

**STATE OF NEW
MEXICO COMMISSION
FOR THE DEAF AND
HARD OF HEARING**

**FINANCIAL
STATEMENTS**

JUNE 30, 2017

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING**

TABLE OF CONTENTS

Official Roster	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Governmental Activities Balance Sheet to the Government-Wide Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Major Governmental Funds:	
General Fund	16
Telecommunications Access Special Revenue Fund	17
Notes to Financial Statements	18
Supplementary Information	
Statement of Revenues and Expenditures – Budget and Actual – P-Code 693	37
Compliance Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Schedule of Findings and Responses	40
Exit Conference	41

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING**

***Official Roster
June 30, 2017***

Commission

<u>Name</u>	<u>Position</u>
Austin Welborn	Chairman
Concha Dunwell	Vice-President
Don Johnson	Secretary
Johnny Robertson	Member
John Fullinwider	Member
Rosemary Gallegos	Member
Joe Cordova	Member
Luis Quinonez	Member

Administrative Officials

<u>Name</u>	<u>Position</u>
Nathan Gomme	Executive Director
Deborah Romero	Director of Administrative Services and CFO/CPO
Lisa Dignan	Director of Community Engagement
Corina Gutierrez	Director of Community Advocacy

Independent Auditor's Report

Mr. Tim Keller, New Mexico State Auditor
and the Commission for the Deaf and Hard of Hearing
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the Commission for the Deaf and Hard of Hearing (the Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Commission'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Mr. Tim Keller, New Mexico State Auditor
and the Commission for the Deaf and Hard of Hearing
Albuquerque, New Mexico

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the Commission, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Commission 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 Commission. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.

Mr. Tim Keller, New Mexico State Auditor
and the Commission for the Deaf and Hard of Hearing
Albuquerque, New Mexico

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Revenues and Expenditures Budget and Actual by P-Code listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 25, 2017 on our consideration of the Commission'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
October 25, 2017



STATE OF NEW MEXICO COMMISSION FOR DEAF AND HARD OF HEARING PERSONS



Management's Discussion and Analysis

The New Mexico Commission for Deaf and Hard of Hearing (NMCDHH) was established by the New Mexico Legislature (NMSA 1978 § 28-11B-2) to promote services for Deaf, Hard of Hearing, and Deaf-Blind throughout New Mexico.

Mission Statement

The State of New Mexico Commission for Deaf and Hard of Hearing provides effective leadership, education, advocacy, and programs to reduce barriers to the social, economic, educational, cultural, and intellectual well-being of Deaf and Hard of Hearing New Mexicans and their families, friends, and colleagues.

Vision Statement – “Impact and Empower”

The State of New Mexico Commission for Deaf and Hard of Hearing is a dynamic resource that will enhance the quality of life for Deaf and Hard of Hearing citizens of New Mexico by being:

- The recognized advocate in important issues impacting the Deaf and Hard of Hearing Community
- The proactive provider of innovative programs and services
- The statewide umbrella and information clearinghouse for interested individuals, organizations, agencies and institutions

The Commission is an independent state commission with seven board members. The Commission's Executive Director reports directly to the Board and is responsible for all operations of the Commission. During Fiscal Year 16 the agency had to respond to two staffing departures in our agency reallocate the workload in the Department of Community Advocacy and fill one vacancy in the Administrative Services due to these departures. Currently we have three departments with a manager that leads each department. The department staff report directly to the manager. The department managers report directly to the Executive Director.

Administrative Services:

The Administrative Services Department (ASD) had one vacant position throughout fiscal year 2018. ASD is responsible for the Budget and Finance of the agency, which includes the following duties; accounting, budgeting, financial reporting, accounts payable, accounts receivable, travel reimbursement, fund management, budget development and monitoring, financial analysis, financial reporting, audit coordination, and ensuring compliance with state and federal requirements. The department provides services in support to the commission departments. Support services provided include payroll and timekeeping, contract monitoring, mailroom services, information technology including website maintenance, and other general support services that are required for the daily operation of the commission.

Department of Community Engagement:

The Department of Community Engagement (DCE) strives to improve the quality of communication access for deaf and hard of hearing citizens of New Mexico. DCE provides professional development opportunities for signed language interpreters; refer interpreters to other professional development opportunities; assist organizations with finding qualified interpreters; and work with other agencies and the community to develop additional resources for high-quality communication access. The department also strives to expand supports for the internal office and has expanded some individual roles within the department. The department is still currently responsible for Human Resources and Social Media as well as some of the website responsibilities. The department staff also works to provide Transition Services and procurement support with developing RFPs.

Services include:

- Human Resources
- New Mexico Mentoring
- Signed Language Interpreter Licensure
- Interpreter Referral Information
- Captioning Referral Information
- Professional Development Opportunities for Signed Language Interpreters
- Transition Service
- Social Media

Department of Community Advocacy

The Department of Community Advocacy (DCA) includes; Telecommunications Relay Service, Telecommunications Equipment Distribution Program, Public Policy Development, Advocacy and Training and Development. DCA offers advocacy services which often requires training and development to create well developed plan for communication access needs. Sometimes when providing a workshop or providing technical assistance we find a need for individual advocacy support. Our systems advocacy partners with various state agencies to collaborate on services for all people with disabilities, and participates in special projects such as improve communication access with law enforcement and ensuring communication access at the polls. Equipment Distribution has reached a difficult middle ground. The new technology is being distributed by DCA but the infrastructure necessary for the technology to work is beyond reach for most rural New Mexicans. The new technology typically costs more and requires more training to access its full potential. We provide some training and work with our vendor to do the necessary outreach. In order to solve the infrastructure needs, the state would need to have next gen wireless services¹ which this agency has no authority over. DCA continues to provide older technology due to the lack of infrastructure in rural areas for the newer technology. Relay services will be undergoing a radical change between FY17 and FY 18. Changes to relay will most likely spark a shift to the next level of telecommunications infrastructure and a sunset on the viability of older technology. NMCDHH was successful in changing the language in our statutes to apply the Telecommunication Relay Surcharge to modern telecommunication technology. For a majority of FY17 DCA was fully staffed. Recently a staffing departure led to a small shift in the process of the department. The Director of Department of Community Advocacy who has supervised the Deaf Blind/Deaf Plus contract, now supervises the Telecommunications Equipment Distribution Program contract as well and reports to the Executive Director. Oversight for Relay services is under the Executive Director.

Services include:

- Telecommunications Equipment Distribution
- Telecommunications Relay Service
- Training and Development
- Outreach
- Individual and Systems Advocacy
- Public Policy Development
- Oversight on the Deaf Blind/Deaf Plus services

¹ Most rural areas have limited access to 4th generation wireless services such as LTE, they also have lower broadband speeds which is problematic when using video phone services and will be problematic when using Real Time Text Technology.

Overview of the Financial Statements

This annual report consists of two parts—*management's discussion and analysis* (this section), and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the Commission:

- The *government-wide financial statements* provide both long-term and short-term information about the Commission's overall financial status.
- The *fund financial statements* focus on individual funds of the Commission.

The fund financial statements provide more detailed information about the NM Commission for Deaf and Hard of Hearing's significant funds. The NM Commission for Deaf and Hard of Hearing on a small amount of General Fund for a specific contract for Deaf/Blind service and Telecommunication Access Fund. The Telecommunication Access Fund is revenue that New Mexico collects; it is a 0.33% surcharge from landline² and wireless³ phone bills.

Analysis of Financial

	<u>Current Year</u> <u>June 30, 2017</u>	<u>Prior Year</u> <u>June 30, 2016</u>	<u>Increase or</u> <u>(Decrease)</u>
Assets:			
Investments in the State Treasurer General Fund Investments Pool	1,385,190	1,326,494	58,696
Cash			
Accounts receivable	0	0	0
Due from other state agency	148,023	337,193	(189,170)
Prepaid asset	0	0	0
Capital assets, net	2,608	3,652	(1,044)
Total Assets	<u>1,535,821</u>	<u>1,667,339</u>	<u>(131,518)</u>
Liabilities:			
Current liabilities			
Investment account overdrafts	0	65,007	(65,007)
Due to other state agency	491	2,155	(1,664)
Account payable	184,998	91,263	93,735
Accrued payable	37,650	36,232	1,418
Compensated absences	41,169	43,931	(2,762)
Total Liabilities	<u>264,308</u>	<u>238,588</u>	<u>25,720</u>

² Landline refers to traditional Public Switched telephone networks (PSTN) and does not in FY17 mean all VoIP services.

³ Wireless refers to Tier 1 wireless phone companies and does not currently apply to pre-paid wireless services.

Net Position

Net investment in capital assets	2,608	3,652	(1,044)
Restricted for:			
Telecommunications access act special revenue project	1,064,755	1,280,899	(216,144)
Unrestricted (deficit)	204,150	144,200	59,950
Total Net Position	1,271,513	1,428,751	(157,238)
Total liabilities and net position	1,535,821	1,667,339	(131,518)

Expenses

Personal services and employee benefits	1,029,075	1,022,099	6,976
Contractual services	942,516	1,008,702	(66,186)
Other costs	239,873	271,411	(31,538)
Depreciation	1,044	1,044	0
	2,212,508	2,303,256	(90,748)

Revenues and Transfers

Other revenues	10,013	226	9,787
Transfers:			
State general fund appropriation	373,200	298,200	75,000
Telecommunications relay tax	1,880,057	2,130,111	(250,054)
Out to other state agencies	(208,000)	(491,000)	283,000
Reversion to State General Fund	0	0	0
	2,055,270	1,937,537	117,733
Change in net position	(157,238)	(365,719)	208,481
Net position, beginning	1,428,751	1,794,470	(365,719)
Restatement	0	0	0
	1,428,751	1,794,470	(365,719)
Net position, ending	1,271,513	1,428,751	(157,238)

Position-Statement of Net Position and Results of Operations- Statement of Activities

In compliance with state, law, NM Commission for Deaf and Hard of hearing adopts an annual appropriated budget and the NM Commission for Deaf and Hard of Hearing's original, final, and expended budget is shown in the budgetary statement.

Analysis of NM Commission for Deaf and Hard of Hearing Overall Financial Position and Result of Operations

The changes in NM Commission for Deaf and Hard of Hearing's Financial Position (Statement of Net Position) and Operations (Statement of Activities). The Telecommunication Access Revenue continues to decrease year to year. The collection of the revenue is not the responsibility of the NM Commission for Deaf and Hard of Hearing, but is the responsibility of NM Taxation and Revenue. Expenses decrease in the current period due to the three vacant positions the commission had during most of the current fiscal year.

The Commission for Deaf and Hard of Hearing does have capital asset additions and disposals in the current fiscal year.

The Commission for Deaf and Hard of hearing did not acquire any debt during the current fiscal year; as such there is no related debt liability with in the accompanying financial statements as of June 30, 2017. The only long term liability is the amount of compensated absences.

The Commission for Deaf and Hard of Hearing has requested a flat budget and the elimination of the transfer of funds to DVR in the FY18 Budget Request. The Commission for Deaf and Hard of Hearing was unable to eliminate the full transfer of funds to DVR in FY17, but was able to reduce the transfer a second time. It is currently \$91,500 For FY19 the Commission for Deaf and Hard of Hearing will be requesting a flat budget and no transfer to DVR.

The Commission for Deaf and Hard of Hearing is a non-reverting agency to the State General Fund. The Commission for Deaf and Hard of Hearing was budget \$3,033,200 for FY17. There was a budget reduction of \$21,700. The adjusted FY17 budget is \$3,011,500 which includes a fund balance appropriation of \$556,200. The budget was under expended by \$589,273

The only liabilities the Commission has are vouchers payable, accrued payroll and compensated absences.

The Commission for Deaf and Hard of Hearing has enforced strict expenditure restrictions that have resulted in responsible monitoring of the budget overall evidenced by the under-expended amount of the approved budget noted above.

Request for Information

The financial report is designed to provide a general overview of the State of New Mexico Commission for Deaf and Hard of Hearing's finances for all those interested in the Commission for Deaf and Hard of Hearing's fiscal health. Questions about this report or request for additional information can be directed to:

Nathan Gomme, Executive Director

NM Commission for Deaf and Hard of Hearing

505 Marquette Ave. NW Suite 1550

Albuquerque, NM 87102

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF NET POSITION
 GOVERNMENT WIDE
 June 30, 2017

	Governmental Activities
ASSETS	
Current Assets	
Investment account with New Mexico State Treasurer	\$ 1,384,416
Due from other state agency	148,023
Capital Assets, net	<u>2,608</u>
Total assets	<u>1,535,047</u>
LIABILITIES	
Current Liabilities	
Accounts payable	184,998
Accrued payroll	36,876
Due to State General Fund	491
Compensated absences	<u>41,169</u>
Total liabilities	<u>263,534</u>
NET POSITION	
Net investment in capital assets	2,608
Restricted for:	
General purposes	-
Telecommunications access act special revenue project	1,064,755
Unrestricted	<u>204,150</u>
Total net position	<u>\$ 1,271,513</u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF ACTIVITIES
 GOVERNMENT WIDE
 Year Ended June 30, 2017

	Governmental Activities
Function/Program	
<i>Primary Government Expenses:</i>	
General government:	
Personal services and employee benefits	\$ 1,029,075
Contractual services	942,516
Other costs	239,873
Depreciation	<u>1,044</u>
Net program expense	<u>2,212,508</u>
 <i>General Revenues and Transfers:</i>	
Other revenues	10,013
Transfers:	
State general fund appropriation	373,200
Telecommunications relay tax	1,880,057
Out to other state agencies	(208,000)
Reversion to the State General Fund	<u>-</u>
Total general revenues and transfers	<u>2,055,270</u>
 Change in net position	 (157,238)
Net position, beginning	<u>1,428,751</u>
 Net position, ending	 <u><u>\$ 1,271,513</u></u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 June 30, 2017

	General Fund (SHARE 04600)	Special Revenue Telecommunications Access Fund (SHARE 08000)	Capital Outlay Deaf Cultural Center Fund (Non-major Fund) (SHARE 93100)	Total
ASSETS				
Current Assets:				
Investment with NM State Treasurer	\$ 467,684	916,732	-	1,384,416
Due from other state agency	-	148,023	-	148,023
Total assets	\$ 467,684	1,064,755	-	1,532,439
LIABILITIES AND FUND BALANCES				
Current Liabilities:				
Accounts payable	184,998	-	-	184,998
Accrued payroll	36,876	-	-	36,876
Due to State General Fund	491	-	-	491
Total liabilities	222,365	-	-	222,365
Fund Balances:				
Restricted for:				
Special revenue	-	1,064,755	-	1,064,755
Unassigned	245,319	-	-	245,319
Total fund balance	245,319	1,064,755	-	1,310,074
Total liabilities and fund balances	\$ 467,684	1,064,755	-	1,532,439

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 RECONCILIATION OF THE GOVERNMENTAL ACTIVITIES BALANCE SHEET
 TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2017**

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

Fund balances - total government funds	\$ 1,310,074
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	2,608
Some liabilities are not due and payable in the current period and therefore are not reported in the fund: Compensated absences	<u>(41,169)</u>
Net position of governmental activities (Statement of Net Position)	<u><u>\$ 1,271,513</u></u>

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	General Fund (SHARE 04600)	Special Revenue Telecommunications Access Fund (SHARE 08000)	Total
Revenues			
Other	\$ 10,013	-	10,013
Total revenues	<u>\$ 10,013</u>	<u>-</u>	<u>10,013</u>
Expenditures			
General government:			
Personnel services and benefits	\$ 1,031,838	-	1,031,838
Contractual services	942,516	-	942,516
Other	239,873	-	239,873
Capital outlay	-	-	-
Total expenditures	<u>2,214,227</u>	<u>-</u>	<u>2,214,227</u>
Excess (deficiency) of revenues over expenditures	<u>(2,204,214)</u>	<u>-</u>	<u>(2,204,214)</u>
Other Financing Sources (Uses)			
Transfers from (to) other state agencies:			
State general fund appropriation	373,200	-	373,200
Telecommunications relay tax	-	1,880,057	1,880,057
Transfers to other state agencies	(208,000)	-	(208,000)
Transfers - Intra agency	2,140,133	(2,140,133)	-
Reversion to the State General Fund	-	-	-
Total other financing sources (uses)	<u>2,305,333</u>	<u>(260,076)</u>	<u>2,045,257</u>
Net change in fund balances	<u>101,119</u>	<u>(260,076)</u>	<u>(158,957)</u>
Fund balance, beginning of year	144,200	1,324,830	1,469,030
Fund balance, end of year	<u>\$ 245,319</u>	<u>1,064,754</u>	<u>1,310,073</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2017**

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

Net change in fund balances - total governmental funds	\$	(158,957)
--	----	-----------

Governmental funds capital outlays are reported as expenditures.
 However, in the Statement of Activities, the cost of those assets
 is allocated over their estimated useful lives and reported as
 depreciation expense:

Capital expenditures	\$	-	
Depreciation expense		<u>(1,044)</u>	(1,044)

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

Increase in accrued compensated absences		<u>2,763</u>	
--	--	--------------	--

Change in net position of governmental activities (Statement of Activities)	\$	<u><u>(157,238)</u></u>
--	-----------	--------------------------------

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
 GENERAL FUND - SHARE 04600
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State general fund appropriation	394,900	373,200	373,200	-
Statewide budget reduction	(21,700)	-	-	-
Other	\$ -	-	10,013	10,013
Total revenues	373,200	373,200	383,213	10,013
Expenditures				
Current:				
General government:				
Personnel services	1,071,000	1,071,000	1,031,838	39,162
Contractual services	1,416,400	1,416,400	942,516	473,884
Other costs	316,100	316,100	239,873	76,227
Capital outlay	-	-	-	-
Total expenditures	2,803,500	2,803,500	2,214,227	589,273
Excess (deficiency) of revenues over expenditures	(2,430,300)	(2,430,300)	(1,831,014)	(579,260)
Other Financing Sources (Uses)				
Transfers in - Intra agency	2,638,300	2,638,300	2,140,133	(498,167)
Transfers to other state agencies	(208,000)	(208,000)	(208,000)	-
Total other financing sources (uses)	2,430,300	2,430,300	1,932,133	(498,167)
Net change in fund balance			\$ 101,119	

The Notes to the Financial Statements are an integral part of this statement.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
 TELECOMMUNICATIONS ACCESS SPECIAL REVENUE FUND - SHARE 08000
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Transfer in - telecommunications relay tax	\$ 2,082,100	2,082,100	1,880,057	(202,043)
Fund balance budgeted	556,200	556,200	556,200	-
Total revenues and budgeted fund balance	2,638,300	2,638,300	2,436,257	(202,043)
Expenditures				
Current:				
General government:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	2,638,300	2,638,300	2,436,257	(202,043)
Other Financing Sources (Uses)				
Transfers out - Intra agency	(2,638,300)	(2,638,300)	(2,140,133)	498,167
Total other financing sources (uses)	(2,638,300)	(2,638,300)	(2,140,133)	498,167
Net change in fund balance			296,124	
Reconciliation to GAAP basis:				
Budgeted fund balance			(556,200)	
Net change in fund balance - GAAP basis			<u>\$ (260,076)</u>	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 1. HISTORY AND ORGANIZATION

The Commission for the Deaf and Hard of Hearing (the Commission) was created by Laws of 1991, Chapter 72 (Section 28-11B-1 to 28-11B-4). The Commission consists of seven members, a majority of whom are deaf or hard of hearing, including three ex-officio members and four members appointed by the governor.

The ex-officio members are the president of the New Mexico Association for the Deaf or his designee; the superintendent of the New Mexico School for the Deaf or his designee; and, the director of the vocational rehabilitation division of the state department of public education or his designee who shall be knowledgeable in areas of deafness. Appointed members are a parent of a deaf or hard of hearing child; a professional person who is deaf or hard of hearing; a deaf or hard of hearing person who resides in southern New Mexico; and, a deaf or hard of hearing person who resides in northern New Mexico.

The Commission's primary purpose is to identify the needs of the deaf and hard of hearing population of New Mexico, educate state agencies about deafness, coordinate services with other state agencies for the deaf, advocate equal access and opportunities, provide continuing education for deaf adults, assist in the development of state-wide interpreter referral services and coordinate the certification and evaluation process for interpreters.

Prior to June 30, 2005, the Commission, along with the General Services Department (GSD), also had administrative oversight of the State's Telecommunications Relay, including full administration of the Equipment Distribution Program under Laws of 1993, Chapter 54. Effective July 1, 2005, Laws of 2004, Chapter 106, transferred the administration of the Telecommunications Access Act from the General Services Department to the Commission for the deaf and hard of Hearing and provided that the Telecommunications Access Fund is appropriated to the Commission for the purposes of carrying out the provisions of the Telecommunications Access Act. All records, equipment, supplies and other property of the General Services Department relating to the Department's duties pursuant to the Telecommunications Access Act were transferred to the Commission. All General Services Department contracts relating to the Department's duties pursuant to the Telecommunications Access Act are binding on the Commission. Sections 63-9F-5 and 63-9F-7 NMSA 1978 (being Laws 1993, Chapter 54, Sections 5 and 7, as amended) were repealed.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity

Governmental accounting standards define the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Commission, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Commission has prepared and issued its own audited, agency Annual Financial Report.

Included within the Commission for this purpose are the following: All of the programs that are administered and/or controlled by the Commission have been included.

No entities were noted that should be considered component units of the Commission. No entities were specifically excluded from the Commission because no entities were noted as meeting any of the criteria for potential inclusion.

The Commission does not have any fiduciary funds or any component units that are fiduciary in nature.

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The new reporting model focus is on either the Commission as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Commission did not have any business-type activities during the year ended June 30, 2017, and the Commission has decided not to apply any FASB pronouncements issued after November 30, 1989.

The Commission incorporates deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Commission includes only one function, general government.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). The Commission does not currently employ indirect cost allocation systems. The Commission's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first.

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

The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund is required to be a major fund, and the Special Revenue Fund also is required to be a major fund. The Capital Project Fund is considered a major fund, as determined by management. The Commission has no fiduciary funds, but if the Commission did, they would not be included in the government-wide financial statements.

The governmental fund statements are presented on current financial resources and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Commission's actual experience conforms to 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 activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the government-wide presentation. Interfund accounts which are on the fund financial statements have been eliminated in the government-wide financial statements.

C. Financial Statement Presentation

The financial transactions of the Commission are maintained on the basis of 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 various funds are summarized by type in the accompanying financial statements.

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Presentation (Continued)

The financial reporting model sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. All these governmental funds have been classified as major funds by the Commission after considering the criteria for major funds. Only individual governmental or individual enterprise funds can be considered for major fund status.

Governmental Fund Types. All governmental fund types are accounted for on a spending or financial measurement focus. Only current assets and liabilities are generally included on their balance sheets. Their reported fund balance (net current position) 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 position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current position, such long-term amounts are not recognized as governmental fund type expenditures. The following is a description of the Governmental Funds of the Board.

The Commission reports the following governmental funds:

General Fund (SHARE FUND No. 04600 - nonreverting as of July 1, 2005) is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. This fund is nonreverting per Laws of 2006, Chapter 109, Section 10 (c).

Special Revenue Fund (SHARE FUND No. 08000-nonreverting) is the Telecommunications Access Fund established pursuant to 63-9F-12 and is funded through telecommunications relay service surcharges, related penalties and gifts, grants, fees or bequests. This fund is nonreverting per Laws of 2006, Chapter 109, Section 10 (c).

Capital Outlay Fund (SHARE FUND No. 93100-reverting 6/30/2015) is the Deaf Cultural Center Fund, established pursuant to the 50th Legislature, 1st Session 2011. This funding is to be used for the construction of a Deaf Cultural Multipurpose Center. The Fund is funded primarily by an appropriation from the State General Fund and any unused funds at the end of the fiscal year revert back to the State General Fund. There is no activity in this fund and it is not presented.

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses 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 are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange transactions are recognized when the exchange takes place.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to the compensated absences and claims and judgments, are recorded only when payment is due.

Modified Accrual. All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the Commission's taxpayer or citizenry. Program revenues reduce the cost of the function to be financed from the Commission's general revenues. The Commission had no program revenues during the year ended June 30, 2017.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. The Commission received telecommunications access relay taxes during the year ended June 30, 2017. Revenue is recognized when taxes are remitted to the Commission by the State of New Mexico Taxation and Revenue Department.

E. Budgetary Accounting

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

- No later than September 1st, the Commission prepares a budget appropriation request by category to be presented to the next Legislature.
- The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
- DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
- The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings are incorporated into the General Appropriations Act.
- The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
- The Commission submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
- All subsequent budget adjustments must be approved by the Commission and the Director of the DFA - Budget Division. The budget for the current year was properly amended.

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Accounting (Continued)

- Legal budget control for expenditures and encumbrances is at the program appropriation level. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Fund.
- The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable must be paid out of the next year's budget. There were none of these accounts payable at June 30, 2017.

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Computer software is included in equipment. The Board does not have any internally developed software. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy per Section 12-6-10 NMSA 1978, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000. Items on the capital asset listing that were capitalized under previous lower thresholds will remain on the inventory list and continue to be depreciated

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Commission utilizes Internal Revenue Service guidelines to estimate the useful lives on fixed assets as follows:

Machinery and Equipment	5 years
Computer equipment (including software)	3 to 8 years
Furniture and fixtures	10 years

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

Qualified classified employees, per the schedule approved by the Commission, accumulate annual leave to a maximum of 240 hours as follows:

Years of Service	Hours Earned Per Pay Period
Less than 3 years	3.08
Between 3 and 7 years	3.69
Between 7 and 11 years	4.61
Between 11 and 15 years	5.54
Over 15 years	6.15

I. Net Position / Fund Balances

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted as follows:

Net investment in capital assets is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding debt. The net related debt is the debt less outstanding liquid assets and any associated unamortized cost. The Commission did not have any related debt during the year ended June 30, 2017.

Restricted net assets consists of net asset with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Net Position / Fund Balances (Continued)

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making Commission. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consists of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the Commission to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as appropriate opportunities arise. However, the Commission reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Based on the criteria outlined above, the fund balances in the Telecommunications Access special revenue fund totaling \$1,064,754 are restricted by enabling legislation and held in accordance with the Telecommunications Act. The fund balance of \$245,319 in the general fund is unassigned.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Encumbrances Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Fund. Encumbrances not recorded as vouchers payable at year end lapse.

K. Fund Equity

For the year ended June 30, 2017, the Commission reported an equity balance in the general fund totaling \$245,319.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Implementation of New Accounting Standards

The Commission did not adopt any new accounting standards in the year ended June 30, 2017. The following standards have been issued but have future implementation dates.

GASBS No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). Management has not yet fully determined the impact of GASB 75.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of New Accounting Standards (Continued)

GASBS No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for fiscal years beginning after December 15, 2019 (FY21). Management has not yet fully determined the impact of GASB 87.

N. Subsequent Events

Management has evaluated subsequent events through October 25, 2017, the date which the financial statements were available to be issued.

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 3. INVESTMENT ACCOUNT AND INVESTMENT POLICY

Investment Accounts with State Treasurer

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

The following is a summary of the investment accounts of the Commission with the New Mexico State Treasurer at June 30, 2017 which represents the Commission’s interest in the State of New Mexico General Fund Investment Pool as reported by the New Mexico Department of Finance and Administration (DFA):

	Share Fund Number	Financial Statement Balances
General Fund	60400-04600	\$ 467,684
Telecommunications Access Special Revenue Fund	60400-08000	916,732
Deaf Cultural Center Capital Outlay Fund	60400-93100	<u> -</u>
 Total		 <u>\$ 1,384,416</u>

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the investment accounts of the Commission which represent the Commission’s interest in the General Fund Investment Pool. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these accounts is disclosed. That report may be obtained by writing to the State of New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, New Mexico 87504-0608. The Commission is not permitted to have any other investments, and the Commission did not have any other investments during the year ended June 30, 2017. There is no custodial risk in relations to the accounts at the Commission’s level. The custodial risk would belong to the New Mexico State Treasurer.

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 disclosure information regarding the investment in the State Treasurer’s SGFIP, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2017, review the State Treasurer’s Investment Policy at http://www.nmsto.gov/investment_policy_1 and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 4. DUE TO / FROM OTHER STATE AGENCIES

The Commission’s General Fund (Agency No. 60400, Fund No. 04600) was owed \$148,023 by the State of New Mexico Taxation and Revenue Department (Agency No. 82600) at June 30, 2017 for taxes collected for this fund but not yet remitted at June 30, 2017.

Amounts due from the Commission’s General Fund (Agency No. 60400, Fund No. 04600) to the State of New Mexico General fund (Agency No. 30600) totaling \$491 consists of stale dated warrants.

NOTE 5. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2017 is as follows:

	Balance, June 30, 2016	Additions	Adjust to Gross vs. Net	Balance, June 30, 2017
Capital Assets				
Computer Equipment	\$ 5,218	-	42,605	47,823
Accumulated Depreciation				
Computer Equipment	(1,566)	(1,044)	(42,605)	(45,215)
Capital Assets, Net	<u>\$ 3,652</u>	<u>(1,044)</u>	<u>-</u>	<u>2,608</u>

Depreciation expense for the year ended June 30, 2017 was \$1,044.

NOTE 6. COMPENSATED ABSENCES

A summary of changes in the compensated absences payable for the year ended June 30, 2017 is as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
Compensated Absences	<u>\$ 43,931</u>	<u>39,114</u>	<u>(41,876)</u>	<u>41,169</u>	<u>41,169</u>

In the Statement of Net Position, \$41,169 has been classified as a current liability. In prior years, the General Fund has been used to liquidate compensated absences. The General Fund is expected to continue to do so in the future.

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017**

NOTE 7. RETIREMENT PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Commission is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Commission's contribution to PERA for the years ended June 30, 2017, 2016 and 2015 were \$118,641, \$119,815, and \$94,442, respectively, which was equal to the amount of the required contribution for each year.

The Commission, 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). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

**NOTE 8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary.

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

**NOTE 8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
 (CONTINUED)**

In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Commission's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$13,966, \$14,104, and \$11,121, respectively, which equal the required contributions for each year.

NOTE 9. OPERATING LEASES

Effective January 1, 2015, the Commission entered into a lease for office space in Albuquerque for a ten year term, due to expire on December 31, 2024. The annual rental cost varies each year based on a 3% escalation rate. The lease includes an option to renew for two, five-year periods subject to the same terms and conditions except for the amount of the rental cost which will vary.

Effective June 1, 2013, the Commission leased office space in Las Cruces for a five year term, due to expire on May 31, 2018. The annual rental cost varies each year based on a 2.5% escalation rate. The lease includes an option to renew for three, five-year periods subject to the same terms and conditions except for the amount of the rental cost which will vary.

The Commission also has operating leases for a copier, mailing system, and four vehicles with varying lengths and payments.

For the year ended June 30, 2017 operating lease expenses consisted of the following amounts:

<u>Xerox Copier</u>	<u>Mailing System</u>	<u>Albuquerque</u>	<u>Las Cruces</u>	<u>Vehicles</u>	<u>Total</u>
\$ 6,294	\$ 534	\$ 101,769	\$ 28,357	\$ 13,176	\$ 150,130

Future minimum operating lease commitments are as follows:

Year ending June 30:	
2018	\$ 137,464
2019	110,055
2020	108,237
2021	109,613
2022	111,046
Thereafter	<u>286,338</u>
Total	<u>\$ 862,753</u>

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 10. TRANSFERS TO / FROM OTHER STATE AGENCIES

The Commission receives and makes operating transfers for various reasons. Transfers in are to receive telecommunications relay taxes due from the State of New Mexico Taxation Revenue Department. Transfers out to the New Mexico Department of Vocational Rehabilitation are to provide deaf and hard-of-hearing rehabilitation services. Other transfers out were made for purposes listed.

	From	To
State of New Mexico, Taxation and Revenue Department (Agency No. 82600)	\$ 1,880,057	
Commission's General Fund (Agency No. 60400, Fund No. 04600)		\$ 1,880,057
Purpose: Transfer telecommunications relay tax funds		
Commission's General Fund (Agency No. 60400, Fund No. 04600)	183,000	
State of New Mexico Division of Vocational Rehabilitation (DVR) (Agency No. 50000)		183,000
Purpose: Transfer funds to provide deaf and hard-of-hearing rehabilitation services		
Commission's General Fund (Agency No. 60400, Fund No. 04600)	25,000	
State of New Mexico Regulation & Licensing Department (Agency No. 42000)		25,000
Purpose: Transfer funds to the signed language interpreting practices board for interpreter licensure services		
Department of Finance & Administration (Agency No. 34100)	373,200	
Commission's General Fund (Agency No. 60400, Fund No. 04600)		373,200
Purpose: Transfer general appropriation funds		

**STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017**

NOTE 11. INTRA FUND TRANSFERS

The Commission receives and makes intra fund transfers to transfer funds received from the telecommunications relay tax in the special revenue fund to cover budgeted expenditures recorded in the general fund.

	From	To
Commission's Automation Fund – SHARE 08000	\$ 2,140,133	
Commission's General Fund – SHARE 04600		\$ 2,140,133

Purpose: To transfer telecommunications relay tax funds

NOTE 12. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the government carries commercial insurance. The Commission maintains insurance coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Commission are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2016 through June 30, 2017. Management believes that a potential loss would be adequately covered by insurance and would not result in any material adverse effect on the financial condition of the Commission. During the past three years the Commission has not had any significant reductions in insurance coverage or settlements exceeding insurance coverage.

NOTE 13. CAPITAL OUTLAY APPROPRIATION

Pursuant to "Severance Tax Bonds, Laws of 2009, Chapter 125, Section 12", the Commission was appropriated \$100,000 to begin the planning stages of constructing a Deaf Cultural Center. The appropriation period is July 2011 through June 2013. At June 30, 2016, the Commission reported an unexpended and unencumbered balance of \$1,664 which was reverted back to the State General Fund during the year ended June 30, 2017.

STATE OF NEW MEXICO
 COMMISSION FOR THE DEAF AND HARD OF HEARING
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - Program P-693
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State general fund appropriation	\$ 394,900	373,200	373,200	-
Transfer in - telecommunications relay tax	2,082,100	2,082,100	1,880,057	(202,043)
Fund balance budgeted	556,200	556,200	556,200	-
Other	-	-	10,013	10,013
Total revenues	3,033,200	3,011,500	2,819,470	(192,030)
Expenditures				
Current:				
General government:				
Personnel services	1,071,000	1,071,000	1,031,838	39,162
Contractual services	1,416,400	1,416,400	942,516	473,884
Other costs	316,100	316,100	239,873	76,227
Capital outlay	-	-	-	-
Total expenditures	2,803,500	2,803,500	2,214,227	589,273
Excess (deficiency) of revenues over expenditures	229,700	208,000	605,243	(781,303)
Other Financing Sources (Uses)				
Transfers in - Intra agency	2,638,300	2,638,300	2,140,133	(498,167)
Transfers out - Intra agency	(2,638,300)	(2,638,300)	(2,140,133)	498,167
Transfers to other state agencies	(208,000)	(208,000)	(208,000)	-
Total other financing sources (uses)	\$ (208,000)	(208,000)	(208,000)	-
Net change in fund balance			397,243	
Reconciliation to GAAP basis:				
Budgeted fund balance			<u>(556,200)</u>	
Net change in fund balance - GAAP basis			<u>\$ (158,957)</u>	

The Notes to the Financial Statements are an integral part of this statement.



Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400
Albuquerque, NM 87110
505 338 0800 office www.riccipa.com

**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***

Independent Auditor's Report

Mr. Tim Keller, New Mexico State Auditor
and the Commission for the Deaf and Hard of Hearing
Albuquerque, 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 budgetary comparisons of the general fund and major special revenue fund of the Commission for the Deaf and Hard of Hearing (the Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 25, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Mr. Tim Keller, New Mexico State Auditor
and the Commission for the Deaf and Hard of Hearing
Albuquerque, New Mexico

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitation, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses and significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ricci & Company LLC

Albuquerque, New Mexico
October 25, 2017

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2017**

CURRENT YEAR

None

PRIOR YEAR FINDINGS

None

**STATE OF NEW MEXICO
COMMISSION FOR THE DEAF AND HARD OF HEARING
EXIT CONFERENCE
June 30, 2017**

Exit Conference

The contents of this report were discussed on October 25, 2017. The following individuals were in attendance.

New Mexico Commission for Deaf & Hard of Hearing:

Johnny Robertson, Commission Member

Nathan Gomme, Executive Director

Deborah Romero, Director of Administrative Services/CFO

Ricci & Company, LLC:

Wayne Brown, CPA, Partner

Dock Livingston, CPA, Manager

Auditor Prepared Financials

Ricci & Company, LLC assisted in the preparation of the financial statements presented in this report. The Commission's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.