	General	06700
Total General Fund Cash			
FIDUCIARY FUNDS			
Banks of America	YDDC - Girls' Resident Trust	Agency	25500
Banks of America	YDDC - Girls' Resident Activity	Agency	25500
Banks of America	J. Paul Taylor - Resident Trust	Agency	25500
Banks of America	J. Paul Taylor - Resident Activity	Agency	25500
Total Fiduciary Funds Cash			
Total Department Cash			
GENERAL FUND - STATE TREASURER (WITH SHARE FUND NUMBERS)			
State Treasurer	General Operating	General	06700
State Treasurer	Special Appropriation - Light	General	06800
State Treasurer	FACTS Protective Services	General	48900
State Treasurer	FACTS Child Care Payments	General	49100
State Treasurer	Juvenile Community Corrections	General	83900
State Treasurer	Federal Childcare Food	General	84000
State Treasurer	JJDP/ Children's Justice	General	84100
State Treasurer	Early Childhood Care and Ed	Special Revenue	11520
State Treasurer	Regional Juvenile Services	Special Revenue	20090
State Treasurer	Capital Projects	Special Revenue	59700
State Treasurer	Children's Trust Fund	Special Revenue	78000
State Treasurer	Permanent Children's Trust	Special Revenue	78100
State Treasurer	ARRA of 20019	Special Revenue	89000
State Treasurer	Day Care	Special Revenue	91100
State Treasurer	CTF Next Generation	Special Revenue	94800
State Treasurer	Permanent CTF Next Generation	Special Revenue	94900
State Treasurer	Pre-Kindergarten	Special Revenue	20080
State Treasurer	Children's Social Security	Fiduciary	09600/49000
Total State General Fund Investment Pool			

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL BANK ACCOUNTS (CONTINUED)
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

Type of Account	Interest Bearing	Cash per Bank	Less Outstanding Warrants	Other Reconciling Items	Reconciled Balance - June 30, 2019
Checking	No	\$ 54,699	\$ (999)	\$ -	\$ 53,700
Petty Cash	-	-	-	-	-
		<u>54,699</u>	<u>(999)</u>	<u>-</u>	<u>53,700</u>
Checking	No	29,094	(4,081)	-	25,013
Checking	No	12,511	(132)	-	12,379
Checking	No	9,819	(1,719)	-	8,100
Checking	No	3,605	-	-	3,605
		<u>55,029</u>	<u>(5,932)</u>	<u>-</u>	<u>49,097</u>
		<u>\$ 109,728</u>	<u>\$ (6,931)</u>	<u>\$ -</u>	<u>\$ 102,797</u>
State Treasurer	No	\$ 16,254,627	\$ -	\$ -	\$ 16,254,627
State Treasurer	No	474,616	-	-	474,616
State Treasurer	No	3,912,924	-	-	3,912,924
State Treasurer	No	(4,920,155)	-	-	(4,920,155)
State Treasurer	No	4,116,908	-	-	4,116,908
State Treasurer	No	613,385	-	-	613,385
State Treasurer	No	1,696,550	-	-	1,696,550
State Treasurer	No	2,565	-	-	2,565
State Treasurer	No	3,259,236	-	-	3,259,236
State Treasurer	No	-	-	-	-
State Treasurer	No	840,863	-	-	840,863
State Treasurer	No	2,066,758	-	-	2,066,758
State Treasurer	No	-	-	-	-
State Treasurer	No	165,991	-	-	165,991
State Treasurer	No	29,265	-	-	29,265
State Treasurer	No	531,414	-	-	531,414
State Treasurer	No	9,172,659	-	-	9,172,659
State Treasurer	No	971,566	-	-	971,566
		<u>\$ 39,189,172</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,189,172</u>

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
 SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENTS
 JUNE 30, 2019
 (SEE INDEPENDENT AUDITORS' REPORT)**

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	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 - Behavioral Health Services Division	CYFD
GSA	Human Services Department - Behavioral Health Services Division	CYFD
GSA	Human Services Department - Behavioral Health Services Division	CYFD
GSA 18-630-7903-0003-A2	Human Services Department	CYFD
GSA 19-630-7903-0004	Human Services Department	CYFD
GSA 17-630-7903-0015	Human Services Department	CYFD
JPA 95-17-A1	Human Services Department	CYFD
JPA	The New Mexico Administrative Office of the Courts	CYFD
JPA	Pueblo de Cochiti	CYFD
19-690-15377	Pueblo of Zuni	CYFD
19-690-15378-1	Navajo Nation	CYFD
JPA	Pueblo de Picuris	CYFD
02-690-5066	Santa Clara Pueblo	CYFD
JPA	Jicarilla Apache	CYFD
17-690-20138	Pueblo of Zuni	CYFD
JPA	Taos Pueblo	CYFD
JPA	Nambe Pueblo	CYFD
JPA	Pueblo of Acoma	CYFD
JPA	Santa Ana Pueblo	CYFD
JPA	Pojoaque Pueblo	CYFD
JPA	Pueblo of ZIA	CYFD
JPA	Pueblo of Isleta	CYFD

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

Description of Services	Dates of Agreement		Amount Agency Contributed in FY	Audit Responsibility
	Beginning	Ending		
IV-E Admin	7/1/2016	Continuous	\$ 180,000	100% CYFD
SSBG	6/30/2013	6/30/2021	-	100% CYFD
Medicaid - Title XIX	9/8/1994	Continuous	-	100% CYFD
Medicaid - Title XIX	6/18/1996	Continuous	-	100% CYFD
TANF Child Care	7/1/2018	6/30/2019	52,627,500	100% CYFD
TANF Supportive Housing	7/1/2018	6/30/2019	-	100% CYFD
Community Mental Health Services Block Grant	7/1/2016	6/30/2020	-	100% CYFD
SAMHSA	7/1/2017	4/30/2018	-	100% CYFD
SAMHSA	5/1/2018	4/30/2019	-	100% CYFD
Opioid State Targeted Response (STR) Grant	5/18/2018	4/30/2020	131,695	100% CYFD
State Opioid Response (SOR) Grant	3/2/2019	6/30/2020	301,650	100% CYFD
Community Mental Health Services Block Grant (CMHS)/Mutli- Systemic Therapy (MST)	5/5/2017	6/30/2020	31,700	100% CYFD
Medicaid- Title XIX	8/12/1994	Continuous	352,578	100% CYFD
Mediation Services to Better Serve Families	7/26/2016	6/30/2020	143,138	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	12/12/1997	Continuous	-	100% CYFD
Protective Services	8/30/2018	6/30/2022	20,204	
Social Services	11/20/2018	6/30/2022	284,715	
Tribal Foster Care and Adoption Assistance - Federal IV-E	12/12/1997	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	11/12/2001	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	12/12/1997	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	3/31/2006	6/30/2020	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	2/11/2005	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	12/12/1997	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	3/22/2006	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	12/12/1997	Continuous	-	100% CYFD
Tribal Foster Care and Adoption Assistance - Federal IV-E	9/20/2005	Continuous	-	100% CYFD
Children's Justice Act	7/1/2017	6/30/2018	10,000	100% CYFD
Title II Formula Grant	7/1/2017	6/30/2018	-	100% CYFD

SINGLE AUDIT

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Agency/Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures		Total
				From Direct Awards	From Pass-Through Awards	
DIRECT ASSISTANCE PROGRAMS						
U.S. Department of Agriculture						
Child Care Food Program 18	10.558	12-35-3511	\$ 8,098,032	\$ 8,098,032	\$ -	\$ 8,098,032
Child Care Food Program 19	10.558	12-35-3511	26,589,320	26,589,320	-	26,589,320
State Administrative Expense 18	10.560	12-35-3511	-	480,764	-	480,764
State Administrative Expense 19	10.560	12-35-3511	-	1,698,226	-	1,698,226
Subtotal			34,687,352	36,866,342	-	36,866,342
Child Nutrition Cluster:						
Summer Food Service Program 18	10.559	12-35-3511	2,766,239	2,766,239	-	2,766,239
Summer Food Service Program 19	10.559	12-35-3511	2,173,013	2,173,013	-	2,173,013
Passed-Through NMPED:						
National School Lunch - YDDC 18-19	10.555	12-35-3523-93	-	-	120,352	120,352
National School Lunch - JPTC 18-19	10.555	12-35-3523-93	-	-	84,780	84,780
National School Lunch - CN 18-19	10.555	12-35-3523-93	-	-	102,153	102,153
Total Child Nutrition Cluster			4,939,252	4,939,252	307,285	5,246,536
<i>Total U.S. Department of Agriculture</i>			39,626,604	41,805,594	307,285	42,112,879
U.S. Department of Health and Human Services						
Children's Justice FY16	93.643	G-1501NMCJA1	-	7,973	-	7,973
Children's Justice FY17	93.643	G-1601NMCJA1	107,905	110,701	-	110,701
Head Start Collaboration Grant 18	93.600	06-CD004042-01	28,400	117,850	-	117,850
Family Preservation and Family Support 16	93.556	G-1601NMFPS	14,537	32,938	-	32,938
Family Preservation and Family Support 17	93.556	G-1701NMFPS	361,812	819,778	-	819,778
Family Preservation and Family Support 18	93.556	G-1801NMFPS	899,277	2,037,545	-	2,037,545
Promoting Safe and Stable Families (Caseworker Visits) 17	93.556	G-1711NMFPCV	9,440	21,388	-	21,388
Promoting Safe and Stable Families (Caseworker Visits) 18	93.556	G-1811NMFPCV	34,024	77,089	-	77,089
Promoting Safe and Stable Families (Kinship Navigator) 18	93.556	G-1801NMPKIN	20,770	47,062	-	47,062
NM Preschool Development	93.434	90TP0042-01-00	270,056	270,056	-	270,056
Adoption and Legal Guardianship Incentive Payment Program 16	93.603	G-1601NMAIPP	34,165	49,245	-	49,245
Child Abuse and Neglect (CAN) Part I 15	93.669	G-1501NMCJA01	-	95,905	-	95,905
Child Abuse and Neglect (CAN) Part I 16	93.669	G-1601NMCJA01	187,500	201,716	-	201,716
Child Abuse and Neglect (CAN) Part I 17	93.669	G-1701NMCJA01	104,720	104,720	-	104,720
CBCAP-Community Based Child Abuse Prevention 16	93.590	G-1601NMBCAP	4,896	4,896	-	4,896
CBCAP-Community Based Child Abuse Prevention 17	93.590	G-1701NMBCAP	297,942	297,942	-	297,942
Title IV-E Foster Care 18	93.658	G-1801NMFOST	27,430	3,923,927	-	3,923,927
Title IV-E Foster Care 19	93.658	G-1901NMFOST	2,299,600	14,940,743	-	14,940,743
Title IV-E Adoptions 17	93.659	G-1701NMDAPT	-	4,820	-	4,820
Title IV-E Adoptions 18	93.659	G-1801NMDAPT	-	3,940,642	-	3,940,642
Title IV-E Adoptions 19	93.659	G-1901NMDAPT	-	18,362,955	-	18,362,955
Title IV-E Guardianship 18	93.659	G-1801NMGARD	-	47,333	-	47,333
Title IV-E Guardianship 19	93.659	G-1901NMGARD	-	284,634	-	284,634
Title IV-B CWS 18	93.645	G-1801NMCWSS	-	1,030,454	-	1,030,454
Title IV-B CWS 19	93.645	G-1901NMCWSS	-	1,113,894	-	1,113,894
Chafee Foster Care Independence Program 17	93.674	G-1601NMCILP	61,365	147,212	-	147,212
Chafee Foster Care Independence Program 18	93.674	G-1701NMCILP	345,810	399,678	-	399,678
Education and Training Voucher Program 17	93.599	G-1601NMCETV	24,618	24,618	-	24,618
Education and Training Voucher Program 18	93.599	G-1701NMCETV	78,675	78,675	-	78,675
Family Violence Prevention 17	93.671	G-1601NMFVPS	1,000,084	1,052,721	-	1,052,721
Family Violence Prevention 18	93.671	G-1701NMFVPS	-	63,627	-	63,627
Titel XX SOSR 16	93.667	G-1601NMSOSR	20,204	77,033	-	77,033
Titel XX SOSR 18	93.667	G-1801NMSOSR	284,715	2,524,727	-	2,524,727
Titel XX SOSR 19	93.667	G-1901NMSOSR	-	7,623,975	-	7,623,975
NM Communities of Care Expansion Grant (Year 3)	93.104	1U79SM061648-03	-	91,020	-	91,020
NM Communities of Care Expansion Grant (Year 4)	93.104	1U79SM061648-04	53,258	298,150	-	298,150
NM Communities of Care Expansion Grant (Year 5)	93.104	1U79SM061648-05	-	55,192	-	55,192
Healthy Transitions New Mexico (Year 3)	93.243	5H79SM061905-03	634	634	-	634
Healthy Transitions New Mexico (Year 4)	93.243	5H79SM061905-04	35,953	35,953	-	35,953
Healthy Transitions New Mexico (Year 5)	93.243	5H79SM061905-05	941,408	941,408	-	941,408
Healthy Transitions Expansion (year 1)	93.243	1H79SM082000-01	90,796	90,796	-	90,796
SAMHSA Treatment Drug Courts - NM SOAR (Year 3)	93.243	5H79TI025480-03	50,168	50,168	-	50,168
SAMHSA NM AWARE (Year 3)	93.243	5H79SM062827-03	52,227	52,227	-	52,227
SAMHSA NM ASURE-TI (Year 1)	93.243	1H79TI080190-01	277,470	277,470	-	277,470
SAMHSA NM ASURE-TI (Year 2)	93.243	1H79TI080190-02	429,406	429,406	-	429,406
Subtotal			8,449,265	62,260,893	-	62,260,893

See Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Agency/Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures		Total
				From Direct Awards	From Pass-Through Awards	
DIRECT ASSISTANCE PROGRAMS (CONTINUED)						
U.S. Department of Health and Human Services (Continued)						
Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Cluster:						
Federal Home Visiting Formula 2016	93.870	X10MC29492	\$ 562,500	\$ 834,695	\$ -	\$ 834,695
Federal Home Visiting Formula 2017	93.870	17X10MC31158	1,681,939	1,850,367	-	1,850,367
Total Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Cluster			2,244,439	2,685,062	-	2,685,062
Childcare and Development Funds (CCDF) Cluster:						
Child Care Development Funds Grant 17	93.596	G-1701NMCCDF	2,335,437	2,386,826	-	2,386,826
Child Care Development Funds Grant 18	93.596	G-1801NMCCDF	25,049,144	25,600,333	-	25,600,333
Child Care Development Funds Grant 19	93.596	G-1901NMCCDF	27,781,714	28,393,031	-	28,393,031
Passed-Through NMHSD:						
Child Care Development Funds (TANF) 18	93.596	G-1801NMCCDF	8,201,409	8,381,875	-	8,381,875
Child Care Development Funds (TANF) 19	93.596	G-1901NMCCDF	24,604,226	25,145,625	-	25,145,625
Total Childcare and Development Funds (CCDF) Cluster			87,971,930	89,907,690	-	89,907,690
Temporary Assistance for Needy Families (TANF) Cluster:						
Passed-Through NMHSD:						
Supportive Housing TANF 19	93.558	19-630-9000-0007	-	-	316,818	316,818
Pre-K TANF 18	93.558	18-630-9000-003	-	-	14,100,000	14,100,000
Homevisiting TANF 18	93.558	18-630-9000-003	-	-	25,825	25,825
Homevisiting TANF 19	93.558	19-630-9000-003	-	-	5,000,000	5,000,000
Total Temporary Assistance for Needy Families (TANF) Cluster			-	-	19,442,643	19,442,643
<i>Total U.S. Department of Health and Human Services</i>			98,665,634	154,853,646	19,442,643	174,296,289
U.S. Department of Justice						
JJDP Formula Grant 15	16.540	2015-JF-FX-0047	10,000	44,820	-	44,820
JJDP Formula Grant 16	16.540	2016-JF-FX-0061	53,349	118,017	-	118,017
<i>Total U.S. Department of Justice</i>			63,349	162,837	-	162,837
Total Federal Assistance			\$ 138,355,587	\$ 196,822,077	\$ 19,749,928	\$ 216,572,005

See Notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 1 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 (the Department) under programs of the federal government for the year ended June 30, 2019. 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.

NOTE 2 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.

NOTE 3 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	\$ 218,018,666
Less: Federal Revenue Received Through Vendor Relationship	<u>(1,446,661)</u>
Total Federal Expenditures per Schedule	<u><u>\$ 216,572,005</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

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., 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 State of New Mexico Children, Youth, and Families Department, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise State of New Mexico Children, Youth, and Families Department's basic financial statements, and have issued our report thereon dated October 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered State of New Mexico 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 State of New Mexico Children, Youth, and Families Department's internal control. Accordingly, we do not express an opinion on the effectiveness of State of New Mexico Children, Youth, and Families Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., New Mexico State Auditor

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State of New Mexico 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 2019-004, 2019-005, 2019-006, and 2019-007.

State of New Mexico Children, Youth, and Families Department's Responses to Findings

State of New Mexico Children, Youth, and Families Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. State of New Mexico Children, Youth, and Families Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
October 30, 2019



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

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Esq., New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited State of New Mexico 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 State of New Mexico Children, Youth, and Families Department's major federal programs for the year ended June 30, 2019. State of New Mexico 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 State of New Mexico 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 State of New Mexico 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 State of New Mexico Children, Youth, and Families Department's compliance.

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Es., New Mexico State Auditor

Opinion on Each Major Federal Program

In our opinion, State of New Mexico 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is 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 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of State of New Mexico 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 State of New Mexico 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 State of New Mexico 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 identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Brian Blalock, Secretary
State of New Mexico Children, Youth, and Families Department
Mr. Brian Colón, Es., New Mexico State Auditor

State of New Mexico 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 responses. State of New Mexico Children, Youth, and Families Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 30, 2019

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
93.659	Adoptions
93.596	Child Care Development Funds
93.556	Promoting Safe and Stable Families

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

Auditee qualified as low-risk auditee? x yes no

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section II – Financial Statement Findings

2019–001 (Previously 2018-001 / 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Material Weakness) (Repeated and Modified)

Condition: During single audit testwork, we encountered the following matters pertaining to the Schedule of Expenditures of Federal Awards (SEFA):

1. Multiple versions of the SEFA were provided in order to agree the schedule to work performed during the audit. Initial drafts provided by the Department federal revenue per the statement of revenues, expenditures, and changes in fund balance did not agree to federal expenditures per the SEFA. The Department ultimately adjusted the SEFA by approximately \$5 million and reconciled this matter to an immaterial amount.
2. The initial draft of the SEFA was not complete as it did not include a breakout of Due From Federal Government and Due To Federal Government to assist in reconciling the client schedule.
3. A grant was identified that was not previously included on the SEFA and was added on a subsequent version, which created an additional Major Program that required testing.
4. Initial amounts provided as passed-through to subrecipients were not accurate, based on our knowledge of the Department’s programs. This was updated in the final version presented.

Management’s Response to Repeat Finding: *With turnover of staff in the Grants Unit and other areas of the Administrative Services Division, full and complete training/transfer of knowledge throughout the year and during the audit was not achieved.*

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. Additionally, Title 2 CFR §200.510 (b) Financial Statements states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended.”

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

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

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

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 and include communication with program staff to ensure all aspects of program activity are captured.

Management Response: The Department will establish a monthly reconciliation process to include input from Grants Management, Budget, Accounting, Accounts Receivable, and Accounts Payable/Payables Pre-Audit staff. The Department will seek resources for training opportunities in preparation and maintenance of the Schedule of Expenditures of Federal Awards. Any trainings available to the Department will be extended to multiple areas of Administrative Services.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

2019-002 Financial Close and Reporting (Significant Deficiency)

Condition: The Department lacks an effective internal control structure over the financial close and reporting process to allow for timely and accurate financial reporting. During our audit, we encountered numerous issues related to subsidiary and underlying records that were provided to us to substantiate account balances in the Department’s trial balance and financial statements.

- a. Reconciliation of capital outlay to additions per the client-prepared capital asset roll forward:
 - i. \$1,024,570 was the absolute value of total adjustments made to capital outlay accounts to get capital outlay to agree to current year fixed asset additions per the capital asset note.
 - ii. Construction in Process was included on the original version of the roll forward, then subsequently removed and added as an addition to buildings per the final version of the client document in the amount of approximately \$9,000.
 - iii. One asset in the amount of \$38,749 was not included on the original draft of the roll forward but was included as an addition to Data Processing Equipment per the final version.
 - iv. Client-provided schedule used to calculate depreciation expense did not capture the appropriate beginning depreciation balances; therefore, depreciation in the current year was calculating as two years’ worth of depreciation, for some assets in the current year to derive, a materially presented ending accumulated depreciation.
- b. Cash in Non-SGFIP Accounts:
 - i. Bank activity is not being reconciled to SHARE on a monthly basis as required by MAPS 2.8.D.S. Reconciliations are being prepared monthly but the journal entry is not being sent to the Financial Control Division (FCD) of DFA to record activity in SHARE.
- c. Activity with State Investment Council:
 - i. Investment activity is not being reconciled to SHARE on a monthly basis as required by MAPS 7.2.C.3.
- d. Accounts Receivable:
 - i. Schedules provided by the Department did not agree to the trial balance.
 - ii. Initial entry provided to record allowance over-allowed for the receivable balances.
 - iii. Historical receivable balances were not evaluated for collectability.
- e. Joint Powers Agreements:
 - i. Schedule of JPAs provided was not complete as it did not include seven JPAs that are still active. These have subsequently been added to the JPA schedule included in the financial statements.
- f. Operating Lease Schedule
 - i. Schedule of leases provided was not reviewed for accuracy. We identified a lease that was not on the original schedule provided by the client.
 - ii. Schedule provided did not foot properly.
- g. Inventory
 - i. Balance in SHARE was not updated to reflect current year activity. Our audit process identified the need for an entry identified on October 10, 2019.
- h. Due To Component Units
 - i. The Department did not identify the entry to reclassify accounts payable balances that are due to other entities (outside SHARE) that are part of the State of New Mexico primary government.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

2019-002 Financial Close and Reporting (Significant Deficiency) (Continued)

Condition (Continued):

- i. Due To Other State Agencies:
 - i. Department did not properly record an entry to pay a legal settlement to another agency. The Department's original entry erroneously created an unnatural account balance. This was corrected with an audit entry.
 - ii. Balances in account remained the same from the prior year. Per review of the prior year financial statements, Note 13 - Due From and Due To Other State Agencies, interagency Due To/Froms are expected to be settled within the next fiscal year.

Criteria: NMAC 2.20.5.8 requires entities to ensure that all reporting of financial information be timely, complete, and accurate. To ensure the adequacy of financial reporting, account balances should be reviewed and reconciled on a regular basis.

Cause: Lack of adequate processes and procedures in place to properly review and reconcile account balances.

Effect: The Department's financial statements contained material misstatements which required adjustments.

Recommendation: We recommend the Department implement strong internal controls, reconciliations, and review process of all accounting related transactions.

Management Response: The Department has experienced significant turnover in Administrative Services resulting in loss of leadership, guidance, and oversight. The Department has since hired a Deputy Director/CFO and is in process of hiring a Grants Manager and an Accounting Manager. The Department will run the trial balance monthly after DFA's month closing schedule for review and reconciliation. This process will include key staff from Budget, Grants Management, Accounting, and Pre-Audit. Administrative Services will also develop an inclusive schedule of key deadlines to include contracts, purchase orders, accounts payable, inventory, and year end closing activities. The Department has identified training to be an issue and is working on training plans and succession planning.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019

Section II – Financial Statement Findings (Continued)

2019-003 (Previously 2018-004 / 2017-007 / 2016-006) Subrecipient Financial Monitoring (Significant Deficiency) (Repeated and Modified)

Condition: The Department does not have an adequate or effective process for differentiating between and tracking activity related to subrecipients versus contractors. The Department was unable to provide any documentation related to overall tracking of subrecipients for the Department, as a whole.

Management's Response to Repeat Finding: *With turnover of staff in the Grants Unit, Contracts Division, and other areas of the Administrative Services Division, full and complete training/transfer of knowledge throughout the year and during the audit was not achieved.*

Criteria: 2 CFR §200.330 Subrecipient and contractor determinations.

Cause: Lack of appropriate language and treatment of entities that the Department believes to be contractors rather than subrecipients.

Effect: Increased likelihood the Department does not perform the appropriate monitoring for subrecipients throughout the year.

Recommendation: We recommend the Department modify their current agreements to remove language that indicates these entities are receiving federal awards from the Department to more appropriately treat them as a contractor rather than a subrecipient.

Management Response: As a pass-through entity, the Children, Youth and Families Department (CYFD) Administrative Services Division (ASD) Contract Audit Unit will ensure case-by-case determinations are made for each agreement by providing a checklist to assist program managers in making the contractor or subrecipient determination. The Contract Audit Unit will obtain copies of each determination so as to continue to update their Contractor/Subrecipient listing and ensure appropriate subrecipient monitoring is achieved.

The CYFD will also modify current agreements to remove language that indicates entities are receiving federal awards from the CYFD if it is determined that the entity is a contractor and not a subrecipient.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

2019–001 (Previously 2018-001 / 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Material Weakness) (Repeated and Modified)

Federal Agency:

Department of Health and Human Services

Federal Program Title:

Adoptions

Title XX

CFDA Number:

93.659

93.667

Award Period:

93.659: 10/1/2017 - 9/30/2018

93.667: 10/1/2017 - 9/30/2019

Criteria or Specific Requirement: 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. Additionally, Title 2 CFR §200.510 (b) Financial statements states, “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for Determining Federal Awards Expended.”

Condition: During single audit testwork, we encountered the following matters pertaining to the Schedule of Expenditures of Federal Awards (SEFA):

1. Multiple versions of the SEFA were provided in order to agree the schedule to work performed during the audit. Initial drafts provided by the Department federal revenue per the statement of revenues, expenditures and changes in fund balance did not agree to federal expenditures per the SEFA. The Department ultimately adjusted the SEFA by approximately \$5 million and reconciled this matter to an immaterial amount.
2. The initial draft of the SEFA was not complete as it did not include a breakout of Due From Federal Government and Due To Federal Government to assist in reconciling the client schedule.
3. A grant was identified that was not previously included on the SEFA and was added on a subsequent version, which created an additional Major Program that required testing.
4. Initial amounts provided as passed-through to subrecipients was not accurate, based on our knowledge of the Department’s programs. This was updated in the final version presented.

Questioned Costs: None.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019

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

2019–001 (Previously 2018-001 / 2017-001) Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Material Weakness) (Repeated and Modified) (Continued)

Management’s Response to Repeat Finding: *With turnover of staff in the Grants Unit and other areas of the Administrative Services Division, full and complete training/transfer of knowledge throughout the year and during the audit was not achieved.*

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

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

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

Recommendation: We recommend the Department ensure key staff involved in grant management are trained in the full grant reconciliation process, including preparation of the SEFA. We also recommend individual grant reconciliations for federal programs are reconciled on a monthly basis and include communication with program staff to ensure all aspects of program activity are captured.

Management Response: The Department experienced turnover in the Grants Management and Accounting sections of ASD. The Department recently hired a Deputy Director/CFO, and is in the process of filling the Grants and Accounting Managers. With a new management team, the Department acknowledges the need for training. Additionally, the Department recognizes the importance of regular review and reconciliation of federal expenses and revenue.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings – Compliance and Other Matters

2019-004 (Previously 2018-006 / 2017-004 / 2016-008) Use of State Issued Gas Credit Cards (Other Noncompliance) – Repeated and Modified

Condition: During our testwork over gas cards, which had charges of approximately \$393,000, we identified two purchases over the \$100.00 limit set by the General Services Department.

Management's Response to Repeat Finding: *The Department has been able to review the WEX receipts in a more timely and efficient manner. The audit findings remain due to the number of transactions processed on a yearly basis along with the large number of staff utilizing the vehicles and WEX cards.*

Criteria: Two purchases were identified which were over the \$100.00 limit set by the Department.

Effect: Noncompliance with Department policies and procedures.

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

Recommendation: We recommend the Department continue to remind its employees of its policies and procedures pertaining to WEX fuel card usage.

Management Response: The agency plans on reviewing the Children Youth & Families Departments policy (3.26) for Vehicle Use and is considering changing the stringent CYFD internal policy to better suit the actual needs of the CYFD field offices. This would include but is not limited to adjusting WEX limits.

The current policy may be outdated and policy review may be necessary to bring the agency more current with (inflation rates and updated costs) throughout the state.

2019-005 Per Diem 1,500 Authorizations (Other Noncompliance)

Condition: The Department was unable to locate the required authorizations for two employees to incur over \$1,500 in per diem expenditures in the calendar year.

Criteria: Authorization is required by NMSA 10-8-5(h).

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

Cause: Lack of adherence to the Department policies and procedures.

Recommendation: We recommend the Department continue to monitor adherence to policies and procedures.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019**

Section III – Findings – Compliance and Other Matters (Continued)

2019-005 Per Diem 1,500 Authorizations (Other Noncompliance) (Continued)

Management Response: ASD Pre-Audit Supervisor will send out email reminders to all program Financial Managers at least 3 months into the new calendar year. A query will also be provided to the Financial Managers so they can pull all In-state travel under account codes 542100 & 542200 as well as Out-of-State travel under 549600 & 549700. This review of travel expenses will be more timely and key staff will monitor closely throughout the fiscal year.

2019-006 P-Card Purchase (Other Noncompliance)

Condition: We identified a purchase over the Department's threshold for purchases made without exemption. The Department was unable to provide evidence that support exemption was obtained.

Criteria: Per Department p-card policy 3.80.3, purchases on P-cards must be for less than \$5,000 without exemption being obtained.

Effect: Noncompliance with Department policies and procedures. Purchase was approximately \$11,500.

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

Recommendation: We recommend the Department continue to monitor adherence to policies and procedures.

Management Response: The Department will continue to monitor and adhere to current policies and procedures. The Department, upon continued review of policies and procedures, shall consider updates and modifications to the existing policies and procedures. Any adjustment requests to the current policies and procedures shall be carefully contemplated before implementation.

2019-007 Cell Phone and Small Electronics (Other Matters) (Previously 2018-003 / 2017-003)

Condition: During our testwork over physical controls over cell phones/portable electronics, we noted the following:

1. A retired employee was included on the listing to have four cell phones.
 - a. Three instances where a current employee was in possession of the phone.
 - b. One instance where the Department ended suspending the line with carrier since line was not being used.

STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2019

Section III – Findings – Compliance and Other Matters (Continued)

2019-007 Cell Phone and Small Electronics (Other Matters) (Previously 2018-003 / 2017-003)
(Continued)

Management’s Response to Repeat Finding: *Staff within administrative services updated the agency policy and procedures related to cell phones during the year. There has been turnover within the administrative services division that did not allow for thorough transition and disconnection of cell phones.*

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 10.5.D.5, the Department should establish procedures to document additions, issuances, returns, and write-offs of inventory items.

Effect: If the tracking of these assets is not effective, there is an increased likelihood of misappropriation and noncompliance with MAPS.

Cause: Ineffective processes over tracking assets.

Recommendation: We are aware the Department is in the process of updating its policies and procedures.

Management Response: The policy and procedure for Telecommunications will be reviewed and amended as necessary. This will also help to ensure a process to maintain accountability and efficiency in ensuring that there is not a misappropriation and noncompliance with MAPS.

A memorandum for decision has already been drafted. Administrative Services (ASD) will pull sampling every month from a report available through the oversight agency, DoIT, and send them to our different program areas to be certified so that any incorrect information can be updated immediately. During these monthly certifications, ASD will create pivots in these reports to identify and mitigate against duplication. Corrections will take place as identified.

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019**

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2018-001 Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency) - Repeated and Modified as Finding 2019-001

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2018-001 Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards (Significant Deficiency) - Repeated and Modified as Finding 2019-001

2018-004 Subrecipient Financial Monitoring (Significant Deficiency and Noncompliance) - Repeated and Modified as Finding 2019-003

2018-005 Allowable Costs (Significant Deficiency and Noncompliance) - Resolved

FINDINGS— COMPLIANCE AND OTHER MATTERS

2018-002 Cash in Area Bank Accounts (Other Noncompliance) - Repeated and Modified as Finding 2019-002

2018-003 Tracking of Cell Phones/Portable Electronics and Capital Assets (Other Noncompliance) - Repeated and Modified as Finding 2019-007

2018-006 Use of State Issued Gas Credit Cards (Other Noncompliance) - Repeated and Modified as Finding 2019-004

2018-007 Falsification of Timesheets (Other Matters) - Resolved

2018-008 Late Submission of Audit Report (Other Noncompliance) - Resolved

**STATE OF NEW MEXICO CHILDREN, YOUTH, AND FAMILIES DEPARTMENT
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2019**

An exit conference was held with the State of New Mexico Children, Youth, and Families Department on October 29, 2019. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO CHILDREN, YOUTH AND FAMILIES DEPARTMENTS

Brian Blalock, Cabinet Secretary
Wade Carlson, CYFD Director
Melanie Sharpe, Administrative Services Budget Director
David R. Soveranez, Administrative Services Acting CFO
Phillipe Rodriguez, Administrative Services Acting Director
Thomas Montoya, Early Childhood Services Deputy Director of Administration
Annamarie Luna, Acting Director PS
Valerie Sandoval, Deputy Director PS
Erika Lujan, Financial Manager PS
Kristin Jones, Deputy Director BHS
Frances Moya, Financial Manager BHS
Carlos A. Padilla, Deputy Director JJS
Delia Flores, JJS Budget Manager

NEW MEXICO DEPARTMENT OF FINANCE AND ADMINISTRATION

Lisa Jennings, DFA/FCD
Donna M. Trujillo, DFA/State Controller

CLIFTONLARSONALLEN, LLP

Laura Beltran-Schmitz, Director
Jeff Roybal, Senior Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

