

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



**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

(With Auditor's Report Thereon)

## **INTRODUCTORY SECTION**

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

OFFICIAL ROSTER  
JUNE 30, 2013

**Commission**

Mark Apodaca	Chairman
Debbie Hambel	Vice Chair
Dr. Ron Stern	Secretary, Ex-officio Member
Luis Quinonez	Member
Austin Welborn	Member
James DeBee	Member
John A Johnson	Member

**Administrative Officials**

Lisa Dignan	Interim Executive Director
Shannon Smith	Director of Telecommunications and Technical Assistance
Nathan Gomme	Director of Public Policy and Advocacy
Deborah Romero	Director of Administrative Service

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

FOR THE YEAR ENDED JUNE 30, 2013  
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**FINANCIAL SECTION**



# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, New Mexico State Auditor and the  
Commission for the Deaf and Hard of Hearing Persons,  
Albuquerque, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and 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 Persons (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Commission's budgetary comparisons for the major capital project fund, presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 misstatements 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 circumstance, 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.

P.O. Box 37379 • Albuquerque, NM 87176-7379  
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112  
Phone (505) 856-2741 - Fax (505) 856-7510

## **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, and the aggregate remaining fund information of the Commission, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the major capital project fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Commission's financial statements and budgetary comparisons. Other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 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 Governmental Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, New Mexico  
December 12, 2013

**BASIC  
FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Exhibit A-1

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Investment account with New Mexico State Treasurer	\$ 5,841,001
Due from other state agency	239,991
Other receivables	-
Capital assets, net (Note 5)	-
Total assets	<u>6,080,992</u>
<b>LIABILITIES</b>	
Investment accounts overdrafts	4,232,963
Accounts payable	282,958
Accrued payroll	19,114
Due to other state agency	11,921
Compensated absences (Note 6):	
Due within one year	<u>44,848</u>
Total liabilities	<u>4,591,804</u>
<b>NET POSITION</b>	
Net investment in capital assets	-
Restricted for:	
Deaf cultural capital project	100,000
Telecommunications access act special revenue project	12,468,894
Unrestricted (deficit)	<u>(11,079,706)</u>
Total net position	<u>\$ 1,489,188</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit A-2

<b>FUNCTION/PROGRAM</b>	<b><u>Governmental Activities</u></b>
<i>Primary Government Expenses:</i>	
General government:	
Personal services and employee benefits	\$ 818,427
Contractual services	1,774,121
Other costs	288,019
Depreciation	2,476
<i>Total expenses</i>	<u>2,883,043</u>
Net expense	<u>(2,883,043)</u>
<i>General revenues:</i>	
Telecommunications relay tax	2,959,800
Other revenue	-
Transfers:	
In from other state agencies	300,000
Out to other state agencies	(491,000)
Out to State of New Mexico general fund	-
<i>Total general revenues and transfers</i>	<u>2,768,800</u>
Change in net position	(114,243)
Net position - beginning of year	<u>1,603,431</u>
Net position - end of year	<u><u>\$ 1,489,188</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

Exhibit B-1  
 (Page 1 of 2)

	General Fund	Special Revenue Telecommunications Access Fund	Capital Outlay Deaf Cultural Center Fund	Total
<b>ASSETS</b>				
<i>Current assets:</i>				
Investment account with NM State Treasurer	\$ -	\$ 5,786,255	\$ 54,746	\$ 5,841,001
Due from other state agency	239,991	-	-	239,991
Due from other fund	-	3,422,839	-	3,422,839
<i>Total assets</i>	\$ 239,991	\$ 9,209,094	\$ 54,746	\$ 9,503,831
 <b>LIABILITIES AND FUND BALANCES</b>				
<i>Current liabilities:</i>				
Investment accounts overdrafts	\$ 4,190,642	\$ -	\$ 42,321	\$ 4,232,963
Accounts payable	272,197	-	10,761	282,958
Accrued payroll	19,114	-	-	19,114
Due to other fund	3,422,839	-	-	3,422,839
Due to other state agencies	11,921	-	-	11,921
<i>Total liabilities</i>	7,916,713	-	53,082	7,969,795
 <i>Fund balances:</i>				
Restricted for:				
General purposes	-	-	-	-
Special revenue	-	9,209,094	-	9,209,094
Capital projects	-	-	1,664	1,664
Assigned	-	-	-	-
Unassigned	(7,676,722)	-	-	(7,676,722)
<i>Total fund balance</i>	(7,676,722)	9,209,094	1,664	1,534,036
<i>Total liabilities and fund balances</i>	\$ 239,991	\$ 9,209,094	\$ 54,746	\$ 9,503,831

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
COMMISSION FOR DEAF AND HARD OF HEARING PERSONS  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
JUNE 30, 2013

Exhibit B-1  
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 1,534,036
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(44,848)</u>
Total Net Position	<u><u>\$ 1,489,188</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B-2  
(Page 1 of 2)

	General Fund	Special Revenue Telecommunications Access Fund	Capital Outlay Deaf Cultural Center Fund	Total
<i>Revenues:</i>				
Telecommunications relay tax	\$ 2,959,800	\$ -	\$ -	\$ 2,959,800
Other	-	-	-	-
<i>Total revenues</i>	<u>2,959,800</u>	<u>-</u>	<u>-</u>	<u>2,959,800</u>
<i>Expenditures:</i>				
Current				
General government:				
Personnel services and benefits	813,831	-	-	813,831
Contractual services	1,675,785	-	98,336	1,774,121
Other	288,019	-	-	288,019
<i>Total expenditures</i>	<u>2,777,635</u>	<u>-</u>	<u>98,336</u>	<u>2,875,971</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>182,165</u>	<u>-</u>	<u>(98,336)</u>	<u>83,829</u>
<i>Other financing sources (uses):</i>				
Operating transfer in	-	-	-	-
Operating transfer out	-	-	-	-
Transfer from other state agencies	300,000	-	-	300,000
Transfer to other state agencies	(491,000)	-	-	(491,000)
Transfer to state general fund	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(191,000)</u>	<u>-</u>	<u>-</u>	<u>(191,000)</u>
<i>Net change in fund balances</i>	(8,835)	-	(98,336)	(107,171)
<i>Fund balances - beginning of year</i>	<u>(7,667,887)</u>	<u>9,209,094</u>	<u>100,000</u>	<u>1,641,207</u>
<i>Fund balances - end of year</i>	<u>\$ (7,676,722)</u>	<u>\$ 9,209,094</u>	<u>\$ 1,664</u>	<u>\$ 1,534,036</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit B-2  
(Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$ (107,171)
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense the statement of activities. This is the amount by which depreciaiton exceeds capital outlay for the period.

Depreciation expense	(2,476)
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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.

Decrease in accrued compensated absences	<u>(4,596)</u>
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Changes in Net Position	<u><u>\$ (114,243)</u></u>
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF & HARD OF HEARING PERSONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**GENERAL FUND**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		YTD Actual	Variance between Final and Actual
	Original	Final		Favorable (Unfavorable)
<i>Revenues:</i>				
Telecommunications relay tax appropriations	\$ -	\$ -	2,959,800	\$ 2,959,800
<i>Expenditures:</i>				
Current:				
General government:				
Personnel services	973,300	973,300	813,831	159,469
Contractual services	2,105,400	2,038,220	1,701,181	337,039
Other costs	257,900	325,080	288,019	37,061
<i>Total expenditures</i>	3,336,600	3,336,600	2,803,031	533,569
<i>Excess (deficiency) of revenues over expenditures</i>	(3,336,600)	(3,336,600)	156,769	(3,493,369)
<i>Other financing sources (uses):</i>				
Designated cash	3,527,600	3,527,600	-	3,527,600
Transfers from other state agencies	300,000	300,000	300,000	-
Transfers to other state agencies	(491,000)	(491,000)	(491,000)	-
<i>Total other financing sources (uses)</i>	3,336,600	3,336,600	(191,000)	3,527,600
<i>Net change in fund balances</i>	\$ -	\$ -	(34,231)	\$ 34,231
<i>Fund balances, beginning of year</i>			(4,156,411)	
<i>Fund balances, end of year</i>			\$ (4,190,642)	
<b><i>Reconciliation to GAAP Basis:</i></b>				
Net change in fund balances			\$ (34,231)	
Adjustments to revenue			-	
Adjustments to expenditures			25,396	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (8,835)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF & HARD OF HEARING PERSONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**TELECTCOMMUNICATIONS ACCESS SPECIAL REVENUE FUND**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		YTD Actual	Variance between Final and Actual
	Original	Final		Favorable (Unfavorable)
<i>Revenues:</i>				
Telecommunications relay tax appropriations	\$ -	\$ -	\$ -	\$ -
<i>Expenditures:</i>				
Current:				
General government:				
Other	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>				
	-	-	-	-
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Transfers from other state agencies	-	-	-	-
Transfers to other state agencies	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<i>Fund balances, beginning of year</i>			<u>5,786,255</u>	
<i>Fund balances, end of year</i>			<u>\$ 5,786,255</u>	
<b><i>Reconciliation to GAAP Basis:</i></b>				
Net change in fund balances			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. History and Organization**

The Commission for Deaf and Hard of Hearing Persons (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 persons, 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 Deaf and Hard of Hearing Persons 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.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provided for the most significant change in financial reporting in over twenty years.

The Commission implemented the provisions of GASB No. 34 effective July 1, 2001. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Commission does not own any infrastructure assets and therefore is unaffected by this requirement. The Commission also implemented the provisions of the later related GASB statements No. 37 and No. 38 which affect GASB No. 34 and its implementation.

**STATE OF NEW MEXICO**  
COMMISSION FOR DEAF AND HARD OF HEARING PERSONS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013

**NOTE 2. Summary of Significant Accounting Policies (continued)**

*A. Financial Reporting Entity*

The Commission is a governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, which amended GASB 14 effective for fiscal years beginning after June 30, 2003. The financial reporting entity as defined by GASB No. 39 consists 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. This definition of the reporting entity is based primarily on the notion of the 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. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

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. If the Commission did have any such funds, they would not be included in the government-wide financial statements.

*B. Basic Financial Statements - GASB Statements No. 34, No. 63, and No. 65*

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, 2013, and the Commission has decided not to apply any GASB pronouncements issued after November 30, 1989.

GASB No. 63 amends GASB 34 to incorporate 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.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2. Summary of Significant Accounting Policies (continued)**

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 had no program revenues during the year ended June 30, 2013. However, the Commission did receive telecommunications access relay taxes during the year ended June 30, 2013. Revenue is recognized when taxes are collected by the State of New Mexico Taxation and Revenue Department. The Commission includes only one function, general government.

The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. 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 are similar to the financial statements presented in the previous accounting model. Emphasis here is on 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 program, and the Special Revenue Fund also is required to be a major fund. The Capital Project Fund is also considered a major fund, as determined by management. Therefore, there are no non-major governmental funds. 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. Basis of 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. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, 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 Authority after considering the criteria for major funds. Only individual governmental or individual enterprise funds can be considered for major fund status.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

Governmental Fund Types

The focus of governmental fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Commission.

The Commission reports the following major 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 6/30/2013) is the Deaf Cultural Center Fund, established pursuant to the 50<sup>th</sup> Legislature, 1<sup>st</sup> 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.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Position.

*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 on an accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

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 which is considered within sixty days of year-end. 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 pursuant to GASB Statement No. 33, which was also adopted as of July 1, 2001 by the Commission, 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.

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

*E. Budgetary Accounting*

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

- No later than September 1<sup>st</sup>, 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.
- Legal budget control for expenditures and encumbrances is by category of line item.
- 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, 2013.
- The Commission's General Fund and Special Revenue Fund are not reverting funds per the Laws of 2006, Chapter 109, Section 10 (c).

*F. Assets, Liabilities and Net Assets or Equity*

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

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

*F. Assets, Liabilities and Net Assets or Equity (continued)*

**Capital Assets:** Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. 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, i.e., the dollar value above which asset acquisitions including software, are added to the capital accounts, is \$5,000 which is a change in policy effective July 1, 2005. However, all capital outlay purchases may not necessarily be capitalized. The Commission does not capitalize any interest in regards to its capital assets.

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

GASB Statement No. 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Commission does not own any infrastructure assets.

**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:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
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

**Restrictions of Fund Balances:** Restrictions of fund balances on the governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that cannot be appropriated for future expenditures. The restrictions of fund balance accounts at June 30, 2013 were:

Restricted for Telecommunications Access Act: Represents funds held in accordance with the Telecommunications Access Act.

Restricted for Deaf Cultural Center: Represents funds held in accordance with the for use by the Deaf Cultural Center Capital Outlay Fund.

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

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**NOTE 2. Summary of Significant Accounting Policies (continued)**

*F. Assets, Liabilities and Net Assets or Equity (continued)*

**Net investment in capital assets** is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The Commission did not have any related debt during the year ended June 30, 2013.

**Restricted for Telecommunications Access Act and Deaf Cultural Center** represent the net assets restricted due to the Telecommunications Access Act and for the Deaf Cultural Center, respectively.

**Unrestricted Net Position** represents the net assets of the Commission at June 30, 2013 that are not invested in capital assets and that are not restricted.

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.

**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.

*G. 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.

**NOTE 3. Investment (Overdraft) Accounts and Investment Policy**

Investment (Overdraft) Accounts with State Treasurer

The following is a summary of the investment (overdraft) accounts of the Authority with the New Mexico State Treasurer at June 30, 2013 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):

	<b>SHARE FUND Number</b>	<b>Financial Statement Balances</b>
General Fund	60400-04600	\$ (4,190,642)
Telecommunications Access Special Revenue Fund	60400-08000	5,786,255
Deaf Cultural Center Capital Outlay Fund	60400-93100	12,425
Total		\$ 1,608,038

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, 2013. 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.

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**NOTE 3. Investment (Overdraft) Accounts and Investment Policy (continued)**

For additional GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

**General Fund Investment Pool Not Reconciled**

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

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

As of June 30, 2013, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Commission for Deaf & Hard of Hearing Person's balances at the business unit/fund level is not possible.

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

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

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

Section 6-5-2.1(J) NMSA 1978 requires DFA 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. The Commission adheres to the standards established in the Cash Management Function of the Manual of Model Accounting Practices which was issued by the New Mexico Department of Finance and Administration – Financial Control Division. The Commission has taken every reasonable measure within its control to ensure that its cash balances in SHARE are correct.

**Interest in the General Fund Investment Pool**

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.



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**NOTE 3. Investment (Overdraft) Accounts and Investment Policy (continued)**

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.

**NOTE 4. Due from Other State Agency and Other Receivable**

The Telecommunications Access Special Revenue Fund (Agency No. 60400, Fund No. 08000) was owed \$239,991 by the State of New Mexico Taxation and Revenue Department (Agency No. 82600) at June 30, 2013 for taxes collected for this fund but not yet remitted at June 30, 2013.

**NOTE 5. Capital Assets**

A summary of changes in the capital assets for the year ended June 30, 2013 as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Capital Assets</b>				
Computer Equipment	\$ 42,604	\$ -	\$ -	\$ 42,604
<b>Accumulated Depreciation</b>				
Computer Equipment	(40,128)	(2,476)	-	(42,604)
Capital Assets, Net	<u>\$ 2,476</u>	<u>\$ (2,476)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2013 was \$2,476. All of the depreciation expense of \$2,476 was allocated to the Commission's general government function.

**NOTE 6. Compensated Absences**

A summary of changes in the compensated absences payable for the year ended June 30, 2013 is as follows:

	<u>Balance</u> <u>June 30,</u> <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2013</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated Absences	\$ 40,252	\$ 21,353	\$ (16,757)	\$ 44,848	\$ 44,848

\$44,848 has been classified as a current liability in the Statement of Net Position. 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.

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**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 10.67% of their gross salary. The Commission is required to contribute 13.34% 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, 2013, 2012 and 2011 were \$86,125, \$90,563, and \$90,966, respectively, which was equal to the amount of the required contribution for each year.

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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](http://www.nmrhca.state.nm.us)

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

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**NOTE 8. Post-Employment Benefits (continued)**

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, 2013, 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, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Commission's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$11,421, \$9,878, and \$9,988, respectively, which equal the required contributions for each year.

**NOTE 9. Insurance Coverage**

The Commission obtains 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, 2012 through June 30, 2013.

**NOTE 10. Operating Leases**

During the fiscal year ended June 30, 2013, the Commission had operating leases for a copy machine and three office building spaces. Effective September 13, 2004 and January 1, 2005, the Commission leased office spaces in Santa Fe and Albuquerque, respectively. Effective May 1, 2008, the Commission leased office space in Las Cruces.

The Santa Fe office space was renewed in for fiscal year 2012 and has a yearly rent expense of \$4,800.

The ten-year Albuquerque lease terminates December 31, 2014 and has an annual rental cost of \$76,696. The lease includes an option to renew for two five-year renewals subject to the same terms and conditions.

The five-year Las Cruces lease terminated April 30, 2013. A new lease which terminates on May 31, 2018 was entered into during fiscal year 2013. The annual rental cost varies each year. The lease includes an option to renew for three five-year renewals 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 four vehicles with varying lengths and payments. The total lease payment for these vehicles for the year ending June 30, 2013 is \$7,980.

For the year ended June 30, 2013 operating lease expenses consisted of the following amounts:

<u>Xerox Copier</u>	<u>Santa Fe</u>	<u>Albuquerque</u>	<u>Las Cruces</u>	<u>Vehicles</u>	<u>Total</u>
\$ 5,384	\$ 4,800	\$ 76,696	\$ 28,539	\$ 7,980	\$ 123,399

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**NOTE 11. Transfers to Other State Agencies**

The Commission receives and makes operating transfers for various reasons. Transfers in are done to receive from the State of New Mexico Taxation Revenue Department taxes due to the Telecommunications Access Special Revenue Fund. Transfers out to Department of Vocational Rehab (DVR) are done to provide a match for federal funds used to provide deaf and hard of hearing services. Other transfers out were made for purposes listed.

	<b>From</b>	<b>To</b>
State of New Mexico, Taxation and Revenue Department (Agency No. 82600)	\$ 2,959,800	
Commission's Telecommunication Access General Fund (Agency No. 60400, Fund No. 04600)		\$ 2,959,800
Purpose: Transfer tax funds		
Commission's General Fund (Agency No. 60400, Fund No. 04600)	491,000	
State of New Mexico, Division of Vocational Rehabilitation (DVR) (Agency No. 50000)		491,000
Purpose: Transfer funds to match federal funds used to provide deaf and hard of hearing services		
Department of Finance & Administration (Agency No. 34100) Commission's General Fund (Agency No. 60400, Fund No. No. 08000)	300,000	300,000
Purpose: Transfer general appropriations funds		

**NOTE 12. Interfund Receivables and Payables**

The Commission recorded a temporary interfund receivable and payable from the Special Revenue Fund (SHARE No. 08000) to the General Fund (SHARE No. 04600) to cover operating costs. For fiscal year 2013, the amount of the interfund was \$3,422,839.

**NOTE 13. Deficit in General Fund**

The General Fund had a deficit fund balance of \$7,676,722 at June 30, 2013. This resulted because the investment overdraft accounts were high and the legislative budgeted transfer was not enough to cover the balance.

**NOTE 14. 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. During the year ended June 30, 2013, the Commission did not expend any money from this fund leaving an unexpended and unencumbered balance of \$1,664.

**NOTE 15. Subsequent Accounting Standard Pronouncements**

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, which is effective for financial statement periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity.

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**NOTE 15. Subsequent Accounting Standard Pronouncements (continued)**

The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government in certain circumstances.

In December of 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure.

The requirements in this statement will improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is effective for financial statement for periods beginning after December 15, 2011. The objective of this Statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statement for periods beginning after December 15, 2012. The Commission has decided to implement this Statement early. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). These determinations are based on the definitions of those elements in Concepts Statement No. 4, *Elements of Financial Statements*.

**NOTE 16. Governmental Fund Balance**

**Fund Balance:** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

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.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 16. Governmental Fund Balance (continued)**

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of 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:* Consist 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 authority. 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:* Consist 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 authority 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.

Detail relating to the fund balance classifications is displayed below:

		<u>Special Revenue</u>	<u>Capital Outlay</u>	
	General	Telecommunications	Deaf Cultural	
	Fund	Access Fund	Center Fund	Total
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
General purposes	\$ -	\$ -	\$ -	\$ -
Telecommunications access special	-	9,209,094	-	9,209,094
Deaf cultural center capital project	-	-	1,664	1,664
<b>Assigned to:</b>				
Other capital projects	-	-	-	-
Other purposes	-	-	-	-
<b>Unassigned (deficit)</b>	<u>(7,676,722)</u>	-	-	<u>(7,676,722)</u>
Total fund balances	<u>\$ (7,676,722)</u>	<u>\$ 9,209,094</u>	<u>\$ 1,664</u>	<u>\$ 1,534,036</u>

**CAPITAL PROJECT FUND**

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF & HARD OF HEARING PERSONS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**DEAF CULTURAL CENTER CAPITAL PROJECT FUND**  
**FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		YTD Actual
	Original	Final	
<i>Revenues:</i>			
Telecommunications relay tax appropriations	\$ -	\$ -	\$ -
<i>Expenditures:</i>			
Current:			
General government:			
Other	-	100,000	87,575
<hr/>			
<i>Excess (deficiency) of revenues over expenditures</i>	-	(100,000)	(87,575)
<hr/>			
<i>Other financing sources (uses):</i>			
Designated cash	-	100,000	-
Transfers from other state agencies	-	-	-
Transfers to other state agencies	-	-	-
<i>Total other financing sources (uses)</i>	-	100,000	-
<hr/>			
<i>Net change in fund balances</i>	\$ -	\$ -	(87,575)
<hr/>			
<i>Fund balances, beginning of year</i>			100,000
<hr/>			
<i>Fund balances, end of year</i>			\$ 12,425
<hr/>			
<b><i>Reconciliation to GAAP Basis:</i></b>			
Net change in fund balances			\$ (87,575)
Adjustments to revenues			-
Adjustments to expenditures			(10,761)
<hr/>			
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (98,336)
<hr/>			

The accompanying notes are an integral part of these financial statements.



Exhibit D-1

Variance between  
Final and Actual  
Favorable  
(Unfavorable)

\$ -

12,425

(12,425)

100,000

-

-

100,000

\$ 87,575

**COMPLIANCE SECTION**



# Griego Professional Services, LLC

Certified Public Accountants

## 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 AUDITORS REPORT

Mr. Hector H. Balderas, New Mexico State Auditor and the Commission for the Deaf and Hard of Hearing Persons, Albuquerque, New Mexico

We have audited, in accordance with the auditing standard 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, the budgetary comparisons of the general fund and the major special revenue fund, of the Commission for the Deaf and Hard of Hearing Persons (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and the combining and individual funds and related budgetary comparisons of the Commission, presented as supplemental information and have issued our report thereon dated December 12, 2013.

#### 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 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.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items FS 2009-01 and FS 2013-01.

#### 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.

P.O. Box 37379 • Albuquerque, NM 87176-7379  
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112  
Phone (505) 856-2741 - Fax (505) 856-7510

## **The Commission's Responses to Findings**

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Commission'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 result 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.

GRIEGO PROFESSIONAL SERVICES, LLC

A handwritten signature in cursive script that reads "Griego Professional Services, LLC".

Albuquerque, New Mexico  
December 12, 2013

**STATE OF NEW MEXICO**  
COMMISSION FOR DEAF AND HARD OF HEARING PERSONS  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2013

**Section I – Summary of Audit Results**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                  |            |
| a. Material weakness identified?   | No         |
| b. Significant deficiency identified not considered to be a material weakness? | Yes        |
| c. Noncompliance material to financial statements noted?                       | No         |

**Section II – Financial Statement Findings**

**FS 2009-01 Deficit Fund Balance – Significant Deficiency – Repeated and Revised**

*Criteria:* Section 6-5-2.C NMSA 1978 indicates that “State agencies shall implement internal controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.”

*Condition:* The Commission had a deficit fund balance of \$7,776,722 in its general fund at June 30, 2013.

*Effect:* The Commission is not in compliance with Section 6-5-2.C. NMSA 1978.

*Cause:* This is a result of an accounting error in where inflows of cash are being recorded in one fund while the outflows of cash are being recorded in another fund.

*Auditors' Recommendation:* The Commission should make plans to eliminate the deficit.

*Management's Response:* The problem is that the two funds the agency has are not set up to automatically transfer from the revenue fund into the operating fund. The system is set up so that there is a constant outflow of cash in one account and the inflows in the other. That is always going to result in a negative cash (investment) balance. I have worked with TRD and changed the fund the revenue is being transferred into. I will work with CAFR Unit to resolve the issue.

**FS 2013-01 Procurement Violation – Significant Deficiency – Repeated and Revised**

*Criteria:* Section 13-1-102 NMSA 1978 requires all procurement be conducted through the competitive bid process unless procured in accordance with an exception otherwise provided in the Procurement Code.

*Condition:* It was noted during the 2013 audit that the Commission conducted business with a vendor and attempted to pay this vendor \$33,650.30 without a properly executed contract in place.

*Effect:* The Commission was in violation of the New Mexico procurement code. Section 13-1-199 NMSA 1978 indicates that any business or person who knowingly violates the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978] is guilty of a misdemeanor and is subject to a civil penalty of not more than one thousand dollars for each procurement violation and any provision of the Procurement Code pursuant to Section 13-196 NMSA 1978.

*Cause:* The former Executive Director, who authorized the transaction, was not in full knowledge of the requirements of the New Mexico Procurement Code.

*Auditors' Recommendation:* The Commission should provide all employees with training on the New Mexico Procurement Code.

*Management's Response:* The Commission will provide all employees with training on the NM Procurement Code.

**STATE OF NEW MEXICO**  
**COMMISSION FOR DEAF AND HARD OF HEARING PERSONS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2013**

**Section III – Prior Year Findings**

FS 2009-01: Deficit Fund Balance – Repeated and Revised

FS 2010-02: Disbursements – Resolved

FS 2010-05: Timeliness of Deposits & Lack of Supporting Documentation – Resolved

**Section IV – Other Disclosures**

Auditor Prepared Financials

Griego Professional Services, 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.

Exit Conference

The contents of this report were discussed on December 13, 2013. The following individuals were in attendance.

New Mexico Commission for Deaf & Hard of Hearing Persons

Mark Apodaca, Board Chairman

Nathan Gomme, Director of Public Policy and Advocacy

Deborah Romero, Director of Administrative Service

Griego Professional Services, LLC

J.J. Griego, CPA

David Baca