

STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
AUDIT REPORT
JUNE 30, 2007



**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
JUNE 30, 2007**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
JUNE 30,2007**

OFFICIAL ROSTER

BOARD

Bishop Michael Shelby	Chair
Shawn C. Hulette	Vice-Chair
Francie Cordova	Member
Curtis Rosemond	Member
Liz Perry	Member
Robin Oliver-Thymes	Member
Yvette Kaufman-Bell	Member
Selmus Price	Member
Linda Lovejoy	Member
Eli II Young Lee	Member
Kay Lang	Member
Benny Shendo	Member
Judy Espinosa	Member

ADMINISTRATIVE OFFICIALS

Jo Ella Redmon	Executive Director
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MEMBER:
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC
ACCOUNTANTS

Elizabeth G. Olivas
CERTIFIED PUBLIC ACCOUNTANT
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MEMBER:
NEW MEXICO SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS REPORT

Bishop Michael Shelby, Chairman
Martin Luther King, Jr. Commission
8100 Mountain Road NE, Suite 101
Albuquerque, New Mexico 87110

Hector H. Balderas, State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the government activities, the major fund, and budgetary comparison of the Martin Luther King, Jr. Commission (the Commission) as of and for the year ended June 30, 2007, which collectively comprises the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

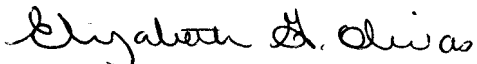
As discussed in Note 1, the financial statements of the Martin Luther King, Jr. Commission State of New Mexico are intended to present the financial position, and the changes in financial position and budgetary comparison of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2007, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund of the Commission as of June 30, 2007, and the respective changes in financial position, thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 6, 2008 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* and should be considered in assessing the results of our audit.

The Commission has not presented the Management's Discussion and Analysis that accounting principals generally accepted in the United States has determined is necessary to supplement, although not a required part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the government activities, the major fund, and budgetary comparison financial statements.



October 6, 2008

Elizabeth G. Olivas

Certified Public Accountant

FINANCIAL STATEMENTS SECTION

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Assets	
Cash on deposit with state treasurer	\$ 106,218
Due from state government	
Capital assets, net of accumulated depreciation	616
Total Assets	\$ <u><u>106,834</u></u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 28,763
Accrued payroll	6,916
Stale dated checks	500
Due to state general fund - reversions	69,825
Compensated absences	5,829
Total Liabilities	<u>111,833</u>
Net Assets	
Invested in capital assets	616
Restricted for capital outlay	214
Unrestricted net assets	(5,829)
Total Net Assets	\$ <u><u>(4,999)</u></u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2007**

	<u>Governmental Activities</u>
EXPENDITURES	
General Government	
Personnel services	\$ 184,542
Contractual services	17,477
Other costs	188,172
Depreciation	862
Total Program Expenses	<u>391,053</u>
General revenues	
State general fund appropriations	307,500
Transfer special appropriations - compensation package	<u>5,300</u>
Total general revenues and transfers	<u>312,800</u>
Change in net assets	<u>(78,253)</u>
NET ASSETS, BEGINNING OF THE YEAR	<u>73,254</u>
NET ASSETS, END OF THE YEAR	<u>\$ <u>(4,999)</u></u>

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2007**

Assets

Assets

Cash on deposit with state treasurer	\$ 106,218
Total Assets	<u>\$ 106,218</u>

Liabilities and Fund Balances

Liabilities

Accounts payable	\$ 28,763
Accrued payroll and payroll taxes	6,916
Stale dated checks	500
Other liabilities	-
Due to state general fund - reversions	69,825
Total Liabilities	<u>106,004</u>

Fund Balances

Reserved for capital projects	214
Reserved by enabling legislation	-
Total Fund Balances	<u>214</u>

AMOUNTS REPORTED IN STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 616

Long-term liabilities applicable to the Commission's activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Compensated absences (5,829)

Net assets - governmental activities \$ (4,999)

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
JUNE 30, 2007**

EXPENDITURES

General Government

Personnel services	\$ 183,780
Contractual services	17,477
Other costs	188,172
Total Expenditures/Expenses	389,429
Excess (Deficiency) of Revenue over Expenditures	(389,429)

OTHER FINANCING

SOURCES (USES)

State general fund appropriations	312,800
Total Other Financing Sources (Uses)	312,800

Net change in fund balances (76,629)

FUND BALANCE, BEGINNING OF THE YEAR	<u>76,843</u>
FUND BALANCE, END OF THE YEAR	<u><u>\$ 214</u></u>

AMOUNTS REPORTED IN STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Change in fund balances \$ (76,629)

Long-term liabilities applicable to the Commission's activities are not due and payable in the current period and accordingly are not reported as fund liabilities

Compensated Absences (762)

Capital assets used in governmental activities are not financial resources and therefore depreciation, purchases and dispositions are not reported in the funds

Depreciation Expense (862)

Change in net assets - statement of activities \$ (78,253)

The notes to the financial statements are an integral part of this statement.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET and ACTUAL
JUNE 30, 2007**

	BUDGET AMOUNTS		Actual Amounts	Variances with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>(Negative)</u>
REVENUES				
State general fund appropriations	\$ 312,800	\$ 312,800	\$ 312,800	\$ -
Total Revenue	<u>312,800</u>	<u>312,800</u>	<u>312,800</u>	<u>-</u>
EXPENDITURES				
Current:				
Personnel services	196,000	196,000	183,780	12,220
Other costs	127,814	153,282	158,055	(4,773)
Contractual services	49,000	23,532	17,477	6,055
Total Expenditures	<u>372,814</u>	<u>372,814</u>	<u>359,312</u>	<u>13,502</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(60,014)	(60,014)	(46,512)	(13,502)
OTHER FINANCING SOURCES (USES)				
Reversions to the state	-	-	(30,117)	(30,117)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(30,117)</u>	<u>(30,117)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (60,014)</u>	<u>\$ (60,014)</u>	<u>\$ (16,395)</u>	<u>\$ (43,619)</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30,2007**

1. GENERAL DESCRIPTION OF THE COMMISSION

The Martin Luther King, Jr. Commission was established under the Laws of 1991, Chapter 252 and received its first State General Fund appropriation in 1993. Its activities are, as noted in Section 28-19-1 through 28-19-4 NMSA, 1978 Compilation, to develop, promote, coordinate, and review statewide plans and activities for the annual commemoration and celebration of the birthday of Martin Luther King, Jr. in accordance with section 12-5-2 NMSA, 1978 Compilation. The Commission also takes an active role in promoting Dr. King's principles of nonviolence in the schools. The Commission sponsors Youth Against Violence Symposiums in schools and distributes *Dr. King's Infusion Model for Teaching Nonviolent Principles in School*.

The financial statements of the New Mexico Martin Luther King, Jr. Commission have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The financial reporting entity as defined by GASB 14, 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 financial accountability as the cornerstone of all reporting in government.

A primary government is any state 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 Martin Luther King, Jr. 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.

Included within the reporting entity:

All funds and functions which are under the Commission's control and responsibility, including those which are included in the Commission's reports to the New Mexico Department of Finance and Administration.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30,2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (continued)

No other entities meet the criteria for inclusion in the reporting entity.

B. Basic Financial Statements - Government-Wide Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the 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 governmental activities. In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis by column, and (b) is reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Commission generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Commission may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects the gross expenditures that are used to carry on the function of the Commission. The Statement of Activities reduces gross expenses (including depreciation) by related appropriations, program revenues, and grants. These statements present the general fund of the Commission. There are neither fiduciary funds nor component units, which are fiduciary in nature.

C. Basic Financial Statements - Fund Financial Statements

In the fund financial statements, financial transactions and accounts of the Commission are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on the current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30,2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported 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. Appropriations are recognized as revenues in the year for which they are appropriated by the state legislature. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the New Mexico Martin Luther King, Jr. Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

E. Fund Accounting

The accounts of the Commission are organized 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 equity, revenue and expenditures. The fund is a governmental fund type and is grouped as a General Fund.

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the operating fund of the Commission and is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund.

F. Budgets

For the purpose of administering the General Appropriation Act of 2007 and approving operating budget, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration. 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 that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year end appropriations periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. In these financial statements a reconciliation of budgetary basis to GAAP basis is not presented because the modified accrual basis of accounting for budget has eliminated the need for this reconciliation.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgets (continued)

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

1. No later than September 1, the Commission submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request is reviewed by the SBD and additional information is obtained, if needed. Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Commission.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance committees. The final outcome of these hearings is incorporated into the General Appropriations Act,
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Commission submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA - State Budget Division. The budget for the current year was adjusted in a legal manner.
6. Budget control for expenditures and encumbrances is by category of line item, and to meet legal compliance can not exceed the total budget for the fund.
7. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
8. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
9. When the appropriation period lapses, so does the authority for the budget. All accounts within the General Fund revert to the State General Fund.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets (continued)

A comparison of the budget with statements of actual revenues and expenditures, including budget variances is included as part of the financial statements. The other costs line item is over budget for the year by \$4,773.

G. Cash and Investments

Cash consists of amounts on deposit with the New Mexico State Treasurer. The Commission has no investments as of the fiscal year June 30, 2007.

H. Capital Assets and Depreciation

Capital assets are tangible and intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the statement of net assets at historical cost, or estimated fair value if donated.

Capital assets are depreciated over their estimated useful lives. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterment's and replacements are capitalized.

The major classifications of property and equipment and the related depreciable lives are as follows:

Classification	Depreciable Life
Furniture and fixtures	7 years
Computers software and office equipment years	5

I. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities.

J. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both a restricted and unrestricted net assets are available, the Commission's policy is to apply unrestricted net assets first.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

3. DEPOSITS

At June 30, the carrying amount of the Commission's deposits was as follows:

	Agency Code	Fund Code	On deposit With State Treasurer	Deposit in Bank
General Fund	605	060	\$ 106,217.91	\$ -

The Commission has been unable to obtain a cash reconciliation and does not know which warrants are outstanding at June 30, 2007. The Commission does not earn interest on balances on deposit with the State Treasurer. All monies deposited in the State Treasury are pooled, invested and collateralized by the State Treasurer. The State Treasurer issues a separate publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Treasurer's Office, P.O. Box 608, Santa Fe, New Mexico 87504-0608.

4. COMPENSATED ABSENCES

A. Accrued Annual Leave

All the employees of the Commission fall under the exempt salary plan policy. The policy states that exempt employees shall be eligible to accrue leave based on cumulative years of service to the State. Cumulative years of service shall mean total years of employment with the State of New Mexico to include any combination of service as an executive exempt employee, a classified employee, a judicial employee or a legislative employee.

Exempt employees shall accrue leave as follows:

<u>Years of Service</u>		<u>Accrual Rate</u>
<u>At Least</u>	<u>Less Than</u>	<u>Per Pay Period</u>
		<u>(In Hours)</u>
0.0	11.0	4.62
11.0	15.0	5.54
15.0	>	6.15

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2007

4. COMPENSATED ABSENCES (continued)

The maximum of 240 hours may be carried forward into the next calendar year after the last pay period beginning in December. Payment for accrued annual leave shall be made only when a break in service occurs.

The changes in liabilities for compensated absences are as follows as of June 30:

	<u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>2007</u>	<u>Due within one year</u>
General Fund	\$ 5,067	\$ 6,813	\$ 6,051	\$ 5,829	\$ 5,829

All compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are liquidated from the general fund.

B. Accrued Sick Leave

Chapter 150, Laws of 1983 provides for the payments to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1 and January 1 of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours for accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2006 over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the Statement of Net Assets, The Commission did not have any employees with accumulated sick leave in excess of 600 hours, at June 30, 2007.

5. SHORT TERM DEBT

The Commission has no short-term debt.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR.
COMMISSION NOTES TO THE
FINANCIAL STATEMENTS
June 30, 2007**

6. LEASES

A. Operating Leases

The Commission is committed under lease for office space through March 31, 2010. This lease is considered for accounting purposes to be an operating lease. Operating leases do not give rise to property rights or lease obligations; therefore, the results of operating leases are not reflected in the Commission's capital assets. Lease expenditures for the year ended June 30, 2007 amounted to \$22,842 under operating leases. Future minimum lease payments for the operating lease are as follows:

<u>Year Ending</u>	<u>Amount</u>
2008	\$ 22,320
2009	22,320
2010	<u>16,740</u>
	<u>\$ 61,380</u>

7. CAPITAL ASSETS AND DEPRECIATION

The change in the capital assets for the fiscal year ended June 30 is as follows:

	2006	Additions	Deletions	2007
Capital assets being depreciated:				
Furniture and fixtures	3,612	-	-	3,612
Computer software and office equipment	24,624	-	-	24,624
Total capital assets being depreciated	28,236	-	-	28,236
Less accumulated depreciation				
Furniture and fixtures	3,613	-	-	3,613
Computer software and office equipment	23,145	862	-	24,007
Total accumulated depreciation	26,758	862	-	27,620
Capital assets being depreciated, net	\$ 1,478	\$ (862)	\$ -	\$ 616

Depreciation for the fiscal year ending June 30, 2006 was \$862 and was charged to the Commission's only function.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

8. RETIREMENT PLAN (PUBLIC EMPLOYEES RETIREMENT ACT)

A. Plan Description.

All of the Martin Luther King, Jr. Commission, full-time employees participate in a defined benefit contributory 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 www.pera.state.nm.us.

B. Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Martin Luther King, Jr. Commission is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Martin Luther King, Jr. Commission are established in State statute under Chapter 10, Article 11 NMSA 1978, The requirements may be amended by acts of the Legislature. The Commission's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$ 21,468, \$14,676 and \$14,113, respectively equal to the amount of the required contributions for each fiscal year.

9. POST EMPLOYMENT BENEFITS-State Retiree Health Care Plan

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

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

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

9. POST EMPLOYMENT BENEFITS (Continued)

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 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Martin Luther King, Jr. Commission's contributions to the RHCA for the years ended June 30, 2007, and 2006 were \$3,292, and \$2,251, respectively, which equal the required contributions for each year.

10. INTERAGENCY TRANSFERS

The Commission received inter-agency operating transfers from the NM Department of Finance and Administration (DFA) for general appropriations from the State General Fund Appropriation Account (CAS Fund 853) made by the NM State Legislature in the Laws of 2005 totaling \$307,500. Each of the transfers was posted to the Commission's General Fund account with NM Department of Finance and Administration (Agency 605 060, Source 9910).

Additionally, under the Laws of 2006, Chapter 109 and 111 general fund appropriations from the State General Fund Appropriation Account (CAS Fund 853) in the amount of \$5,300 were available to the Commission for use in fiscal year 2007 but not requested. These accruals were recorded in SHARE by DFA. These transfers were posted to the Commission's General Fund account with DFA (Agency 605 060, Source 9998).

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR COMMISSION
NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2007

11. RESTRICTED ASSETS

House Bill 293 appropriated \$17,000 to the Commission. The appropriation period is for fiscal years 2004 through 2009. The Commission has expended this appropriation. Current year expenditures were \$214 for this appropriation.

The Laws of 2006 Chapter 109 and 111 appropriated \$89,000 through 2007. Current year expenditures amounted to \$76,629.

	House Bill 293 Section 35	House Bill 293 Section 135	Laws of 2006 Chapter 109 & 111	Total
Appropriation	\$ 7,000	\$ 10,000	\$ -	\$ 17,000
Appropriation			\$ 89,000	\$ 89,000
Less Expenditures	\$ (7,000)	\$ (9,786)	\$ (89,000)	\$ (105,786)
Total	<u>\$ -</u>	<u>\$ 214</u>	<u>\$ -</u>	<u>\$ 214</u>

12. DUE TO STATE GENERAL FUND

The reversion due to the State General Fund consists of the following:

For the year ended:

<u>June 30,</u>	
2004	\$ 6,263
2005	23,970
2006	9,475
2007	<u>30,117</u>
	<u>\$ 69,825</u>

13. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions, injuries to employees, and natural disasters. The Commission has obtained general liability insurance through the State of New Mexico's General Services Department - Risk Management Division (RMD). RMD is responsible for the acquisition and administration of insurance purchased by the State of New Mexico and operates as an internal service fund for the State of New Mexico. The Commission pays an annual premium to the pool for its general insurance coverage.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

RMD sustains itself through state appropriations and member premiums, and also, reinsures through commercial companies for claims in excess of \$2,000,000 for each insured event. Because RMD does not cover liabilities arising from administrative proceedings such as those brought before the E.E.O.C., the Human Rights Commission, and the State Personnel Board, the Commission has potential exposure to loss if such a liability arises; in such a case, the Commission is self-insured to pay such a liability, if possible, from its operating budget, unless appropriated additional funds by the legislature. The NM Tort Claims Act (41-4-1 to 41-4-47 NMSA 1978) requires that RMD provide coverage to State agencies with the following limits:

Property Damage	\$100,000 per occurrence With \$1,000 deductible
Medical and related injuries	\$300,000 per occurrence
Bodily Injury	\$750,000 per occurrence
Bodily Injury	\$400,000 per person

14. NEGATIVE NET ASSETS

Net assets is negative \$4,999 at June 30, 2007.

15. RELATED PARTY TRANSACTIONS

The Commission entered into a service contract with a family member of one of the commissioners. The service contract is for accounting services and payments to this family member were \$4,916 for the 2007 fiscal year.

OTHER REPORTS

MEMBER:
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NEW MEXICO SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

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

Bishop Michael Shelby, Chairman Martin Luther
King, Jr. Commission 8100 Mountain Road NE,
Suite 101 Albuquerque, New Mexico 87110

Hector H. Balderas, State Auditor Santa Fe, New Mexico

We have audited the financial statements of governmental activities, major fund, and budgetary comparison of the Martin Luther King, Jr. Commission, as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements and have issued our report thereon, dated October 6, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Martin Luther King, Jr. Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martin Luther King, Jr. Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Martin Luther King, Jr. Commission's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Martin Luther King, Jr. Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Martin Luther King, Jr. Commission's financial statements that is more than inconsequential will not be prevented or detected by the Martin Luther King, Jr. Commission's internal control.

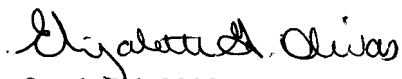
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Martin Luther King, Jr. Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martin Luther King, Jr. 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. We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses, as findings 05-01, 05-02, 05-04, and 07-01.

This report is intended solely for the information and use of Martin Luther King, Jr. Commission's, the office of the New Mexico State Auditor, the State of New Mexico Department of Finance and Administration, and the New Mexico Legislative Finance Committee. This report is not intended to be and should not be used by anyone other than these specified parties.



October 6, 2008

Elizabeth G. Olivas

Certified Public Accountant

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30,2007**

FINDINGS - Financial Statements Audit

Reportable Conditions - Prior Year / Current Year

05-01	Late Submission of Audit Report - Repeat
05-02	Reversions - Repeat
05-04	Line items are over budget - Repeat
06-01	Employee payroll files - Resolved
06-02	Purchase documents - Resolved
07-01	Payroll

PRIOR / CURRENT YEAR FINDINGS:

05-01 Late Submission of Audit Report,

Condition: The audit reports for fiscal year end June 30, 2005, 2006, & 2007 were not submitted to the State Auditor's office by the due date. The audit report for the fiscal year end June 30, 2006 was submitted to the State Auditor's Office on October 20, 2008.

Criteria: 2.2.2.9A(l)f NMAC requires audit reports for state agencies to be "due no later than 60 days after the Financial Control Division of the Department of Finance and Administration provides the State Auditor with notice that the agency's books and records are ready and available for audit..., however, the deadline cannot extend beyond December 15."

Effect: The Agency is not in compliance with 2.2.2.9A(l)f NMAC.

Cause: The Agency staff did not obtain the required signatures on the contract in a timely manner therefore; the audit could not start until the contract was fully executed.

Recommendation: The Agency staff should start the document process for the audit immediately upon notification from the State Auditor's office that they need to contract with an outside firm.

Agency Response: Management agrees with the recommendation and will start the process of contracting with an outside firm sooner.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
INDEPENDENT AUDITORS' FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

05-02

Reversions

Condition: The Agency receives an annual appropriation from the State of New Mexico General fund which requires unspent and unencumbered funds be returned or revert back to the State of New Mexico. Reversions not reverted back to the State in a timely manner were \$30,233, \$9,475, \$30,117 for the years ending June 30, 2005, 2006 and 2007 respectively.

Criteria: 6-5-10 NMSA, 1978, requires "all unreserved undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30, to the general fund. The division may adjust the reversion within 45 days of release of the audit report for that fiscal year."

Effect: The Agency is not in compliance with 6-5-10 NMSA, 1978.

Cause: The Agency did not submit proper paperwork because DFA did not respond to requests from the Agency to provide them with the necessary paperwork.

Recommendation: Personnel should receive training regarding compliance with state statute for reversions and other matters pertaining to the agency's functions.

Agency Response: Management agrees and will correct immediately.

05-04

Line item is over budget

Condition: The personnel services line item was over budget by \$3,862 and \$1,252, for fiscal years ending June 30, 2005 and 2006 respectively. The contractual services line item was over budget by \$3,945.

Criteria: 6-6-6 NMSA, 1978 states budgets "approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess there of..."

Effect: The mentioned line items are over budget.

Cause: Adjustments to budget caused budget to be over spent.

Recommendation: The Agency should monitor all budget line items. If necessary Budget Adjustment Request should be submitted to DFA prior to year end.

Agency Response: Management agrees and will attend to the budget as needed.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, Jr. COMMISSION
INDEPENDENT AUDITORS' FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

07-01 Verification of agency financial data

Condition: During testing of payroll it was found that the Agency was charged for a payroll check for an individual in the amount of \$1,541.49 that was not an employee of the agency. The vacation accrual changed dramatically from the prior year ending balance to the current year beginning balance, indicating some type of error. The agency staff was not aware of the error until the auditor brought it to their attention.

Criteria: 2.20.5 NMAC requires each agency to be responsible for verifying the accuracy and completeness of the trial balance for each month end close and for the fiscal year-end audit.

Effect: The personnel services line item includes payment for an employee who does not provide services for The Agency. The vacation accrual has not been verified for accuracy.

Cause: Agency staff has not verified data entered by DFA and ensured that proper correction are made.

Recommendation: Implement the internal controls as required by DFA including "verification of the trial balance" at year-end.

Agency Response: The agency has implemented a policy requiring the trial balance and all month end reports to be reconciled by the 10th of the following month.

**STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
INDEPENDENT AUDITORS' FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENT PREPARATION

The financial statements contained herein were primarily prepared from the original books and records of the Martin Luther King, Jr. Commission as of June 30, 2007 by Elizabeth G. Olivas CPA, PA. Maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

EXIT CONFERENCE

Elizabeth G. Olivas of Elizabeth G. Olivas CPA, PA., held an exit conference on October 16, 2008 with Joshua Anderson, board member, Commissioner Bishop Michael Shelby, with JoElla Redmon, Executive Director, and Kimberly Shelby, Consultant of the Martin Luther King, Jr. Commission.