

**State of New Mexico
Commission for the Blind**

**Financial Statements and Schedules
With Independent Auditors Report Thereon**

For the Year Ended June 30, 2008

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Table of Contents

June 30, 2008

Table of Contents.....	i-ii
Official Roster.....	iii
Financial Section	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis.....	3-14
<u>Basic Financial Statements:</u>	
<u>Government-Wide Financial Statements</u>	
Statement of Net Assets.....	15-16
Statement of Activities.....	17
<u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds.....	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	20
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues and Expenditures Budget and Actual (Budgetary Basis) – General Fund.....	22
Statement of Net Assets and Liabilities – Proprietary Fund.....	23
Statement of Activities – Proprietary Fund.....	24
Statement of Cash Flows – Proprietary Fund.....	25-26
Statement of Fiduciary Net Assets – Fiduciary Fund.....	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.....	28
Notes to the Financial Statements.....	29-44

Supplementary Information

Budgetary Comparison – Proprietary Fund (Non-GAAP Budgetary Basis).....45
Schedule of Individual Deposit Accounts.....46
Schedule of Pledged Collateral.....47
Schedule of Expenditures of Federal Awards.....48

Other Reports

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*..... 49-50
Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133 51-52

Schedule of Findings and Questioned Costs..... 53-68

Prior Year Findings69

Exit Conference70

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Official Roster

June 30, 2008

Commissioners

Arthur A. Schreiber
Helen Savoie
Dallas Allen

Chairman
Commissioner
Commissioner

Administrative Officials

Greg Trapp
James Salas
Virginia Murphy
Sandy Sandoval

Juan Haro

Executive Director
Deputy Director, Vocational Rehabilitation
Deputy Director, Independent Living
Deputy Director, Administration and
Business Enterprise
Deputy Director, Adult Orientation Center

Zlotnick, Laws & Sandoval, P.C.

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and
Board of Commissioners
New Mexico Commission for the Blind
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico, Commission for the Blind (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. We have also audited the Commission's enterprise fund budgetary comparison presented as supplementary information in the accompany schedule for the year ended June 30, 2008 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.

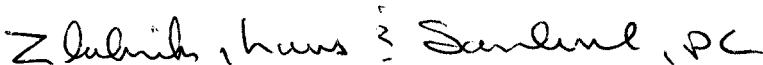
As discussed in Note 1, the financial statements of the State of New Mexico, Commission for the Blind are intended to present the financial position and changes in financial position and, where applicable, cash flows of only that portion of the financial reporting entity of the State that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the entire state of New Mexico as of June 30, 2008 and the changes in its financial position or, where applicable, its cash flows, 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2008, and the respective changes in financial position and, cash flows where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budget comparison of the enterprise fund of the Commission as of June 30, 2008, in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2009 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provision 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's Discussion and Analysis on pages 3 to 14 are not a required part of the basic financial statements but are 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 basic financial statements, and the enterprise fund budget comparisons. The supplementary information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards included in the supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Commission. The supplementary information schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly presented in all material respects in relation to the financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

January 29, 2009

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Mission Statement

The mission of the New Mexico Commission for the Blind (Commission) is to encourage and enable blind citizens of New Mexico to achieve vocational, economic and social equality. This is accomplished by removing limitations and erasing stereotypes long imposed upon the blind by themselves and by the public at large.

The New Mexico Commission for the Blind provides career preparation, training in the skills of blindness, and above all, promotes and conveys the belief that blindness is not a barrier to employment or to living a full, meaningful life.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2001.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Commission that are principally supported by inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into two categories: governmental funds and proprietary funds.

◆ *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

◆ *Proprietary Funds*

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition, the basic financial statements present a budgetary comparison schedule for the General Fund and Proprietary Fund to demonstrate compliance with the budget.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Financial Analysis of the Commission, as a Whole

The Commission's Net Assets for fiscal years ending June 30 are summarized as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
ASSETS						
Current and other assets	\$ 1,456,981	3,295,360	389,692	202,171	1,846,673	3,497,531
Capital and non-current assets	<u>973,869</u>	<u>872,342</u>	<u>73,550</u>	<u>88,699</u>	<u>1,047,419</u>	<u>961,041</u>
TOTAL ASSETS	\$ <u>2,430,850</u>	<u>4,167,702</u>	<u>463,242</u>	<u>290,870</u>	<u>2,894,092</u>	<u>4,458,572</u>
LIABILITIES						
Current liabilities	\$ 1,617,948	2,600,116	385,598	344,235	2,003,546	2,944,351
Long-term liabilities	<u>52,717</u>	<u>36,747</u>	<u>-</u>	<u>-</u>	<u>52,717</u>	<u>36,747</u>
TOTAL LIABILITIES	\$ <u>1,670,665</u>	<u>2,636,863</u>	<u>385,598</u>	<u>344,235</u>	<u>2,056,263</u>	<u>2,981,098</u>
NET ASSETS						
Invested in capital assets net of related debt	\$ 973,869	872,342	73,550	88,699	1,047,419	961,041
Restricted for capital projects	10,398	166,913	-	-	10,398	166,913
Unrestricted	<u>(224,082)</u>	<u>491,584</u>	<u>4,094</u>	<u>(142,063)</u>	<u>(219,988)</u>	<u>349,521</u>
TOTAL NET ASSETS	\$ <u><u>760,185</u></u>	<u><u>1,530,839</u></u>	<u><u>77,644</u></u>	<u><u>(53,364)</u></u>	<u><u>837,829</u></u>	<u><u>1,477,475</u></u>

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Financial Analysis of the Commission, as a Whole - continued

The Commission's Net Assets for fiscal years ending June 30 are summarized as follows:

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
PROGRAM REVENUE						
Charges for services	\$ -	-	419,198	491,523	419,198	491,523
Operating grants and contributions	4,039,076	5,287,615	362,940	37,400	4,402,016	5,325,015
TOTAL PROGRAM REVENUE	<u>\$ 4,039,076</u>	<u>5,287,615</u>	<u>782,138</u>	<u>528,923</u>	<u>4,821,214</u>	<u>5,816,538</u>
GENERAL REVENUE						
Other financing sources	\$ 180,722	199,638	37,026	-	217,748	199,638
Non-operating gifts and grants	1,229	2,531	-	-	1,229	2,531
Interest	-	-	-	-	-	-
Transfers	1,857,800	2,013,900	111,600	147,200	1,969,400	2,161,100
TOTAL GENERAL REVENUE	<u>\$ 2,039,751</u>	<u>2,216,069</u>	<u>148,626</u>	<u>147,200</u>	<u>2,188,377</u>	<u>2,363,269</u>
EXPENSES:						
Rehabilitation	\$ 6,849,481	7,322,818	799,756	846,555	7,649,237	8,169,373
INCREASE (DECREASE) IN NET ASSETS	(770,654)	180,866	131,008	(170,432)	(639,646)	10,434
NET ASSETS, BEGINNING OF YEAR	<u>1,530,839</u>	<u>1,643,859</u>	<u>(53,364)</u>	<u>117,068</u>	<u>1,477,475</u>	<u>1,760,926</u>
RESTATEMENT OF NET ASSETS	<u>-</u>	<u>(293,886)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,886)</u>
NET ASSETS BEGINNING OF YEAR, restated	<u>1,530,839</u>	<u>1,349,973</u>	<u>(53,364)</u>	<u>117,068</u>	<u>1,477,475</u>	<u>1,467,040</u>
NET ASSETS, END OF YEAR	<u>\$ 760,185</u>	<u>1,530,839</u>	<u>77,644</u>	<u>(53,364)</u>	<u>837,829</u>	<u>1,477,474</u>

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Summary of Current Year Financial Activities

The Commission's overall net assets decreased 43% and overall cash balances available at year-end decreased significantly. The following explanation by individual funds is intended to help the user of these financial statements better understand the aforementioned changes.

- General Fund expenditures decreased by \$473,337 (6.5%) and revenues from federal grants decreased by \$1,248,539 (23.6%). Expenditures in the general fund decreased because the Commission incurred expenditures for installation of an HVAC unit in 2007, the cost of which was in excess of \$400,000. The decrease in revenues are generally a result of reducing the amount of federal reimbursements during the year. The Commission utilized available fund balance created by an accumulation of program income received in prior years from the Social Security Administration. Net assets decreased for this reason along with the effects of an increase in accrued compensated absences.
- In the Proprietary Fund, minimal growth occurred. The current year incurred a \$131,008 gain which was basically the result of additional federal resources allocated to the activity as allowed by federal law.

There are no known facts or conditions that are expected to have a significant effect on financial position or results of operations within the governmental activities. The Commission has contemplated closing the Albuquerque Training Center (proprietary activities) because of reduced activity at the facility. It is anticipated the center will be closed by the end of fiscal year 2009.

Budget

For the General Fund revenue and expenses, there were no changes from the original and final budgets. The significant unrealized budgeted revenues were primarily in the federal operating grants category. The Commission used available fund balance to cover operating expenses and to utilize program income received in prior years as described above. By using fund balance to cover current operating expenditures, the Commission maintains available federal grant resources in future years and a sound financial position. Expenditures were maintained within budgeted levels. There are no known issues that are expected to have a negative effect on future services or liquidity.

Capital Assets

During FY 2008, there were no capital asset additions. The Commission expended funds of \$166,913 for HVAC units, the costs of which will be transferred to the property control division of the General Services Department when work is complete.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Debt

Long-term debt, which consists of accrued compensated absences, increased by \$15,970 or 43%. The increase represents unused vacation and sick leave amounts during the year.

Introduction

The Commission for the Blind (Commission) provides a variety of services enabling blind people to become fully participating, contributing members of society. These services provide the means by which blind persons may realize their fullest potential. Blind people lead normal lives, have families, raise children, participate in community activities and work in a wide range of jobs. Blind persons are electrical engineers, secretaries, machinists, scientists, teachers, lawyers, farmers, business owners, supervisors and homemakers. The real challenge is to educate blind people about their own potential and to educate society about the capabilities of the blind.

The chart below lists the number of persons served by each program or service; explanations of the programs are in the pages following.

Blind New Mexicans Served Fiscal Year 2007 - 2008	
Vocational Rehabilitation Program	496
Adult Orientation Center	52
Students in Transition to Employment Program	31
Assistive Technology Service	879
Employment Development Center	22
Business Enterprise Program	32
Independent Living/Older Blind Program	1,022
Newsline for the Blind	5,223
Emergency Eye Care Program	157

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Vocational Rehabilitation Program

The Vocational Rehabilitation (VR) Program focuses on the state's blind population. The Commission helps blind persons to become employed in jobs that are appropriate to each individual's "strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice." The goal is to enable blind persons to become productive and taxpaying members of society. During the fiscal year 2008, 496 persons received vocational rehabilitation services, and 50 consumers were successfully employed.

Adult Orientation Center

The Adult Orientation Center (Center) provides intensive training in the skills of blindness. The Center is a residential program designed to equip blind persons with the skills needed to return to work, go to college or live independently in their homes and communities. Most of the Center's students are persons who are newly blinded. The Center is located in Alamogordo. For FY 2008, 52 blind persons attended the intensive program, 28 older blind persons attended the "Senior Week" program, and 31 transition age students attended the Center for the STEP program.

Students in Transition to Employment Program

The Students in Transition to Employment Program (STEP) provides blind students with a carefully monitored and quality work experience. Blind persons have historically been denied the opportunity to engage in meaningful employment in high school or college, depriving them of the important benefit of such employment. STEP participants receive the training in blindness skills, academic subjects, mentoring and leadership development that will enable them to compete with their sighted peers. In fiscal year 2008, STEP served 31 blind students, ranging in age from 14 to 21.

Assistive Technology Service

The Commission's technology specialists install and configure a wide range of assistive technology, including screen readers, speech synthesizers, screen magnification programs, closed circuit displays and Braille note takers. The assistive technology provided by the Commission is intended to meet the individualized employment and educational needs of our consumers. Many times, only small changes are required to make the blind person's job much easier and more competitive. The provision of loaner equipment is another service provided by the assistive technology program.

The assistive technology program also offered a wide variety of technology classes, including classes in Windows, Window Eyes, MS Word, Excel, Internet Explorer and Outlook Express.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Employment Development Center

The Commission's Employment Development Center was established as a manufacturing business fifty years ago, when it was known as the Industries for the Blind. The Employment Development Center (EDC) continues to produce top quality products manufactured by blind people and sold to federal, state and local governments, private companies and organizations. EDC produces and sells colorful canvas tote bags, wine bags, laundry bags, suede paperweights, leather coasters, picnic tablecloths, placemats and other products.

"Commission Helps Support National Defense"

The Commission operates the switchboard at Holloman Air Force Base, which is home to the nation's fleet of F-117 Stealth Fighters. The switchboard operation employed 15 people this year, a majority of whom are blind. The operators are responsible for the routing of incoming calls for the entire base. The switchboard operation continues to receive excellent ratings on the quality of customer service that is provided at the base.

Business Enterprise Program

The Business Enterprise Program (BEP) provides competitive employment opportunities for blind individuals who wish to operate food service facilities. The BEP also provides members of the public and government employees with quality food service that is conveniently located within city, state and federal buildings. The BEP is a tangible demonstration of the abilities of the blind, helping to improve attitudes regarding the hiring of blind persons. This year, 32 blind managers participated in the BEP, and gross vendor earnings for fiscal year 2008 were \$3,534,944, contributing \$176,747 of gross receipts tax into the state's coffers.

Independent Living/Older Blind Program

The purpose of the Independent Living/Older Blind (IL/OB) Program is to enable blind individuals to live independently in their homes and communities. To accomplish this, direct services are provided to individuals, with the home being the primary location for the services. For FY 2008, the IL/OB program served 1,022 individuals, a large majority of whom were 55 years of age, or older.

The staff of the IL/OB program consists of eleven Independent Living teachers. They serve the entire state, reaching many traditionally underserved populations, especially those in rural areas. The teachers provide the training, guidance and counseling necessary to encourage consumers to assume active and productive lives. The instruction typically includes training in Braille, training on how to travel using the white cane, training on how to use public transportation, and personal and home management skills.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

Seniors from around the state were given the opportunity to participate in a weeklong "Senior Week" program at the Orientation Center in Alamogordo. Approximately 28 persons participated in the Senior Week training. The Senior Week program helps restore independence and self-confidence.

Newsline for the Blind

Newsline for the Blind is a computer-based system that allows visually impaired persons to access a variety of newspapers and publications by touch-tone telephone. Using the buttons on the telephone, the listener chooses a category of the paper, such as local news, sports, area events, editorial opinions or grocery ads. The listener can hear the selected story, skip to the next story, raise the volume, or exit the category and choose another category or publication. In FY 2008, Newsline averaged over 9,000 calls per month, and had approximately 5,223 registered users.

Newsline is available 24 hours a day, 365 days a year. The daily reading is done by over 100 specially trained volunteers. Newsline is available to listeners in all 33 counties through a toll-free number.

Emergency Eye Care Program

The Emergency Eye Care Program's purpose is to prevent blindness or restore vision through medical and surgical intervention. The program provides financial assistance for emergency eye surgery to New Mexico residents who lack the resources to cover the cost of a medical eye emergency. The program assisted 157 patients with surgeries in fiscal year 2008, each patient receiving surgery from his or her chosen ophthalmologist.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

ORGANIZATION CHART

Governor Bill Richardson

New Mexico Commission for the Blind

Arthur A. Schreiber, Chairman
Helen Savoie, Commissioner
Dallas Allen, Commissioner

Executive Director

Committee of Blind Vendors
State Rehabilitation Council
Statewide Independent Living Council

Executive Secretary

Newslines

Deputy Director
Rehabilitation
Services,
Assistive Technology

Deputy Director
Independent
Living Services,
Orientation Center

Deputy Director
Employment
Development

Deputy Director
Financial Services,
Information
Systems & Planning
Business Enterprise

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

COMMISSION FOR THE BLIND CLIENTS SERVED BY COUNTY

Bernalillo	349	Harding	0	Roosevelt	9
Catron	2	Hidalgo	2	San Juan	29
Chaves	32	Lea	19	San Miguel	39
Cibola	12	Lincoln	8	Sandoval	66
Colfax	18	Los Alamos	12	Santa Fe	81
Curry	21	Luna	10	Sierra	5
DeBaca	3	McKinley	43	Socorro	6
Dona Ana	67	Mora	4	Taos	20
Eddy	17	Otero	55	Torrance	5
Grant	18	Quay	12	Union	4
Guadalupe	3	Rio Arriba	33	Valencia	28

(Numbers do not include NEWSLINE subscribers.)

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Management's Discussion and Analysis

June 30, 2008

**STATEWIDE OFFICE LOCATIONS - NEW MEXICO COMMISSION FOR THE
BLIND**

Administrative Office

2905 Rodeo Park East, Building 4, Suite 100
Santa Fe, NM 87505 ♦ Phone: 505-476-4479
Toll-Free: 888-513-7968

Albuquerque Field Office & Employment Development Center

2200 Yale Blvd. SE
Albuquerque, NM 87106 ♦ Phone: 505-841-8844
Toll-Free: 888-513-7958

Alamogordo Orientation Center

408 North White Sands Blvd.
Alamogordo, NM 88310 ♦ Phone: 505-437-0401
Toll-Free: 888-513-7967

Roswell Field Office

United Bank Plaza
400 North Pennsylvania, Suite 900
Roswell, NM 88201 ♦ Phone: 505-624-6140
Toll-Free: 888-513-7961

Las Cruces Field Office

First Community Bank Bldg.
277 East Amador, Suite 101
Las Cruces, NM 88001 ♦ Phone: 505-524-6450
Toll-Free: 888-513-7960

Las Vegas Field Office

2505 Ridge Runner Road
Las Vegas, NM 88001 ♦ Phone: 505-425-3546
Toll-Free: 888-513-7963

Farmington Field Office

3535 East 30th, Suite 100
Farmington, NM 87402 ♦ Phone: 505-327-3031
Toll-Free: 888-513-7964

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Net Assets

June 30, 2008

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Accounts receivable	\$ -	36,599	36,599
Due from the federal government	1,431,319	219,850	1,651,169
Due from other state agencies	(1,701)	-	(1,701)
Due from proprietary fund	27,363	-	27,363
Inventories	-	132,256	132,256
Other	-	987	987
TOTAL CURRENT ASSETS	<u>1,456,981</u>	<u>389,692</u>	<u>1,846,673</u>
NON-CURRENT ASSETS:			
Property and equipment, net	<u>973,869</u>	<u>73,550</u>	<u>1,047,419</u>
TOTAL ASSETS	<u><u>\$ 2,430,850</u></u>	<u><u>463,242</u></u>	<u><u>2,894,092</u></u>
LIABILITIES			
CURRENT LIABILITIES:			
Cash overdraft	\$ 976,106	207,984	1,184,090
Accounts payable	209,788	14,634	224,422
Accrued liabilities			
Payroll	126,342	60,390	186,732
Expenses	134,347	56,135	190,482
Due to general fund	-	27,363	27,363
Compensated absences payable	<u>171,365</u>	<u>19,092</u>	<u>190,457</u>
TOTAL CURRENT LIABILITIES	1,617,948	385,598	2,003,546

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Net Assets

June 30, 2008

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
LIABILITIES - continued			
NON-CURRENT LIABILITIES-			
Compensated absences	\$ 52,717	-	52,717
TOTAL LIABILITIES	1,670,665	385,598	2,056,263
NET ASSETS:			
Invested in capital assets	973,869	73,550	1,047,419
Restricted for capital projects	10,398	-	10,398
Unrestricted	(224,082)	4,094	(219,988)
TOTAL NET ASSETS	760,185	77,644	837,829
TOTAL LIABILITIES AND NET ASSETS	\$ 2,430,850	463,242	2,894,092

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Activities

For the Year Ended June 30, 2008

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
EXPENSES:			
Rehabilitation	\$ 6,784,095	784,607	7,568,702
Depreciation expense	65,386	15,149	80,535
Total expenses	6,849,481	799,756	7,649,237
PROGRAM REVENUES:			
Charges for service	-	419,198	419,198
Operating grants and contributions	4,039,076	362,940	4,402,016
Total program revenues	4,039,076	782,138	4,821,214
Net program expenses	(2,810,405)	(17,618)	(2,828,023)
GENERAL REVENUE:			
Other revenue	180,722	37,026	217,748
Non-operating gifts and grants	1,229	-	1,229
Total general revenues	181,951	37,026	218,977
TRANSFERS:			
General fund appropriation	1,857,800	111,600	1,969,400
CHANGE IN NET ASSETS	(770,654)	131,008	(639,646)
NET ASSETS BEGINNING OF YEAR	1,530,839	(53,364)	1,477,475
NET ASSETS END OF YEAR	\$ 760,185	77,644	837,829

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

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Balance Sheet - Governmental Funds

June 30, 2008

	<u>General Fund</u>
ASSETS:	
Due from federal government	\$ 1,431,319
Due from proprietary fund	27,363
Due from other state agencies	<u>(1,701)</u>
TOTAL ASSETS	<u><u>\$ 1,456,981</u></u>
LIABILITIES	
Cash overdraft	\$ 976,106
Accounts payable	209,788
Accrued liabilities	
Payroll	126,342
Expenses	<u>134,347</u>
TOTAL LIABILITIES	<u>1,446,583</u>
FUND BALANCES:	
Restricted for capital projects	<u>10,398</u>
TOTAL FUND BALANCE	<u>10,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,456,981</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008

	<u>General Fund</u>
TOTAL FUND BALANCE - ALL GOVERNMENTAL FUNDS (Governmental Fund Balance Sheet)	\$ 10,398
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds	973,869
Long-term debt reported as accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(224,082)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Net Assets)	<u><u>\$ 760,185</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Statement of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds**

For the Year Ended June 30, 2008

	General Fund
REVENUES:	
Federal grants	\$ 4,039,076
Total revenues	4,039,076
EXPENDITURES:	
General government:	
Current:	
Salaries	2,689,318
Employee benefits	1,327,106
Maintenance and repairs	66,184
In-state travel	44,665
Contractual services	101,158
Operating costs	628,747
Care and support	1,812,296
Supplies	69,226
Other costs	5,866
Capital outlay	166,913
Total expenditures	6,911,479
Excess (deficiency) of revenues over expenditures	(2,872,403)
OTHER FINANCING SOURCES (USES):	
State general fund appropriation	1,857,800
Other revenue	181,951
Total other financing sources	2,039,751
Net change in fund balance	(832,652)
Fund Balances - June 30, 2007	843,050
Fund Balances - June 30, 2008	\$ 10,398

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Reconciliation of the Change in Fund Balances of Government Funds
to the Statement of Activities**

For the Year Ended June 30, 2008

	<u>General Fund</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - (Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ (832,652)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Depreciation expense reported in statement of activities	(65,386)
Capital outlay reported in governmental expenditures	166,913
Net change in long-term debt reported as accrued compensated absences	<u>(39,529)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Activities)	<u><u>\$ (770,654)</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Statement of Revenues and Expenditures Budget and Actual
(Budgetary Basis)
General Fund**

For the Year Ended June 30, 2008

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget (Unfavorable)
	Original	Final		
REVENUES:				
Meals	\$ 4,000	4,000	-	(4,000)
Gifts	15,000	15,000	1,228	(13,772)
State general fund appropriation	1,857,800	1,857,800	1,857,800	-
Federal grants	5,680,500	5,680,500	4,039,076	(1,641,424)
Other	255,900	255,900	180,722	(75,178)
	\$ 7,813,200	7,813,200	6,078,826	(1,734,374)
 EXPENDITURES				
Current:				
Personal services and benefits	\$ 4,508,100	4,508,100	4,016,423	491,677
Contractual services	188,100	188,100	101,158	86,942
Other	3,117,000	3,117,000	2,793,898	323,102
	\$ 7,813,200	7,813,200	6,911,479	901,721

The Commission utilized fund balance to cover the excess of expenditures over revenues.

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Net Assets and Liabilities - Proprietary Fund

June 30, 2008

	<u>Albuquerque Training Center</u>
ASSETS	
Current Assets:	
Accounts receivable, net of allowance for doubtful accounts of \$4,797	\$ 36,599
Due from the federal government	219,850
Inventory	132,256
Other current assets	987
Total Current Assets	<u>389,692</u>
Non-Current Assets	
Property and equipment, net	<u>73,550</u>
TOTAL ASSETS	<u>\$ 463,242</u>
LIABILITIES	
Current Liabilities:	
Cash overdraft	\$ 207,984
Accounts payable	14,634
Accrued liabilities	
Payroll	60,390
Expenses	56,135
Due to general fund	27,363
Accrued compensated absences	19,092
Total Current Liabilities	<u>385,598</u>
NET ASSETS:	
Invested in capital assets	73,550
Unrestricted	<u>4,094</u>
TOTAL NET ASSETS	<u>77,644</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 463,242</u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Activities - Proprietary Fund

For the Year Ended June 30, 2008

	<u>Albuquerque Training Center</u>
OPERATING REVENUES:	
Sales	\$ 419,198
TOTAL OPERATING REVENUES	419,198
OPERATING EXPENSES:	
Salaries and benefits	639,937
Supplies	5,556
Contractual services	14,449
Operating costs	122,884
Depreciation	15,149
Other costs	1,781
TOTAL OPERATING EXPENSES	799,756
OPERATING LOSS	<u>(380,558)</u>
NON-OPERATING REVENUE:	
State appropriation	111,600
Federal grants	362,940
Other	37,026
TOTAL NON-OPERATING REVENUE	511,566
CHANGE IN NET ASSETS	131,008
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>(53,364)</u>
TOTAL NET ASSETS, END OF YEAR	<u><u>\$ 77,644</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2008

	<u>Albuquerque Training Center</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 392,518
Payments to suppliers	(213,265)
Payments to employees	<u>(635,309)</u>
NET CASH USED BY OPERATING ACTIVITIES	(456,056)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriation	111,600
Federal grants	143,090
Other	37,026
Payments to other funds	<u>(72,169)</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>219,547</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Net cash provided by financing activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net cash provided by investing activities	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
(Investment in State General Fund Investment Pool)	(236,509)
BALANCE, BEGINNING OF YEAR	<u>28,525</u>
BALANCE, END OF YEAR	<u><u>\$ (207,984)</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Statement of Cash Flows - Proprietary Fund

For the Year Ended June 30, 2008

	<u>Albuquerque Training Center</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES:	
OPERATING LOSS	\$ (380,558)
ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation expense	15,149
CHANGE IN ASSETS AND LIABILITIES:	
Receivables	(26,680)
Inventory	30,485
Accounts payable	(122,147)
Accrued liabilities	23,067
Compensated absences	4,628
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (456,056)</u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Statement of Fiduciary Net Assets - Fiduciary Funds
(Private Purpose Trust)**

June 30, 2008

	<u>Business Enterprise Program</u>
ASSETS:	
Cash and temporary investments	\$ 692,560
Due from external parties	620,064
Capital assets, net	<u>23,132</u>
TOTAL ASSETS	<u>1,335,756</u>
LIABILITIES	
Accounts payable	<u>1,193,130</u>
TOTAL LIABILITIES	<u>1,193,130</u>
NET ASSETS	
Held in trust for business enterprise program	<u><u>\$ 142,626</u></u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
(Private Purpose Trust)**

For the Year Ended June 30, 2008

	<u>Business Enterprise Program</u>
ADDITIONS:	
Set aside fees	\$ 82,597
Investment earnings	11,680
Other income	<u>50,742</u>
Total additions	<u>145,019</u>
DEDUCTIONS:	
Program operating expenses	304,446
Depreciation	1,758
Expendable equipment	<u>79,751</u>
Total deductions	<u>385,955</u>
CHANGE IN NET ASSETS	(240,936)
NET ASSETS JUNE 30, 2007	456,770
RESTATEMENT OF NET ASSETS (Note 14)	<u>(73,208)</u>
NET ASSETS JUNE 30, 2007 - RESTATED	<u>383,562</u>
NET ASSETS JUNE 30, 2008	<u>\$ 142,626</u>

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

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

The New Mexico Commission for the Blind (Commission) was created to encourage and enable blind citizens of New Mexico to achieve vocational, economic and social equality. By providing career training in skills of blindness, the Commission promotes and conveys the belief that blindness is not a barrier to employment or any other aspect of a full and meaningful life.

The Commission is a department of the State of New Mexico, created by Chapter 108, Laws of 1986, New Mexico Statutes Annotated. The Commission is governed by a three-person Board of Commissioners who are appointed by the governor, with the advice and consent of the Senate, to staggered terms of six years. The Commission receives state and federal government funding and must adhere to the legal requirements of each funding entity.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, effective for periods beginning after December 15, 1992, established standards for defining and reporting on the financial reporting entity. GASB No. 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirement of GASB No. 14 apply at all levels to all state and local governments.

GASB No. 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reporting Entity – continued

The Audit Act, Sections 12-6-1 through 12-16-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United State of America.

All of the programs that are administered or controlled by the Commission have been included in this report. The Vending Facility Program is included in the Commission's Private Purpose Trust and Agency Fund, and the Albuquerque Training Center (New Mexico Industries for the Blind) is included in the Commission's Enterprise Fund.

The Commission does not have any component units.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. Interfund activity, which duplicates revenues or expenses, has been eliminated from these statements, except for those transactions and balances between governmental and business-type activities. While the previous reporting model emphasized fund types, the new reporting model focuses on either the Commission as a whole, or major individual funds. The focus is both on the Commission as a whole and the fund financial statements, including major individual funds or the governmental and business-type categories. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities' columns are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis.

The government-wide Statement of Activities reflects both the gross and net cost per functional category that are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function or business-type activity. 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 or segment; and
- 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. There are no fiduciary funds included in the government-wide financial statements.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Government-Wide and Fund Financial Statements – continued

The fund financial statements include separate statements for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Commission reports all of its Governmental and Proprietary funds as major funds. The Commission has fiduciary funds which consist of a private purpose trust fund.

The Commission reports the following funds:

Governmental Funds are used to account for the Commission's general government activities. Governmental Funds include the following fund:

General Fund – The General Fund is the general operating fund of the Commission. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. This fund is funded primarily from grants from the U.S. Department of Education and appropriations from the State General Fund.

Private Purpose Trust Funds are used to account for assets held and administered on behalf of individuals participating in the Vending Facilities Program (Business Enterprise Program).

Vending Facility Program Fund – The Commission administers and accounts for the receipt and usage of Vending Facility Program's funds. Section 22-14-24 to Section 22-14-29 NMSA 1978, "Horace DeVargas Act," authorized the Commission to establish, maintain and operate a vending stand program for legally blind persons under the auspices of the "Randolph-Sheppard Act," Public Law 74-732 as amended by Public Law 83-565, 93-516 and 95-602, 20 U.S.C. Section 107, et seq. The law locates the state licensing agency (SLA) for the program in the individual state or territorial agency that offers vocational rehabilitation services for individuals who are blind under the Rehabilitation Act of 1973, as amended.

Proprietary Funds include the following fund:

Enterprise fund - The Enterprise Fund accounts for those operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control,

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Government-Wide and Fund Financial Statements – continued

accountability, or other purposes. Charges for services, operating and capital grants and contributions, and state appropriations are considered operating revenues. All other sources of revenue, such as transfers and interest income, are considered non-operating revenues.

The Enterprise Fund includes the operations of the Albuquerque Training Center (the New Mexico Industries for the Blind). The purpose of the Albuquerque Training Center is to provide training and gainful employment for visually impaired people who otherwise may never derive the social and psychological benefits of employment.

Section 22-14-23, NMSA 1978 requires that all money received by services for the blind from the sale of such products to the state or any other purchaser be placed in a fund to be used only for ordinary and necessary business expenses, to purchase raw materials, supplies and capital improvements for the manufacturing of products, and to pay compensation to the clients manufacturing such products.

The funds of the Commission are non-reverting (HB, General Appropriation Act of 2007), pursuant to the appropriation legislation. Funds appropriated to the General Fund are used as a match against federal grant funds, and unencumbered funds at June 30, 2008 are to be used as a match against future federal grants.

Measurement of Focus, Basis of Accounting, and Financial Statement Presentation

The Commission's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. The Commission applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. 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 imposed by the provider have been met.

In June 1999, the GASB unanimously approved GASB No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments."

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement of Focus, Basis of Accounting, and Financial Statement Presentation – continued

This statement provides for the most significant change in financial reporting in over 20 years and is scheduled for a phased implementation based on size of government. The Commission has implemented the provisions of GASB No. 34. As a part of this statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.). The Commission does not own any infrastructure assets and, therefore, is unaffected by this requirement.

The Commission adopted provisions of Governmental Accounting Standards Board Statement No. 40, "Deposit and Investment Risk Disclosures" – an amendment of GASB Statement No. 3. This results in a change in format and content of the basic financial statements. The deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in this Statement also should be disclosed.

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 fiscal period. Expenditures are generally 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 considers all activity except for state appropriations, sales of assets, gifts and grants not available for general operations, interest income, and income from other financing sources to be operating activities.

For the purposes of the proprietary funds, operating revenues include sales income from business operations. All other revenue is considered non-operating.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Data

The State Legislature makes annual appropriations to the Commission and monitors legal compliance through an annual budget. Annual budgets are adopted each fiscal year for all funds. Expenditures may not legally exceed appropriations at the object expenditure classification level. Amendments to the budget require approval by the State's Financial Control Division of the New Mexico Department of Finance and Administration (DFA). All appropriations lapse at the fiscal year end, although cash balances at the end of the fiscal year do not revert back to the State General Fund.

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This basis is in accordance with the Laws of 2006, Chapter 109, Section 3, subsection N and subsection O. The budget is adopted on the modified accrual bases 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. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles (GAAP).

The Enterprise Fund's budgetary legal authorization to incur obligations is on a basis that differs from the basis of accounting required by GAAP. The budget is prepared on a modified accrual basis and includes capital outlay expenses. GAAP expenses do not include capital outlay as expenses. The budgetary basis does not include bad debts and depreciation. GAAP expenses include bad debts and depreciation.

The Commission is required to submit a budget report for the General Fund and Enterprise Fund to the DFA and the Legislative Finance Committee by September 1 of each year. The Commission is required to submit a budget report for the Private Purpose Fund to its Board of Commissioners for approval.

Cash and Cash Equivalents

The Private Purpose Fund cash is held in short term certificates of deposit. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. For purposes of the Statement of Cash Flow – Proprietary Fund Type – Enterprise Fund, cash includes cash on hand and cash on deposit with banking institutions other than the New Mexico State Treasurer's Office.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

State law requires the Commission's investments to be managed by the New Mexico State Treasurer's Office. The Office of the New Mexico State Treasurer maintains the collateral on these deposits and issues separate financial statements, which disclose the collateral pledged to secure these deposits.

Inventories

The inventories of the Commission are valued at the lower of cost (first-in, first-out method) or market and consist of raw materials used by the Enterprise Fund to manufacture household goods, work-in-process and finished goods. The cost of inventory in the Enterprise Fund is reported as an expense when sold.

Capital Assets

Capital Assets, which include property, plant and equipment, are reported in the applicable governmental or business-type of activities columns in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed using the straight-line method over the assets' estimated useful lives. The following lives are used:

Building and improvements	10 - 40 years
Machinery	3 - 10 years

Compensated Absences Payable

Vacation and sick leave earned and not taken are cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 is payable upon separation from services at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

Net Assets

Net assets are reported as restricted when external or legal constraints are placed on their use. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." Net assets are categorized as:

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets – continued

Net Assets Restricted for Capital Projects. This category represents funds restricted for capital outlay.

Unrestricted Net Assets. This category represents net assets of the Commission, not restricted for any project or other purpose.

Restricted Resources. When an expense is incurred that can be paid using either restricted or unrestricted resources.

Use of Estimates

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

2. CASH AND INVESTMENTS

The Commission maintains all of its deposits with the New Mexico State Treasurer's Office, except for those related to the Vending Facility Program. The Commission is not responsible for any insurance or collateralization requirements relating to the deposits held by the State Treasurer.

The Commission deposits its funds from the Vending Facility Program with financial institutions in accordance with state statutes, which require that a financial institution pledge collateral or federal or state securities whose collateral value is equal to at least 50 percent of the deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage on deposits made by the Commission with that financial institution (see the Schedule of Pledged Collateral in the Supplementary Information to these financial statements).

Securities that are obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at par value; federal securities are accepted as security at market value. No security is required for the deposit of public money that is fully insured by the FDIC.

The Commission is on a cost reimbursement basis, which is covered by the Cash Management Improvement Act. The cash overdraft is directly related to the Federal Government receivable. The cash overdraft is a timing issue between the Commission's payment of expenditures and the reimbursement of those expenditures from the Federal Government. The Federal receivable is considered to be fully collectible.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

2. CASH AND INVESTMENTS – continued

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
New Mexico's State Treasurer's Office:	1 day to 3 years	\$ -
Total investments		<u>\$ -</u>

The Commission had a cash overdraft of (\$1,184,090).

Interest Rate Risk

The Department does not have an investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The New Mexico State Treasurer's Office and the State Investment Council pools are not rated.

For additional GASB 40 disclosure information related to the above investments pools, the reader should refer to the separate audit reports for the State Treasurer's Office and the State Investment Council for the fiscal year ended June 30, 2008.

Custodial Credit Risk

Cash balances at June 30, 2008 consisted of cash invested with and reconciled by the Department of Finance and Administration. In general, state statutes require that all deposits held by the State Treasurer are collateralized at a minimum level of 50%. The State Treasurer is in compliance with this requirement. Separate financial statements of the State Treasurer indicate collateral, categories of risk and market value of purchased investments, which may differ from the cash deposited by the Commission. Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts. The amount of cash not collateralized as of June 30, 2008 is \$265,055.

Refer to the New Mexico State Treasurer's Office annual audit report for disclosure of deposit or investment risk.

The Commission is not permitted to have any investments. It may deposit its funds of the Vendor Facility Program in certificates of deposit.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

3. RECEIVABLES

Accounts receivable of the Enterprise Fund at June 30, 2008 were as follows:

Total accounts receivable	\$ 41,396
Less allowance for doubtful accounts	<u>4,797</u>
Accounts receivable, net of allowance	<u><u>\$ 36,599</u></u>

Accounts receivable consist of amounts due from various entities, individuals, and other state and local agencies for the sale of goods manufactured by the Enterprise Fund. The Commission mails delinquency letters to accounts more than 30 days past due.

4. INVENTORIES

Inventory at June 30, 2008 in the Enterprise Fund was as follows:

Raw Materials	\$ 64,446
Work-in-process	<u>67,810</u>
Total	<u><u>\$ 132,256</u></u>

5. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Government Activities:				
Non-depreciable assets:				
Land	\$ 326,185	\$ -	\$ -	\$ 326,185
Construction in process	245,797	166,913	-	412,710
Depreciable assets:				
Buildings and improvements	763,269	-	-	763,269
Machinery and equip.	2,205,283	-	-	2,205,283
	3,540,534	166,913	-	3,707,447
Accumulated depreciation:				
Buildings and improvements	(632,448)	(3,990)	-	(636,438)
Machinery and equip.	(2,035,745)	(61,396)	-	(2,097,141)
	(2,668,193)	(65,386)	-	(2,733,579)
Total capital assets, net	\$ 872,341	\$ 101,527	\$ -	\$ 973,868

Current year depreciation related to governmental activities is \$ 65,386

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

5. CAPITAL ASSETS - continued

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Business-Type Activities:				
Non-depreciable assts:				
Land	\$ 20,068	\$ -	\$ -	\$ 20,068
Depreciable assets:				
Building and improvements	264,894	-	-	264,894
Machinery and equipment	151,898	-	-	151,898
Total	436,860	-	-	436,860
Accumulated depreciation	(348,161)	(15,149)	-	(363,310)
Total capital assets, net	\$ 88,699	\$ (15,149)	\$ -	\$ 73,550

There is no debt related to capital assets.

Current year depreciation related to business-type activities is \$ 15,149

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Private Purpose Trust				
Business Enterprise Program				
Depreciable assets:				
Machinery and equipment	\$ -	\$ 24,890	\$ -	\$ 24,890
Total	-	24,890	-	24,890
Accumulated depreciation	-	(1,758)	-	(1,758)
Total capital assets, net	\$ -	\$ 23,132	\$ -	\$ 23,132

Assets of the Business Enterprise Program are not assets of the Commission. They are solely for the benefit of the participants of the Business Enterprise Program. The current year depreciation expense is \$1,758.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

6. CHANGES IN LONG-TERM DEBT

Changes in Governmental activities' long-term liabilities for the year ended June 30, 2008 were as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 184,553	\$ 197,213	\$ 157,684	\$ 224,082	\$ 171,365

The General Fund has been primarily used to liquidate long-term liabilities.

7. OPERATING LEASES

The Commission leased certain office space and office equipment under lease agreements with various terms ending fiscal years 2008 through 2024. Expenditures for operating leases for the year ended June 30, 2008 amounted to \$222,066. Annual future minimum lease payments are as follows:

June 30, 2009	\$ 205,394
June 30, 2010	210,968
June 30, 2011	216,771
June 30, 2012	222,689
June 30, 2013	228,833
Thereafter	<u>505,459</u>
Total	<u>\$1,590,114</u>

8. RETIREMENT PLANS

The Commission contributes to a defined benefit cost-sharing, multiple-employer public retirement system through the Public Employee's Retirement Act (PERA).

PERA

Plan Description. Substantially all of the Commission's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

8. RETIREMENT PLANS - continued

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.

Funding Policy. Plan members are required to contribute 7.42 percent of their gross salary. The Commission is required to contribute 16.59 percent 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 years ended June 30, 2008, 2007 and 2006 were \$521,496, \$536,829 and \$496,094, respectively, equal to the amount of required contributions for the year.

**9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) –
RETIREE HEALTH CARE**

Plan Description. The State of New Mexico Commission for the Blind 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.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

**9. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) –
RETIREE HEALTH CARE - continued**

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 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 Commission's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$39,923, \$43,107 and \$39,073, respectively, which equal the required contributions for each year.

The Commission will implement GASB 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions*, in fiscal year 2009. The impact of the implementation of the new GASB standard is unknown.

10. BUDGETARY/GAAP FINANCIAL STATEMENTS RECONCILIATION

The "Budgetary Comparison – General Fund" is presented in accordance with the state's legal budgetary basis. The "Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds" utilizes the modified accrual basis of accounting. The "Budgetary Comparison-Proprietary Funds" is also presented in accordance with the state's legal budgetary basis and therefore, includes or excludes certain expenditures,

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

**10. BUDGETARY/GAAP FINANCIAL STATEMENTS RECONCILIATION -
continued**

while the "Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds" utilized the full accrual basis of accounting.

11. INSURANCE COVERAGE

The Commission obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, worker's compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Commission are covered by a blanket fidelity bond up to \$5,000 with a \$1,000 deductible per occurrence, by the State of New Mexico, for the period July 1, 2007 through June 30, 2008.

12. DUE FROM/DUE TO OTHER FUNDS

These amounts represent interfund receivables and payables arising from inter-fund transactions within the Commission. Balances in these accounts relate to expenditures paid by the general fund on behalf of the Albuquerque Training Center.

Inter-fund Receivables and Payables as of June 30, 2008 consist of the following:

<u>Fund Type</u>	<u>Due from Proprietary Funds</u>	<u>Due to General Fund</u>
General Fund	\$ 27,363	-
Albuquerque Training Center	\$ -	27,363
Total	\$ <u>27,363</u>	<u>27,363</u>

The amounts due are a result of payroll related cash transfers posted to the incorrect fund.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Notes to the Financial Statements
June 30, 2008**

13. TRANSFERS TO AND FROM STATE GENERAL FUND

During the year ended June 30, 2008, the following cash transfers were made from the State of New Mexico's General Fund to the Commission

	New Mexico General Fund No.	Commission Fund No.	Amount
State General Fund Appropriation:			
HB2 Appropriations Act 2007	85300	60600-024	\$ 111,600
HB2 Appropriations Act 2007	85300	60600-047	\$ 1,857,800

14. RESTATEMENT OF PRIOR YEAR NET ASSETS

The restatement of the prior year net assets is necessary in order to properly reflect short-term loans due from participants and amounts due to facility operations for commissions earned that were not previously accounted for. The following provides for the change in net assets:

Loans from participants	\$ 23,755
Prior year unrecorded commission payable	<u>\$ (96,963)</u>
Net change	<u>\$ (73,208)</u>

15. BOND PROCEEDS

The Commission received an appropriation for capital outlay in the amount of \$200,000 as part of SB827, Act 2007, Chapter 42, Section 5. These funds are to be used for the Commission to plan, design and construct improvements to the roof and fire protection sprinkler system at the facility located at 2200 Yale, S.E. in Albuquerque, New Mexico.

The unexpended balance from the proceeds of the severance tax bond shall revert to the severance tax bonding fund within six months of completion of the project, but no later than the end of fiscal year 2011. It should also be noted that the Commission is not obligated in any manner for any indebtedness related to the bonds.

The bond appropriation is not recognized in these financial statements because the eligibility requirements for recognition were not met.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Budgetary Comparison - Proprietary Fund
(Non-GAAP Budgetary Basis)**

For the Year Ended June 30, 2008

	PROPRIETARY FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
REVENUES:				
Sales	\$ 297,500	297,500	419,198	121,698
Other institutional sales	2,500	2,500	-	(2,500)
Compensation	35,600	35,600	-	(35,600)
Gifts	-	-	127	127
State general fund appropriation	111,600	111,600	111,600	-
Federal grants	277,000	277,000	362,940	85,940
Other	79,100	79,100	36,899	(42,201)
Total Revenues	\$ 803,300	803,300	930,764	127,464
EXPENDITURES				
Current:				
Personal services and benefits	\$ 653,100	653,100	635,309	17,791
Contractual services	19,300	19,300	14,449	4,851
Other	130,900	130,900	99,736	31,164
Total Expenditures	\$ 803,300	803,300	749,494	53,806
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	\$ -	-	181,270	-
ADJUSTMENTS TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Compensated absences			(4,628)	
Depreciation expense			(15,149)	
Inventory adjustment			(30,485)	
CHANGES IN NET ASSETS AS REPORTED ON STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET ASSETS				
			\$ 131,008	

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Schedule of Individual Deposit Accounts

As of June 30, 2008

<u>Bank Name Account Title</u>	<u>Account Type</u>	<u>SHARE Type of Account</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT			
New Mexico State Treasurer			
Commission for the Blind	Checking	04700	\$ (976,106)
Employment Development Center	Checking	02400	(207,984)
			<u>\$ (1,184,090)</u>
PRIVATE PURPOSE TRUST FUND			
Wells Fargo Bank New Mexico, N.A.			
Business Enterprise Program	Checking	N/A	<u>\$ 692,560</u>

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Schedule of Pledged Collateral

For the Year Ended June 30, 2008

BANK OF AMERICA

Business Enterprise Program	\$ 630,110
Less FDIC insurance	<u>(100,000)</u>
	<u>530,110</u>

CASH BALANCE UNINSURED AND REQUIRING COLLATERAL

\$ 265,055

WELLS FARGO BANK NEW MEXICO, N.A.:

Certificate of Deposit	\$ 62,451
Less FDIC insurance	<u>(100,000)</u>
	<u>(37,549)</u>

CASH BALANCE UNINSURED AND REQUIRING COLLATERAL

\$ -

The risk assessment analysis done for Bank of America indicates that they are considered a bank that is required to pledge a collateral amount equal to 50% of state deposits. The fiduciary funds held by the Commission for the Blind are considered public funds. As such, the State Treasurer's Office monitors deposit activity to ensure that sufficient collateral is pledged to state accounts.

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

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2008

Federal Grantor Pass-Through Grantor Program title	CDFA NUMBER	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Basic Support Grant	84.126	H126A00046	\$ 4,290,302
Supported Employment	84.187	H187A00047	59,980
Independent Living Part B	84.169	H169A00047	53,318
Independent Living Part C O/B	84.177	H177A94001	225,000
Training Grant	84.265	H268A97004	<u>19,219</u>
TOTAL FEDERAL EXPENDITURES			<u><u>\$ 4,647,819</u></u>

Note 1: The Schedule of Expenditures of Federal Awards is recorded in the modified accrual basis of accounting.

Note 2: The Commission did not receive any non-cash federal assistance, outstanding loans, nor provided federal awards for sub-recipients during the year ended June 30, 2008.

OTHER REPORTS

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
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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

Hector H. Balderas
New Mexico State Auditor
and
Board of Commissioners
New Mexico Commission for the Blind
Albuquerque, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and the enterprise fund budgetary comparison presented as supplemental information of the State of New Mexico, Commission for the Blind (Commission), as of and for the year ended June 30, 2008 and have issued our reported thereon dated January 29, 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 the 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 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 Commission's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. See items 08-02 through 08-06.

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.

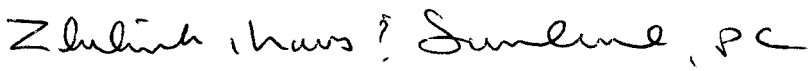
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 08-01.

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 questioned costs as items 08-07 through 08-11.

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

This report is intended solely for the information and use of management, others within the Commission, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Zlotnick, Laws & Sandoval, P.C.

January 29, 2009

Zlotnick, Laws & Sandoval, P.C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
and
Board of Commissioners
New Mexico Commission for the Blind
Albuquerque, New Mexico

Compliance

We have audited the compliance of the State of New Mexico, Commission for the Blind (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the New Mexico Commission for the Blind complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-12 and 08-13.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purposes of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-12 and 08-13 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-12 and 08-13 to be material weaknesses.

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

This report is intended solely for the information and use of management, others within the Commission, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal grantors, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, PC

January 29, 2009

STATE OF NEW MEXICO
SECOND JUDICIAL DISTRICT COURT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

- A. Material weaknesses identified Yes No
- B. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to the financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- A. Material weaknesses identified? Yes No
- B. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with 510(a) of Circular A-133?

Yes No

Identification of major programs:

CFDA Numbers
84-126

Name of Federal Program or Cluster
Vocational Rehabilitation

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes No

STATE OF NEW MEXICO
COMMISSION FOR THE BLIND

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section II - Financial Statement Findings

Late Audit Report

08-01

Condition:

The audit report for the fiscal year ended June 30, 2008 was not submitted by the December 15, 2008 deadline. It was submitted February 23, 2009.

Criteria:

The deadline for submitted state agency audit reports for the year ended June 30, 2008 cannot extend beyond December 15, 2008 as stated in Paragraph (6) of Subsection A of 2.2.2.9 NMAC *Report Due Dates*.

Effect:

The Commission is not in compliance with state law. The users of the financial statements such as legislators, creditors, state and federal grantors, regulators, and other users do not have timely audit reports and financial statements for their review and consideration.

Cause:

The Chief Financial Officer of the Commission transferred to another state agency prior to the completion of the audit. Also, all of the items outlined in the letter of deliverables had not been provided to the auditor. Additionally, accounting issues and research regarding fund classification and structure were being considered.

Recommendation:

It is recommended that the Commission hire an experienced and competent Chief Financial Officer who is familiar with the audit process as well as with what is required for accounting and compliance with federal award requirements.

Agency Response:

The Commission concurs with the Auditors recommendation to hire an experienced and competent Chief Financial Officer who is familiar with the audit process as well as with what is required for accounting and compliance with federal award requirements.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Internal Accounting System Reconciliation

08-02

Condition:

The Commission is recording Business Enterprise fund (Fiduciary Fund) transactions in a system separate from the SHARE accounting system used to account for the General and Proprietary fund.

Criteria:

All New Mexico State Agencies are required to account for all funds and related activities in the state's SHARE system.

Effect:

Cash balances and liability balances are not being recognized by the Department of Finance and Administration (DFA).

Cause:

The Commission has been keeping a separate set of accounting records for the Fiduciary Fund. No changes in accounting procedures for this fund were made when the SHARE accounting system was implemented.

Recommendation:

The Business Enterprise Fund transactions should be recorded into the new SHARE software and reconciled on a monthly basis. Monthly reconciliations should be performed as soon as possible in accordance with DFA's MAP Standards and Policies.

Agency Response:

The Commission concurs with the recommendation that Business Enterprise Fund transactions be recorded into the SHARE software. Monthly bank reconciliations are currently being performed but procedures will be changed to be in accordance with DFA's MAP Standards and Policies.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

General Ledger Reconciliation

08-03

Condition:

General ledger accounts were not properly reconciled throughout the year; specifically, the payroll taxes payable accounts, receivable accounts, stale dated warrants and other liabilities.

Criteria:

DFA's Model Accounting Practices (Volume 1, Chapter 8, Section 3.2) requires monthly reconciliations of all accounts. Individual accounts should be reconciled on a monthly basis. Discrepancies and inconsistencies should be investigated as soon as they are discovered.

Effect:

Account balances, specifically those mentioned above, went un-reconciled throughout the previous two fiscal years.

Cause:

During the current fiscal year management identified accounts of concern, but lack of proper SHARE system training and management oversight allowed the accounts mentioned above to go un-reconciled.

Recommendation:

The Commission should modify their monthly reconciliation processes for all accounts to ensure accuracy. In addition, management should review the trial balance monthly to ensure proper accounting treatment of all Commission transactions and to identify any problem account areas.

Agency Response:

The Commission concurs with the Auditors recommendation to modify monthly reconciliation processes to ensure accuracy of all accounts. Also, management will implement procedures to review the trial balance monthly to insure proper accounting treatment of all transactions.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Internal Control over Cash Receipts

08-04

Condition:

During our testwork of 40 deposits, we found the following:

- The Employment Development Center (EDC) does not utilize the cash register's reporting capabilities:
 - Only the sales initiated at the EDC storefront are rung up on the cash register. Large orders and phone orders are not being recorded on the register.
 - The cash register's Z-report is not being generated in order for the Commission to compare deposit records with register sales.
- Cash collected at the EDC is being held at the EDC rather than being deposited by the next business day.
- There were four instances where the credit card batch for the day was not posted to SHARE. It is possible that gross receipts tax may have been incorrectly filed because all of the deposits are not being reflected on the SHARE deposits journal.
- EDC monthly revenue is not being accurately reported to the New Mexico Taxation and Revenue Department.

Criteria:

All sales for the EDC should be recorded through the cash register and the Z-report utilized in order to verify revenue totals and to file accurate CRS-1 reports with the NM Taxation and Revenue Department. As outlined in the State of New Mexico Model Accounting Practices, and the Public Money Act, revenue collected by state agencies should be remitted to the State Treasurer before the close of the next succeeding business day after receipt of the money.

Effect:

SHARE cash balances may not be accurate because some deposits are not getting posted to the SHARE deposits journal.

Cause:

Commission staff have not been properly trained as to appropriate cash receipts internal control procedures.

Recommendation:

It is recommended that EDC process all purchases for their facility, including larger phone orders, etc, on the cash register. The Z-reporting function of the cash registers should be used to verify the daily deposits. Staff should deposit all money collected on a daily basis. Deposits should be entered into SHARE on a daily basis so that monthly CRS-1 filings are timely and accurate.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Internal Control over Cash Receipts - continued

08-04

Agency Response:

The Commission concurs with the Auditors recommendation that the EDC ring up all purchases for their facility, including larger phone orders, etc, on the cash register. The Z-reporting function of the cash registers should be used to verify the daily deposits. Staff should deposit all money collected on a daily basis. Deposits should be entered in SHARE on a daily basis so that monthly CRS-1 filings are timely and accurate. In addition, the Commission is in the process of closing the EDC operation and has reduced resources to a minimum. As an Agency we will finish the closure as quickly as possible.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Internal Control over Payroll

08-05

Condition:

During our testwork of 40 employee files, we found the following:

- There were 4 instances where the W-4 on file did not match the deductions withheld for the pay period tested.
- There was 1 instance where there was no W-4 in the employee records.

Criteria:

As outlined in the State of New Mexico Model Accounting Practices and per Section 10-9-10 NMSA 1978, state agencies must document all deductions requested by employees. State agencies shall have state employees re-elect W-4 information on an annual basis or upon change in status.

Effect:

Withholding amounts requested by the employee could be incorrect. It could ultimately affect an employees' personal income tax liability if too much or too little is deducted from their gross wages.

Cause:

Commission staff believes that W-4s were simply misfiled but that they are in the Commission's possession. Human Resource staff indicates that withholding is never changed in the SHARE payroll module without a copy of the W-4 in their possession.

Recommendation:

It is recommended that an internal payroll file audit be conducted with new W-4s being requested from employees, as necessary.

Agency Response:

The Commission concurs with the Auditors recommendation to conduct an internal payroll file audit with new W-4 documents being requested from employees.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Auditor Prepared Financial Statements

08-06

Condition:

The current year financial statements are prepared by the independent public accountant (IPA).

Criteria:

State Audit Rule 2.2.2.8 J(4) and Statement on Auditing Standards (SAS) No. 112 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements.

Effect:

The Commission paid the IPA to record GAAP transactions and prepare the financial statements.

Cause:

The Commission currently has employees with sufficient expertise to apply generally accepted accounting principles (GAAP) in recording the Commission's financial transactions and preparing its financial statements. However, the Chief Financial Officer resigned before the audit was complete and the Deputy Director of Administrative Services did not have the time to prepare the financial statements.

Recommendation:

The Commission needs to weigh the cost and benefit of hiring or training an employee who will be knowledgeable in applying generally accepted accounting principles and preparing financial statements versus continuing to hire an IPA to perform such services.

Agency Response:

The Commission concurs with the Auditor's recommendation allocating the appropriate resources in order to apply generally accepted accounting principles and prepare financial statements on our own.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

OTHER MATTERS

Internal Control over Cash Disbursements

08-07

Condition:

During our testwork of 91 cash disbursements we found five instances where the invoice dates for goods purchased preceded the purchase order date.

Criteria:

The Commission should obtain an approved purchase order before proceeding to order any goods or services from vendors per State of New Mexico Model Accounting Practices and Section 6-5-2 NMSA 1978.

Effect:

Model Accounting Practices prohibits the ordering of goods and services before purchase order approval has been obtained. Ordering goods and services before they have been approved could result in committing the Commission's budgeted resources which may not actually be available.

Cause:

An employee from the Albuquerque office ordered goods and services from vendors before getting the approved purchase orders. The invoice date or order date for goods and services received by the agency should always be after the purchase order has been processed and approved.

Recommendation:

Additional staff training is recommended to ensure that purchase orders are processed and approved before goods and services are purchased.

Agency Response:

The Commission concurs with the Auditors recommendation to provide additional training to ensure that purchase orders are processed and approved before goods and services are purchased.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Vocational Rehabilitation Program

08-08

Condition:

We examined 40 consumer files for the Vocational Rehabilitation (VR) Services Program and found 2 files where the financial summary worksheets were not prepared to determine whether the consumers were eligible to receive maintenance services. The maintenance services provided to these two consumers totaled \$380 during the fiscal year.

Criteria:

The Commission provides maintenance services (i.e. financial assistance) to individuals to cover their basic living expenses, such as food, shelter, clothing and other subsistence expenses. The Commission applies an Economic Needs Test, or financial criteria, prior to the provision of maintenance services only.

Effect:

Program funds were spent on individuals who may not qualify for maintenance services.

Cause:

Counselors approving maintenance services did not follow the Manual of Operating Procedures to ensure the consumers met the economic needs test.

Recommendation:

The counselors need to follow the Manual of Operating Procedures and prepare the financial summary worksheet prior to approving maintenance services.

Agency Response:

The Commission concurs with the Auditors recommendation that counselors need to follow the Manual of Operating Procedures and prepare the financial summary worksheet prior to approving maintenance services.

STATE OF NEW MEXICO
COMMISSION FOR THE BLIND

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section II - Financial Statement Findings

Cost Principles

08-09

Condition:

Staff in charge of pre-auditing vouchers do not always verify that expenditures are allowable under OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*. During the year, the Commission used federal funds to pay \$25 in penalties for late filing of gross receipts tax reports.

Criteria:

Fines and penalties resulting from violation of state regulations are unallowable under OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*.

Effect:

The Commission may need to reimburse for unallowable costs charged to the federal program.

Cause:

The Commission did not comply with the OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* to ensure that all costs charged to the federal program are allowable.

Recommendation:

Staff in charge of pre-auditing or approving vouchers should be knowledgeable of the OMB Circular A-87 *Cost Principles for State, Local and Tribal Governments*. A copy of OMB Circular A-87 should be made available to all staff responsible for authorizing expenditures.

Agency Response:

The Commission concurs with the Auditors recommendation that Staff in charge of pre-auditing or approving vouchers should be knowledgeable of the OMB Circular A-87 *Cost Principles for State, Local and Tribal Governments*. A copy of OMB Circular A-87 will be made available to all staff responsible for authorizing expenditures.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Procurement, Suspension and Debarment

08-10

Condition:

The Commission does not currently have a process in place to verify that vendors who provide goods and services to the Commission are not suspended or debarred from federal procurement or non-procurement programs.

Criteria:

OMB Circular A-102 *Common Rule* requires agencies to establish procedures for the effective use of the list of parties excluded from federal procurement or non-procurement programs to assure that they do not award assistance to listed parties in violation of the Executive Order.

Effect:

The Commission may be at risk of receiving goods or services from parties who have been suspended or debarred from federal procurement or non-procurement programs.

Cause:

The Commission did not comply with the OMB Circular A-102 *Common Rule* to ensure vendors do not appear on the Excluded Parties List System.

Recommendation:

The Commission should implement procedures to make sure employees with procurement responsibilities verify vendors are not on the Excluded Parties List System prior to acquiring goods and services. This website identifies parties who are excluded from federal procurement or non-procurement programs (www.epls.gov).

Agency Response:

The Commission concurs with the Auditors recommendation to implement procedures to make sure employees with procurement responsibilities verify vendors are not on the Excluded Parties List System prior to acquiring goods and services.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section II - Financial Statement Findings

Fraud Policy

08-11

Condition:

The Commission's manual of procedures addresses some elements of SAS No. 99; however, it has not established a formal fraud policy that includes a management assessment of fraud, monitoring, and procedures whereby employees can report fraud.

Criteria:

The Commission is responsible for creating an atmosphere of honesty and ethical behavior. Statement on Auditing Standards No. 99 created new requirements for management to formalize this responsibility.

Effect:

The Commission has not formally established the manner in which employees can report fraud.

Cause:

Unknown.

Recommendation:

We recommend that the Commission formalize a fraud policy as soon as possible. The policy should cover all of the necessary elements described in the condition above.

Agency Response:

The Commission concurs with the Auditors recommendation to formalize a fraud policy as soon as possible. Within the Commission, many areas, programs or sections have policies which foster an atmosphere of honesty and ethical behavior but not any that cover the over all activities of the Agency. The policy will cover all of the necessary elements described in the condition above. It will encompass many of the Agency's activities which include management assessment, monitoring, and procedures whereby employees can report fraud.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section III - Federal Awards Findings

MATERIAL WEAKNESS

Program Income

08-12

Department of Education
Rehabilitation Services
CFDA #84.126
Questioned Costs: \$ 0

Condition:

Program income received in federal fiscal years ending 2007 and 2008 were not used to reduce program expenditures. The Commission also stated that program income from prior fiscal years, 2003 through 2006, were not used to reduce program costs.

Criteria:

The Commission is authorized to treat program income as a deduction from total allowable costs or as an addition to the grant funds to be used for additional allowable program expenditures, in accordance with 34 CFR sections 80.25(g)(1) or (2) (34 CFR section 361.63).

Effect:

The Commission has overstated grant share of program costs for fiscal year 2008 and prior.

Cause:

The individual(s) in charge of preparing forms 269 inadvertently left out the program income received.

Recommendation:

We recommend that the Commission reduce the amount of the grant receivable balance reflected in the general ledger to adequately account for the utilization of the program income received.

Agency Response and Corrective Action:

The Commission concurs with the Auditors recommendation to reduce the amount of the federal grant receivable balance reflected in the general ledger to adequately account for the utilization of the program income received.

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section III - Federal Awards Findings

MATERIAL WEAKNESS

**Financial Reporting
Basic Support**

08-13

Department of Education
Rehabilitation Services
CFDA #84.126
Questioned Costs: \$ 0

Condition:

The Commission uses spreadsheets that summarize wages, employee benefits and payment vouchers to determine total program costs. Also, the spreadsheet used to determine total program costs included 100% of administrative salaries and benefits instead of the indirect cost rate of 12.6%.

Criteria:

Reports submitted to the federal awarding agency should include all activity of the reporting period and be supported by the underlying accounting system. The reports should be fairly presented in accordance with program requirements. Total outlays for the program consist of predetermined federal and state shared rates.

Effect:

The spreadsheet used to support total program costs excluded journal entries, reclassifications, operating transfers, etc. that were reflected in the accounting system but not included in total program costs. These entries may either increase or decrease the overall program expenditures. The Commission also overstated the program expenditures when it used 100% of administrative wages and benefits instead of the indirect cost rate.

Cause:

The Commission uses neither the general ledger report nor the budget status report generated from its accounting system to prepare the federal financial status report.

Recommendation:

The Commission should use the general ledger report such as the A611 or the budget status report (NM02) to prepare the federal financial status report. Reconciliation may be necessary to exclude other programs and administrative related expenditures to derive at total program cost.

STATE OF NEW MEXICO
COMMISSION FOR THE BLIND

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section III - Federal Awards Findings

MATERIAL WEAKNESS

Financial Reporting 08-13
Basic Support - continued

Agency Response and Corrective Action:

The Commission concurs with the Auditors recommendation to use the general ledger report such as the A611 or the budget status report (NM02) to prepare the federal financial status report. Reconciliation may be necessary to exclude other programs and administrative related expenditures to derive at total program cost.

STATE OF NEW MEXICO
COMMISSION FOR THE BLIND

Prior Year Findings

Year Ended June 30, 2008

<u>Reference Number</u>	<u>Condition</u>	<u>Disposition</u>
07-01	Internal Accounting System Reconciliation	Repeated and modified as #08-02
07-02	General Ledger Reconciliation	Repeated and modified as #08-03

**STATE OF NEW MEXICO
COMMISSION FOR THE BLIND**

Exit Conference

June 30, 2008

The contents of this report were discussed at an exit conference held on January 30, 2009 with the following in attendance:

New Mexico Commission for the Blind

Greg D. Trapp, Executive Director
Sandy B. Sandoval, Deputy Director Administrative Services
Evelyn Blair, Executive Assistant

Zlotnick, Laws & Sandoval, P.C.

Richard Sandoval, CPA
Ban Trinh, CPA
Stacy Wilson

We appreciate the opportunity to be of service to the New Mexico Commission for the Blind and also appreciated the assistance provided to us by the management and staff.