

STATE OF NEW MEXICO
MARTIN LUTHER KING, JR. COMMISSION
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
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 June 30, 2008

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STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Official Roster
June 30, 2008

Board

Bishop Michael Shelby
Kay Lang
Joshua Anderson
Yvette Kaufman-Bell
Bryon Pãez
Oscar Robinson
Maria Babcock
Robin Thymes
Mary Herrera
James B. Lewis
David W. King
Alvin Warren
Francie Cordova

Chairman
Vice Chairman
Albuquerque Member
Albuquerque Member
Albuquerque Member
Portales Member
Roswell Member
Rio Rancho Member
NM Secretary of State
NM State Treasurer
NM PRC Commissioner
NM Indian Affairs Dept. Secretary
NM Human Rights Office Director

Administrative Officials

Jo Ella Redmon

Executive Director

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Hector H. Balderas
New Mexico State Auditor
and
The Martin Luther King, Jr. Commission
8100 Mountain Rd NE, Suite 101
Albuquerque, New Mexico, 87110

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Martin Luther King, Jr. Commission (the Commission) as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Martin Luther King, Jr. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Commission are intended to present the financial position and the changes in the financial position of only that portion of the governmental activities and the major fund 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, 2008, the changes in its financial position or general fund budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission, as of June 30, 2008, and the respective changes in financial position 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 our report dated March 27, 2009 on our consideration of the Martin Luther King, Jr. 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 Management Discussion and Analysis on pages 11 -13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
March 27, 2009

STATE OF NEW MEXICO
 Martin Luther King Jr. State Commission
 Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 2008

Overview of the Financial Statements

The Commission's financial statements consist of the following: government-wide financial statements; governmental fund financial statements; a reconciliation of the fund balance per the balance sheet to the total net assets per the statement of net assets; a reconciliation of the change in fund balance per the statement of revenues, expenditures and changes in fund balances of the governmental funds to the change in net assets per the statement of activities; and a budgetary comparison.

The Financial Statements

Government-Wide Financial Statements (Exhibit A-1 and A-2)

The government-wide financial statements report information about the Martin Luther King, Jr. Commission (Commission) as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid. The government-wide financial statements report the commission's net assets and how they have changed.

Fund Financial Statements (Exhibit B-1 and B-2)

The fund financial statements provide more detailed information about the Commission's significant fund, the general fund. A fund is an accounting device that the Commission uses to keep track of specific sources of funding and spending for particular purposes.

Analysis of Financial Position

Total Assets:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Invested with State Treasurer general fund investment pool	199,002	106,218	92,784
Capital assets, net of accumulated depreciation	<u>166</u>	<u>616</u>	<u>(450)</u>
Total Assets	<u><u>199,168</u></u>	<u><u>106,834</u></u>	<u><u>92,334</u></u>

Analysis of Financial Position (continued)

Cash increased by \$92,784 from the previous year due because revenue exceeded expenditures by \$84,858 and the Commission's accounts payable and payroll-related liabilities increased by \$7,926 during the fiscal year. Capital assets decreased from the previous year by the amount of depreciation expense.

Total Liabilities:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Current liabilities	210,724	111,833	98,891
Long-term liabilities	<u>7,962</u>	<u>-</u>	<u>7,962</u>
Total Liabilities	<u><u>218,686</u></u>	<u><u>111,833</u></u>	<u><u>106,853</u></u>

STATE OF NEW MEXICO
 Martin Luther King Jr. State Commission
 Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 2008

Current liabilities increased by \$98,891 mainly due to the \$84,858 increase in the amount due to the State General Fund for the FY08 reversion. The long-term liabilities increased by the entire amount of the FY08 long-term portion of the compensated absences because the FY07 financial statement did not distinguish the long-term compensated absences from the current portion.

Net Assets:

	2008	2007	Change
Invested in capital assets	166	615	(449)
Restricted for capital outlay	215	215	-
Unrestricted net assets	(19,899)	(5,829)	(14,070)
Total Net Assets	<u>(19,518)</u>	<u>(4,999)</u>	<u>(14,519)</u>

The change in the net assets invested in capital assets is the same as the amount of change in depreciation expense for FY08. The net assets restricted for capital outlay is unchanged because the \$215 remainder of the special appropriation for FY04 through FY09 for the development of the resource library remained unspent at June 30, 2008. The decreased amount of net assets at June 30, 2008 is equal to the sum of the compensated absences (\$6,776 plus \$7,962) plus accounts payable at June 30, 2008 of \$5,161 that will have to be paid out of FY09 budget. The prior year compensated absences were only \$5,829 at June 30, 2007.

Analysis of Commission's Overall Financial Position and Result of Operations

Total expenses, revenues and change in net assets:

	2008	2007	Change
Expenses – Health & Welfare			
Personal services	173,707	184,542	(10,835)
Contractual services	34,099	17,477	16,622
Other costs	123,506	188,172	(64,666)
Depreciation	449	862	(413)
Total program expenses	<u>331,761</u>	<u>391,053</u>	<u>(59,292)</u>
General Revenues			
State general fund appropriation	384,100	331,895	52,205
Less current year reversion	(84,858)	(24,395)	(60,463)
Special general fund appropriation	10,000		10,000
Compensation appropriation	8,000	5,300	2,700
Total program expenses	<u>317,242</u>	<u>312,800</u>	<u>4,442</u>
Change in Net Assets	<u>(14,519)</u>	<u>(78,253)</u>	<u>63,734</u>

The source of all Commission revenues is state general fund appropriations. The increase in revenue is due to an incremental increase in funds appropriated by the state general fund. Expenses decreased in FY08 due to one position being vacant during part of the fiscal year and a significant decrease in other costs.

In FY07 an \$89,000 receivable from the state general fund was reversed and that caused the decrease in Net Assets to be significantly larger in FY07 than the \$14,519 decrease in net assets for FY08, which did not include a similar reversal of a large receivable amount.

STATE OF NEW MEXICO
Martin Luther King Jr. State Commission
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 2008

See Note 14 for a complete explanation of the Commission's total \$(19,899) of unrestricted net assets at June 30, 2008 which is \$14,900 less than its \$(4,999) of unrestricted net assets at June 30, 2007. The FY08 net assets are less than FY07 net assets due to an increase in the amount of compensated absences and an increase in the amount of accounts payable that the Commission will have to pay out of its next-year's budget.

Analysis of Balances and Transactions of the Individual Fund

The FY07 fund balance of \$215 that was reserved for capital projects was unchanged at the end of FY08 because the related special appropriation was for FY04 through FY09, and the remainder remained unspent. The zero fund balance that was unreserved and undesignated at the end of FY07 decreased to \$(5,161) at the end of FY08 because the Commission had \$5,161 of accounts payable that did not get paid by the statutory deadline, that were going to have to be paid out of the FY09 budget. By statute, the related cash reverted to the State general fund.

Analysis of Budgetary Variations

The Commission processed one budget amendment during FY08 that decreased personal services and employee benefits by \$(35,000) and increased contractual services by \$5,000 and other costs by \$30,000.

Significant Capital Asset and Long-Term Debt Activity

The Commission had no significant capital asset or long term debt activity during the fiscal year ended June 30, 2008, other than the long-term portion of compensated absences.

Currently Known Facts

No significant changes in the Commission's financial position or operations are anticipated for the fiscal year ending June 30, 2009.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Statement of Net Assets
 June 30, 2008

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets	
Investment in State Treasurer's General Fund Investment Pool (GFIP)	\$ 199,002
Total current assets	<u>199,002</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>166</u>
Total assets	<u><u>199,168</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 43,606
Accrued payroll	10,881
Due to state general fund	149,461
Compensated absences	<u>6,776</u>
Total current liabilities	<u>210,724</u>
Noncurrent liabilities	
Compensated absences	<u>7,962</u>
Total liabilities	<u>218,686</u>
Net Assets	
Invested in capital assets	166
Restricted for capital outlay	215
Unrestricted net assets	<u>(19,899)</u>
Total net assets	<u>(19,518)</u>
Total liabilities and net assets	<u><u>\$ 199,168</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Statement of Activities
 For the Year Ended June 30, 2008

Exhibit A-2

	Governmental Activities
	Expenses
Expenses	
Health & welfare	
Personal services	\$ 173,707
Contractual services	34,099
Other costs	123,506
Depreciation	449
	331,761
Total program expenses	331,761
General revenues	
State general fund appropriation	299,242
Special general fund appropriation	10,000
Compensation appropriation	8,000
	317,242
Total general revenues	317,242
Increase (Decrease) in net assets	(14,519)
Net assets - beginning of the year	(4,999)
Net assets - end of the year	\$ (19,518)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Balance Sheet
 Governmental Funds
 June 30, 2008

	<u>General Fund</u>
ASSETS	
<i>Assets</i>	
Investment in State Treasurer's Investment in general fund investment pool (GFIP)	\$ 199,002
	\$ 199,002
LIABILITIES AND FUND BALANCE	
<i>Liabilities</i>	
Accounts payable	\$ 43,606
Accrued payroll	10,881
Due to state general fund - reversions	149,461
	203,948
<i>Fund balances</i>	
Reserved for capital projects	215
Unreserved, Undesignated	(5,161)
	(4,946)
<i>Total liabilities and fund balances</i>	\$ 199,002

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Governmental Fund

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2008

Fund Balance - Governmental Fund (Exhibit B-1)	\$ (4,946)
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	166
Current compensated absences not payable on June 30, 2008 and therefore not reported in the fund financial statements	(6,776)
Long-term liabilities, applicable to the Commission's activities are not due and payable in the current period and therefore are not reported in the fund liabilities: Compenasted absences	<u>(7,962)</u>
Total Net Assets (Exhibit A-1)	<u><u>\$ (19,518)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

EXPENDITURES:

Health & welfare

Current

Personal services	\$ 164,798
Contractual services	34,099
Contractual Services	<u>123,506</u>

<i>Total Expenditures</i>	<u>322,403</u>
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<i>Excess (deficiency) of revenues over expenditures</i>	<u>(322,403)</u>
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OTHER FINANCING SOURCES (USES)

State general fund appropriations	384,100
Special general fund appropriation	10,000
Compensation appropriation	8,000
FY08 Reversion	<u>(84,858)</u>

<i>Total other financing sources and (uses)</i>	<u>317,242</u>
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<i>Net change in fund balance</i>	(5,161)
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<i>Fund balance - beginning of year</i>	<u>215</u>
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<i>Fund balance - end of year</i>	<u><u>\$ (4,946)</u></u>
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The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Exhibit B-2
Page 2 of 2

Net Change in Fund Balance - Governmental Fund	\$	(5,161)
The change in net assets reported for governmental activities in the statement of activities is different because:		
Compensated absences not shown in the fund financial statements in FY07 increased by this amount during FY08.	5830 <u>(14,738)</u>	(8,908)
Capital assets less accumulated depreciation decreased by this amount during the fiscal year.		<u>(450)</u>
Change in Net Assets (Exhibit A-2)	\$	<u><u>(14,519)</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance Budget (Non-GAAP basis) and Actual
 For The Year Ended June 30, 2008

	Budgeted Amounts		Actual (Non-GAAP) Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	\$ 201,200	\$ 166,200	\$ 164,798	\$ 1,402
Contractual services	47,400	52,400	34,099	18,301
Other costs	153,500	183,500	118,345	65,155
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total expenditures</i>	<u>402,100</u>	<u>402,100</u>	<u>317,242</u>	<u>84,858</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(402,100)</u>	<u>(402,100)</u>	<u>(317,242)</u>	<u>(84,858)</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	384,100	384,100	384,100	-
Special appropriation	10,000	10,000	10,000	-
Compensation appropriation	8,000	8,000	8,000	-
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>402,100</u>	<u>402,100</u>	<u>402,100</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	84,858	(84,858)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>114,144</u>	<u>114,144</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,002</u>	<u>\$ 29,286</u>
Net Change in fund balances (non-GAAP budget basis)			\$ 84,858	
Reversion expenditure omitted from budget basis			(84,858)	
A/P accrual omitted from budget basis per 2.2.2.12A(3)			<u>(5,161)</u>	
Net change in fund balance GAAP basis			<u>\$ (5,161)</u>	

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Commission is presented to assist in the understanding of the Commission's financial statements. The financial statements and notes are the representation of the Commission's management who is responsible for their integrity and objectivity. The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on, before and after November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance. The more significant of the Commission's accounting principles are described below.

A. Reporting Entity

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 Martin Luther King Jr. Commission is a department of the primary government, the State of New Mexico. These financial statements present the financial position and changes in financial position of that portion of the governmental activities, each major fund, and aggregate remaining fund information of the State that is attributable to the transactions of the Commission.

Based upon the application of the criteria in GASB No. 14 and No. 39, the Commission had no component units as of June 30, 2008.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Commission. There is no effect from interfund activity that needs elimination because the Commission has only one fund. The Commission's governmental activities are supported by general fund appropriations from the State of New Mexico. The Commission has no business-type activities.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The Commission's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Commission's general fund appropriations are shown as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Commission did not have any funds classified as proprietary or fiduciary for the year ended June 30, 2008.

C. Measurement focus, basis of accounting, and financial statement presentation

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are 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 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Commission reports the following major governmental fund:

The General Fund is the Commission's operating fund. It's fund number in the Statewide Human Resource Accounting and Management Reporting System (SHARE), is fund 06000. It 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. The general fund is a reverting fund.

D. Assets, Liabilities and Net Assets or Fund Equity

Cash and Investments

For the fiscal year ended June 30, 2008, all of the Commission's cash was maintained on deposit with the State Treasurer's General Fund Investment Pool (GFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets of the Commission include information technology equipment (computers and peripherals, all equipment related to electronic communications and software). The Commission does not have any infrastructure. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Commission does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the Commission's capital assets. Pursuant to Section 12-6-10 NMSA 1978, movable chattels and equipment costing more than \$5,000 are capitalized. Capital assets of the Commission are depreciated using zero salvage value and the straight line method over the following estimated useful lives.

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

Classification	Depreciable Life
Information technology equipment	5 years

Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount *estimated* to be expended during fiscal year 2009.

Use of Restricted and 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.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

1. No later than September 1st, the Martin Luther King, Jr. 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.

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Notes to Financial Statements
June 30, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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.
6. Budget control for expenditures and encumbrances is at the appropriation level meaning that expenditures cannot exceed the budget of any fund at the levels of: (1) personal services; (2) contractual services; and (3) other costs.
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 on the modified accrual basis with one exception. The only exception is amounts payable at June 30, 2007 that did not get paid within 31 days after the end of the fiscal year. The cash to pay those payables should have been reverted to the State General Fund on September 30, 2008, creating a negative fund balance. Those payables must be paid out of the following year's budget after a request to pay prior year bills out of the current year budget has been approved by DFA.
9. Any remaining SHARE fund 06000 balance not reserved for unexpended special or capital outlay multiple-year appropriations, must revert to the New Mexico State general fund by September 30th, as required by Section 6-5-10, NMSA 1978.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASBS 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements. It includes the reconciliation of the net change in fund balance (non-GAAP budget basis) to the net change in fund balance GAAP (modified accrual) basis.

NOTE 3. CASH ON DEPOSIT WITH STATE TREASURER

The Commission does not have a policy regarding investment credit risk or interest rate risk. At June 30, 2008, all of the Commission's cash was invested with the State Treasurer's Office. The State Treasurer, with the advice and consent of the state board of finance, can invest money held in demand deposits and not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies that are either direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or its agencies or by other securities backed by the United States or its agencies or instrumentalities having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required shall be delivered to the fiscal agent of New Mexico or the designee simultaneously with the transfer of funds, no later than the same day the state-owned securities are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 3. CASH ON DEPOSIT WITH STATE TREASURER (continued)

- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated “prime” quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service.
- (e) Shares of an open-ended diversified investment company that is registered with the United States securities and exchange commission, complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, or the United States securities and exchange commission applicable to money market mutual funds; and assesses no fees pursuant to Rule 12b-1, or any successor rule, no sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, provided that the state shall not, at any time, own more than five percent of a money market mutual fund’s assets
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional disclosure information regarding the investment in the State Treasurer’s GFIP, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2008, review the State Treasurer’s Investment Policy at <http://www.stonm.org/ReportsandPolicies/Policies>, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

Interest Rate Risk: The Commission does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit Risk: The New Mexico State Treasurer’s general fund investment pool is not rated.

	Agency Code	Fund Code	Investment in New Mexico State Treasurer's	Weighted Average Maturity	Fair Value
June 30, 2008	60500	06000	General Fund Investment Pool (GFIP)	453 days	\$ 199,002

NOTE 4. COMPENSATED ABSENCES

A. Accrued Annual Leave:

Pursuant to Section 10-9-4(K), NMSA 1978, all three of the Commission’s employees fall under the State’s exempt salary plan policies. 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.

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 4. COMPENSATED ABSENCES (continued)

Exempt employees shall accrue leave as follows:

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

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. The Office has chosen to make such payments annually in January. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave have the option to convert 400 hours of such leave to cash at one half of their hourly rate. As of June 30, 2008, none of the Commission's employees had 600 or more hours of sick leave accumulated.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees were precluded from carrying forward any unused compensation time into the next calendar year after December 31, 2003. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

Accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employer's matching FICA and Medicare payroll taxes, per GASB 16.

The changes in liabilities for compensated absences are as follows:

	June 30, 2007	Additions	Deletions	June 30, 2008	Due within one Year
General Fund	\$ 5,829	\$ 15,685	\$ 6,776	\$ 14,738	\$ 6,776

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 5. 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, 2008 amounted to \$ 21,287 under operating leases. Future minimum lease payments for the operating lease are as follows:

Year Ending June 30,	Amount
2009	\$ 25,700
2010	22,147
	\$ 47,846

NOTE 6. CAPITAL ASSETS AND DEPRECIATION

The change in the capital, assets for the fiscal year ended June 30, 2008 is as follows:

	June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets being depreciated				
Information Technology Equipment	\$ 28,235	\$ -	\$ 12,102	\$ 16,133
Total capital assets being depreciated	28,235	-	12,102	16,133
Less accumulated depreciation				
Computer software and office equipment	27,620	449	12,102	15,967
Total accumulated depreciation	27,620	449	12,102	15,967
Capital assets being depreciated, net	\$ 615	\$ (449)	\$ -	\$ 166

Depreciation expense for the fiscal year ended June 30, 2008 was \$ 449, and was charged to the Commission's only function, health and welfare.

NOTE 7. RETIREMENT PLAN – PUBLIC EMPLOYEES RETIREMENT ACT

A. 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 7. RETIREMENT PLAN – PUBLIC EMPLOYEES RETIREMENT ACT (continued)

B. Funding Policy

Plan members are required to contribute 7.42 % of their gross salary. The Commission is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the 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 fiscal years ending June 30, 2008, 2007 and 2006 were \$20,464, \$21,468. and \$14,676, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 8. POST EMPLOYMENT BENEFITS – RETIREE HEALTH CARE ACT CONTRIBUTIONS

Plan Description. The 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.

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.

NOTE 9. INTERAGENCY TRANSFERS

The Commission received the following inter-agency operating transfers from the New Mexico Department of Finance and Administration (DFA) during the fiscal year ended June 30, 2008.

SHARE Fund	Account	Type of Funds transferred	Amount
85300	499105	General Fund Appropriation	\$ 384,100
85300	499105	Laws of 2007 Special Appropriation	10,000
62006	499905	FY08 Compensation Allocation	8,000
			<u>\$ 402,100</u>

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 10. SPECIAL APPROPRIATIONS

Additionally, under House Bill 293, the Commission received two separate appropriations for the development of a resource library. Section 35, for \$7,000 allowed for the purchase of computers and library materials; while Section 135, for \$10,000 was to construct and equip a resource library and purchase and install information technology. The appropriation period for both Sections is for fiscal, years 2004 through 2009.

The Commission had not expended \$215 of this appropriation as of June 30, 2008. Therefore, restricted net assets are reported in this amount. Current year expenditures of this appropriation were zero.

Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
\$17,000	FY04 thru FY09	\$16,785	-	\$215

NOTE 11. DUE TO STATE GENERAL FUND

See Finding FS 05-02 regarding the Commission not paying its reversions timely to the State General Fund. The amount due to the State General Fund at June 30, 2008 is made up of the following fiscal year reversions and stale dated warrants:

Year Ending June 30,	Amount
2004	6,263
2005	23,970
2006	9,475
2007	24,395
2008	84,858
Stale warrants	500
	\$ 149,461

The current year reversion amount of \$ 84,858 was determined as follows:

Investment in general fund investment pool, June 30, 2008	\$ 199,002
Less: Accounts payable (39,437 less 992 PY audit adjustment)	(38,445)
Accrued Payroll	(10,881)
Due to the state general fund (39,708 plus 500 plus 24,395 for PY accrual)	(64,603)
Fund balance reserved for special appropriation	(215)
Due to the State General Fund, June 30, 2008	\$ 84,858

NOTE 12. RISK MANAGEMENT

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. Risk management expenditures for the Office are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Commission is a party.

NOTE 13. RELATED PARTY TRANSACTIONS

The Commission expended \$8,741 for various accounting and budgeting services provided by Time Keepers, Inc. during the fiscal year ended June 30, 2008. A Commissioner is related to the owner of the Time Keepers, Inc.

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Notes to Financial Statements
 June 30, 2008

NOTE 14. UNRESTRICTED NET ASSETS AND UNRESERVED UNDESIGNATED FUND BALANCE

The unrestricted net assets shown in Exhibit A-1 are made up of the following items:

Statement of Net Assets - Unrestricted Net Assets

Current compensated absences included in the government-wide financial statements that will be "funded" in the future	\$ (6,776)
Noncurrent compensated absences included in the government-side financial statements that will be "funded" in the future	(7,962)
Accounts payable accrued in FY08 for which the related cash must revert, per Section 6-10-4 NMSA 1978. These account payable amounts will be paid out of the Commission's FY09 budget.	<u>(5,161)</u>
Total unrestricted net assets per Exhibit A-1	<u><u>\$ (19,899)</u></u>

The Unreserved Undesignated fund balance shown in Exhibit B-1 is made up of the following item:

Balance Sheet - Unreserved, Undesignated Fund Balance

Accounts payable accrued in FY08 for which the related cash must revert, per Section 6-10-4 NMSA 1978. These account payable amounts will be paid out of the Commission's FY09 budget.	<u>\$ (5,161)</u>
Total unreserved undesignated fund balance per Exhibit B-1	<u><u>\$ (5,161)</u></u>

NOTE 15. MEMORANDUM OF UNDERSTANDING

The Commission entered into a memorandum of understanding (MOU) with the New Mexico State Fair on July 6, 2007. The purpose of the MOU was to explore the historical, social, political, and cultural contribution of African-Americans to the settlement, growth, and development of New Mexico by providing for historical, social, political, and cultural exhibits and entertainment during the 2007 New Mexico State Fair, display the King Commission banner, and also provide space for a Martin Luther King, Jr. display/information booth. Pursuant to the MOU, the Fair was responsible for disbursing the funds in accordance with the budget attached to the MOU, for supplies, materials, goods and services. The MOU became effective on July 6, 2007 and remained effective through the end of the 2007 State Fair. The Commission paid the Fair \$10,000 under the MOU in the fiscal year ended June 30, 2008.

NOTE 16. RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$215 of restricted net assets. All of the \$215 is restricted by enabling legislation.

NOTE 17. VIOLATIONS OF LEGAL PROVISIONS

As explained in detail in finding FS 08-04, the Commission did not enter purchase documents totaling \$19,489 into SHARE by the year-end deadline, resulting in a violation of the New Mexico Procurement Code. The Commission's response to the finding states that the Commission is currently ensuring that all purchase documents are processed in a timely manner.

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SUPPORTING SCHEDULE

STATE OF NEW MEXICO
 Martin Luther King, Jr. Commission
 Schedule of Investment Accounts
 For the Year Ended June 30, 2008

Schedule I

Primary Government

Investment Type/Name	New Mexico State Treasurer	Totals
General Fund Investment Pool (GFIP)	\$ 199,002	\$ 199,002
Total invested	199,002	199,002
Reconciling items	-	-
Reconciled balance	\$ 199,002	199,002
 Total investment		 \$ 199,002
 Investment per financial statements:		
Governmental Activities investment amount per Exhibit A-1		\$ 199,002
Total cash on deposit with the State Treasurer (GFIP)		\$ 199,002

See accompanying independent auditors' report

COMPLIANCE SECTION

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**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***

The Honorable Hector H. Balderas
New Mexico State Auditor
and
The Martin Luther King, Jr. Commission
8100 Mountain Rd NE, Suite 101
Albuquerque, New Mexico, 87110

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for this general fund of the Martin Luther King, Jr. Commission (The Commission), as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 27, 2009. 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 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's ability to initiate, authorize, record, process, or report on financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider findings FS 08-01 and FS 08-03 to be significant deficiencies in internal control over financial reporting.

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 Commission's internal control.

Our consideration of the 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 and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 statements amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 05-02, FS 08-02 and FS 08-04.

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 FS 05-01 and FS 08-05.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission, management, the Office of the State Auditor, the New Mexico Legislative Finance Committee, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
March 27, 2009

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES

FS 05-01 – Late Submission of Audit Report

Condition:

The audit report for fiscal year end June 30, 2008 was not submitted to the State Auditor's Office by the due date, December 15, 2008.

Criteria:

Section 2.2.2.9A (1) (f) of 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 Commission's books and records are ready and available for audit. However, the deadline cannot extend beyond December 15."

Cause:

The audit report for the fiscal year ended June 30, 2007 was not submitted to the Office of the State Auditor until October 22, 2008 and the contract for the FY08 audit was not signed until January 8, 2009.

Effect:

The Commission's FY08 audited financial statements were not available for the New Mexico Legislature during the 2009 legislative session to facilitate legislative decisions regarding the Commission's budget.

Auditor's Recommendations:

The Commission 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 audit firm.

Management's Response:

To assist in timely filing of the annual audit, the Commission chose an auditor for a 3-year term instead of 1-year increments. The rise in cost of audit services has created some problems in procuring an auditor for MLK Commission.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 05-02 – Late Reversions

Condition:

The Commission did not remit its FY05 reversion of \$30,233, its FY06 reversion of \$9,475, its FY07 reversion of \$24,395 and its FY08 reversion of \$84,858 to the State General Fund by the statutory deadline. There were no reversions posted to the FY08 general ledger and no reversions posted to the FY09 general ledger through January 2009 (report run date 2/9/09).

Criteria:

Section 6-6-10, NMSA 1978 requires “all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30, to revert by September 30, to the general fund.” The Commission’s FY05 reversion should have been remitted by the due date, September 30, 2005. The Commission’s FY06 reversion should have been remitted by the due date, September 30, 2006. The Commission’s FY07 reversion should have been remitted by the due date September 30, 2007. The Commission’s FY08 reversion should have been remitted by the due date, September 30, 2008.

Cause:

When the State of New Mexico required all of its agencies to convert to the new SHARE accounting system, no one at the Commission knew how to revert the funds. Then the FY06 audit was late and the Commission overlooked processing the reversion. When the Commission tried to process the FY06 reversion they were told to just wait and process it with the FY07 reversion. The FY07 audit was not submitted to the Office of the State Auditor until October 22, 2008, so the Commission did not work on preparing the reversion until December 2008.

Effect:

When a state agency does not remit reversions to the State General Fund timely, the New Mexico Legislature does not have those funds available to re-appropriate them in the next year’s budget.

Auditor’s Recommendations:

We recommend that the Commission remit reversions annually to the State General Fund per the Department of Finance and Administration (DFA) annual closing instructions on the DFA website.

Management’s Response:

All reversions have been completed. The Commission understood this process had been completed, however, DFA needed additional information from the commission in order to complete it.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-01 – Agency Not Preparing Financial Statements

Condition:

The financial statements and related disclosures are not being prepared by the Martin Luther King Jr., Commission.

Criteria:

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. It includes controls over financial statement preparation, including footnote disclosures. The fact that the auditor prepares the financial statements may mean they are correct, but it doesn't eliminate the control deficiency.

Cause:

The Commission's personnel do not have the time and have not been trained in the preparation of financial statements and related disclosures.

Effect:

Material misstatements in the financial statements and related note disclosures could occur and go undetected by the Commission's management.

Auditor's Recommendations:

We recommend the Commission's management and personnel receive training on preparation of financial statements and related disclosures under Generally Accepted Accounting Standards, or contract with a consultant to assist with the preparation of the financial statements.

Management's Response:

Due to the size of this agency we do not use a separate accounting module separate from that of the state. It is not cost-effective. The commission does pull the reports available from the SHARE system to verify accuracy of the general ledger.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-02 – Agency OPBUD 3 Does not Tie to HB2

Condition:

The Commission's OPBUD3 amount of \$143,500 for "Other Costs" does not tie to the related House Bill 2 amount of \$156,800.

Criteria:

The appropriation act and the DFA Budget Division budget preparation instructions require that state agency OPBUD3 documents tie to the agency appropriations.

Cause:

The Commission has not been able to explain why the OPBUD 3 amount did not tie to the House Bill 2 amount.

Effect:

The Commission had to process a Budget Adjustment Request (BAR) in June 2008 and move \$30,000 of budget from "Personal services and employee benefits" category to the "Other Costs" category.

Auditor's Recommendations:

We recommend that the Commission ensure that the OPBUD3 budget amounts tie back to the related House Bill 2 amounts plus any compensation appropriation applicable.

Management's Response:

Each year the Commission receives an OPBUD-2 from the budget division in which to prepare the OPBUD-3. Unfortunately, the information received on the OPBUD-2 was incorrect therefore, so was the OPBUD-3. The Commission is currently working with the state budget division to correct this problem. Going forward the Commission will verify this information against the House Bill. Each year the Commission has vacancy savings, as we did in this fiscal year, and the excess is moved to the 'other category' in order to enhance our programming of other programs.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-03 – Internal Control Weaknesses

Condition:

- 1) The payment due on June 1, 2008 for the Commission's rent of \$1,973.85, that was paid with a warrant dated July 25, 2008, was posted to the FY09 general ledger. It should have been posted to the FY08 general ledger. The SHARE budget status report for FY08 reflected that fact that the related encumbrance for the FY08 June rent payment was not disencumbered.
- 2) A review of the Commission's finances is not required by the Commission's agenda documented in the By-Laws, for the Commission's quarterly board meetings. The Commission meeting minutes did not document the Commission's approval of the Commission budget submitted to the Legislators.
- 3) The payroll expenditures totaling \$123,349.83 posted to Account 520300 (Classified Perm Positions) should be posted to Account 520100 (Exempt Perm Positions). The two payment vouchers related to one contract were coded to two different accounts; the payment voucher for \$2000.01 was coded to account 535300, Other Services; but the \$3,740.63 payment voucher was coded to 535200, Professional Services. We noted that two mileage and per diem payments totaling \$416.91, out of seven tested that totaled \$4701.91, were charged to the wrong general ledger account. A payment for \$140.16 should have been charged to account 542100, Employee I/S Mileage, not account 542300, Brd & Comm Member I/S Travel. A payment for \$276.75 should have been charged to account 542100, Employee I/S Mileage, rather than account 549600, Employee O/S Mileage & Fares.
- 4) The Commission did not prepare monthly reconciliations of all SHARE reports, including the payroll reports, to their cash account at the State Treasurer. The payment for the June 2008 rent posted to the FY09 general ledger instead of the FY08 general ledger where it belonged. Commission staff did not detect this error and correct it on a timely basis.
- 5) The blank forms that Commission staff use to submit their timesheets already have the Executive Director's approval signature included on the blank form.
- 6) The auditor could not verify that the Commission employees had properly segregated duties with regard to their access in SHARE because the Commission could not provide the auditor with copies of the SHARE System Security Access Authorization forms for each employee.
- 7) One item totaling \$38.20, out of seven accounts payable items tested, that totaled \$1,725.56, was found to be a payment for a \$38.20 credit memo.

Criteria:

- 1) An accurate budget to actual comparison is an important tool that management and the governing body can use to ensure that expected revenues have been received and that expenditures are in line with budget expectations; posted to the general ledger correctly, and included in the proper fiscal year.
- 2) SAS 112 states in paragraph 19 that ineffective oversight of an entity's financial reporting and internal control by those charged with governance is at least a significant deficiency in internal control.
- 3) Good internal controls require that all expenditures be coded to the proper general ledger account per the DFA Chart of Accounts descriptions.
- 4) The DFA Model Accounting Practices (MAPs) FIN 16.2 requires state agencies to reconcile all SHARE reports monthly to their internal accounting system and to their cash account(s) at the State Treasurer, and to provide written verification of the results of the reconciliation to Financial Control Division.
- 5) Good internal controls over payroll timesheets require that the supervisory review (indicated by the supervisor's signature or initials) occur after the employee has completed the timesheet.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-03 – Internal Control Weaknesses (continued)

Criteria (continued):

- 6) Good internal controls over cash disbursements requires proper segregation of duties among the Commission employees. The SHARE system Security Access Authorization Form process has the capacity to segregate duties by limiting employee access and requiring supervisory approvals.
- 7) Payment to a vendor should correspond to the total of the vendor invoices attached to the payment voucher. A vendor credit memo should reduce the total amount paid to the vendor, not increase it.

Cause:

- 1) Management did not follow up on the budget status report outstanding encumbrance for the June 2008 rent payment and determine why the encumbrance did not get properly disencumbered and fix the problem.
- 2) The Commission's Bylaws that establish the agenda for meetings of the Commissioners does not require them to review reports of the financial status of the Commission. The executive director stated that the budget is submitted to the Commission for their approval, but their approval of the budget was omitted from the meeting minutes.
- 3) The payroll expenditure was not charged to the proper general ledger account because the wrong account is being used in the Central Payroll SHARE recording process, and the Commission staff did not prepare a correcting journal voucher to fix the wrong account number or work with Central Payroll to fix the entry. The two payment vouchers related to one contract were paid out of different accounts due to an oversight on the part of those preparing and reviewing the disbursements. The mileage and per diem coding errors were due to oversight on the part of those preparing and reviewing the disbursements.
- 4) The Commission was unaware of the DFA MAPs requirement to reconcile all the SHARE reports monthly. The lack of follow up in the reconciliation process by Commission staff caused these coding errors and the payment of the June rent in the wrong fiscal year in the general ledger, to not be detected and fixed timely.
- 5) The executive director's signature appears on the blank timesheet as a matter of convenience.
- 6) The Commission did not keep a copy of the authorization forms it submitted to DFA FCD Support Unit for employee access to SHARE.
- 7) The Commission staff who created the payment voucher did not notice that the vendor invoices included a credit memo for \$38.20.

Effect:

- 1) The Commission's rent expenditures were understated by the June 01, 2008 rent amount of \$1,935.14 in FY08, and will probably be overstated in FY09.
- 2) Without careful governing authority oversight of the Commission's finances the Commission's finances are at risk of being misstated due to error or omission. The Commission members may not be fully informed regarding or in agreement with the Commission's budget request to the Legislature if their approval of the budget is not documented in the minutes of a Commission meeting.
- 3) Posting expenditures to the wrong account could result in the Commission's financial statements being misstated due to error.
- 4) Miscoded expenditures and expenditures posted to the wrong fiscal year that are not detected and corrected timely by the Commission could result in material misstatements in the Commission's financial statements.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-03 – Internal Control Weaknesses (continued)

Effect (continued):

- 5) The preapproved payroll form enables an employee to fill out her timesheet incorrectly and obtain additional pay or not use leave when it should be used, thus obtaining pay the individual is not entitled to.
- 6) The Commission employees' access to SHARE may not reflect proper segregation of duties.
- 7) The Commission overpaid the vendor \$76.40 by paying the vendor \$38.20 for a credit memo of \$38.20 resulting in an overstatement of expenditures and an understatement of cash in the Commission's general ledger.

Auditor's Recommendations:

- 1) We recommend that management carefully review the SHARE budget status report at least monthly and follow up on any encumbrances that should have reversed that did not reverse to see what the problem is, and submit correcting journal vouchers to fix any errors as needed, on a timely basis.
- 2) We recommend that the Commission's Bylaws Article I, Order of Business, be updated to include as standard items on the agenda (1) requiring the Commissioners to review current SHARE budget status reports at each meeting, and (2) annual approval of the Commission's budget request before it is submitted to the Legislature. We also recommend that these finance related activities of the Commission be recorded in the minutes of the applicable meetings.
- 3) We recommend that the Commission staff work with the DFA Central Payroll and CAFR Units to ensure that the Commission payroll is posted to the proper general ledger account. We recommend that the Commission staff carefully review the account coding of all payment vouchers to ensure that they are consistent with the DFA chart of accounts descriptions and get posted to the correct account and fiscal year.
- 4) We recommend that the Commission perform timely monthly reconciliations of all SHARE reports to the cash per the State Treasurer (Commission's Interest in SGFIP account balance) and fix any errors with correcting adjusting journal entries, on a timely basis.
- 5) We recommend that the approval signature be removed from the blank timesheet forms and that the executive director sign each employee time sheet after carefully reviewing the completed forms.
- 6) We recommend that the Commission maintain copies of the SHARE System Security Access Authorization Forms submitted for each employee and carefully review each outstanding authorization and any new authorizations for proper segregation of duties.
- 7) We recommend that Commission staff who prepare vendor payment vouchers, and Commission employees who review them take extra care to ensure that the backup documentation supports the total amount paid to the vendor.

Management's Response:

Due to the size of the MLK JR. State Commission, the Commission does not run a separate accounting module and all payment vouchers are reviewed and approved by DFA before payment authorization, the general ledger account codes are often times not dictated by the agency but rather by DFA. As for payroll, the same applies. Payroll is processed by the central payroll unit, not by the agency. General ledger codes are dictated by central payroll. A journal entry can be made to correct the coding of the payroll although this has not been required in times past. The Commission is currently reconciling all current reports available from SHARE on a monthly basis.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-04 – Procurement Violation

Condition:

The Commission did not process purchase documents in SHARE on a timely basis for the following purchases related to the Annual Youth Against Violence Conference that was held June 20-22, 2008. Therefore, the Commission had to submit written justification regarding this procurement violation to Michael Vinyard, State Purchasing Agent, at General Services Department in order to process payment of the following payment vouchers.

University of New Mexico	\$14,048.64
Accolades Trophies & Awards	200.00
SER de New Mexico	50.54
BTC, Inc. Event Request	3,500.00
MCM Elegante	489.88
Caleb Crump	200.00
The Cooperage	1,000.00
 Total	 \$19,489.06

Criteria:

Per the DFA Model Accounting Practices FIN4.1, “encumbrances for goods or services should be properly documented, fully funded, and be related to a specific procurement. This policy establishes that the purchase document form must be used for all commitments for goods or services.” The applicable statutes cited is Section 6-5-2, NMSA 1978.

Cause:

The Commission had to process a BAR late in the fiscal year in order to move budget from personnel vacancy savings to “other” expenses to cover all of the expenditures for the Annual Youth Conference. The approved BAR was not received by the Commission until June 16, 2008. The Commission thought the BAR had to be approved before these purchase documents could be submitted to DFA for approval. But the BAR was not approved until after DFA’s deadline to submit purchase orders for FY08 had passed.

Effect:

Failure to follow the DFA policy of entering purchase documents for specific procurements into the SHARE system could result in improper procurement and the Commission paying more than necessary for goods or services procured; or it could result in the Commission expenditures exceeding budget due to circumventing the budget controls in SHARE related to approval of purchase documents.

Auditor’s Recommendations:

We recommend that all procurement documentation be submitted to DFA by the purchase order submission deadline.

Management’s Response:

The commission is ensuring ALL purchase orders are processed in a timely manner with no delays.

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-05 – Capital Asset Accounting Internal Control Weaknesses

Condition:

The Commission provided the auditor with a list of items of furniture and equipment that included items that cost less than the capitalization threshold. The list did not include the information required by Section 2.20.1.8, NMAC. The list did not include all of the items that were reported as capital assets in the Commission's prior year audited financial statements, or an explanation for their omission. The Commission does not have procedures in place to tag capital assets and track them when they are purchased, and to properly account for them in the financial statements. The Commission's capital assets were not classified according to the DFA chart of account categories in the prior year financial statement note disclosure. The detail list supporting the FY07 note disclosure did not properly categorize the Commission's individual capital assets within the information technology category per Section 2.20.1.9 of NMAC.

Criteria:

Section 12-6-5, NMSA 1978, regarding reports of audits, requires that each audit report of a state agency set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination. Section 12-6-10, NMSA 1978, requires the Commission to conduct an annual physical inventory of movable chattels and equipment, certify the correctness of that inventory, and provide a copy of it to the Commission's auditors.

GASB 34 requires that capital asset be reported at historical cost including ancillary charges directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition. Capital assets includes land, improvements to land easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Section 2.20.1.8, FIXED ASSET ACCOUNTING SYSTEM, of New Mexico Administrative Code (NMAC) requires that:

- A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.
- B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following:
 - (1) agency name or commonly used initials used to identify the agency;
 - (2) fixed asset number or fixed asset number plus component number;
 - (3) a description using words meaningful for identification;
 - (4) location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
 - (5) manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
 - (6) model number or model name;
 - (7) serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
 - (8) estimated useful life or units expected to be produced;
 - (9) date acquired (month and year);
 - (10) cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC];
 - (11) fund and organization that purchased the asset, or to which it was transferred.
- C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

Section 2.20.1.9 of NMAC, Classification of Fixed Assets, provides descriptions of capital asset classifications that the agencies should use to properly classify capital assets. The DFA chart of accounts for capital assets includes the following classifications: machinery & equipment; information technology equipment; and furniture and fixtures.

Section 2.20.1.14 of NMAC, Fixed asset controls, states that “newly received fixed assets shall be tagged at the time they are received.”

Section 2.20.1.18 of NMAC, Disposition of fixed assets, states that “all dispositions must be recorded in the fixed asset inventory records. Appropriate entries must also be made in the financial accounts to reflect the disposition of the property.”

PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

FS 08-05 – Capital Asset Accounting Internal Control Weaknesses (continued)

Cause:

The Commission was unaware of the requirements of Section 2.20.1 NMAC regarding the capitalization, depreciation, tracking, disposition, and financial reporting of capital assets. The commission was unaware of the DFA chart of accounts classifications for capital assets.

Effect:

The effect to the financial statements is immaterial because the Commission's capital assets less the related accumulated depreciation is only \$166. The effect appears inconsequential because it is unlikely that the Commission will purchase new capital assets that meet the \$5,000 capitalization threshold in the future. Therefore, the capital assets will continue to be immaterial.

Auditor's Recommendations:

We recommend that the Commission create the required capital asset records as described in the criteria section. We recommend that the capital asset accounting system be able to generate accurate reports (based on DFA's chart of accounts classifications of capital assets) that provide sufficient information to reconcile capital asset additions and deletions, current year depreciation expense and accumulated depreciation at the end of each fiscal year. We recommend that individual capital assets be accounted for in the proper classification category. We recommend that the Commission take an annual inventory of its capital assets and certify the correctness of the annual inventory, and provide a copy of it to the Commission's auditors.

Management's Response:

The Commission will add additional information regarding each asset to its asset list and note whether or not it meets the threshold at the time it is added.

PART II – STATUS OF PRIOR YEAR FINDINGS

FS 05-01 – Late Submission of Audit Report – Repeated

FS 05-02 – Late Reversions – Repeated

FS 05-04 – Line Items are Over Budget – Resolved

FS 07-01 - Payroll – Resolved

STATE OF NEW MEXICO
Martin Luther King, Jr. Commission
Other Disclosures
June 30, 2008

OTHER DISCLOSURES

Exit Conference

An exit conference was held on March 27, 2009. The following individuals were in attendance.

Representing Martin Luther King, Jr. Commission

Kay Lang	Commission Vice Chairman
Bryon Pãez	Commissioner
Jo Ella Redmon	Executive Director
Kimberly Shelby	Consultant

Representing Accounting & Consulting Group, LLP

Jeff McWhorter, CPA	Audit Director
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Auditor Prepared Financials

Although it would be preferable and desirable for the Commission to prepare its own financial statements, the Commission contracted with the independent auditors to draft the Commission's financial statements for review and approval by the Commission. Therefore, the Accounting and Consulting Group, LLP, prepared the financial statements of the Commission from the original books and records provided to them by management. The Commission is responsible for its financial statements.