



**Financial Statements and Schedules
With Independent Auditor's Report Thereon**

For the Year Ended June 30, 2009

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

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

Official Roster

June 30, 2009

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, and each major fund information of the State of New Mexico, Commission for the Blind (Commission), as of and for the year ended June 30, 2009 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 accompanying schedule for the year ended June 30, 2009 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 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, 2009 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, and each major fund information of the Commission as of June 30, 2009, 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, 2009, 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 March 17, 2010 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.

Zlotnick, Laws & Sandoval, P.C.

March 17, 2010

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

Management's Discussion and Analysis

June 30, 2009

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, 2009

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, 2009

Financial Analysis of the Commission, as a Whole

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and other assets	\$ 2,031,894	25,662	215,381	195,806	2,247,275	221,468
Capital and non-current assets	923,420	973,869	64,161	73,550	987,581	1,047,419
TOTAL ASSETS	\$ 2,955,314	999,531	279,542	269,356	3,234,856	1,268,887
LIABILITIES						
Current liabilities	\$ 3,775,267	1,945,502	378,056	385,598	4,153,323	2,331,100
Long-term liabilities	51,833	52,717	3,107	-	54,940	52,717
TOTAL LIABILITIES	3,827,100	1,998,219	381,163	385,598	4,208,263	2,383,817
NET ASSETS						
Invested in capital assets net of related debt	923,420	973,869	64,161	73,550	987,581	1,047,419
Restricted for capital projects	195,046	10,398	-	-	195,046	10,398
Unrestricted	(1,990,252)	(1,982,955)	(165,782)	(189,792)	(2,156,034)	(2,172,747)
TOTAL NET ASSETS	(871,786)	(998,688)	(101,621)	(116,242)	(973,407)	(1,114,930)
TOTAL LIABILITIES AND NET ASSETS	\$ 2,955,314	999,531	279,542	269,356	3,234,856	1,268,887

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

Management's Discussion and Analysis

June 30, 2009

Financial Analysis of the Commission, as a Whole - continued

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
PROGRAM REVENUE						
Charges for services	\$ -	-	317,719	419,198	317,719	419,198
Operating grants and contributions	4,339,321	2,280,203	311,911	169,054	4,651,232	2,449,257
TOTAL PROGRAM REVENUE	4,339,321	2,280,203	629,630	588,252	4,968,951	2,868,455
GENERAL REVENUE						
Other revenue	220,111	180,722	3,075	37,026	223,186	217,748
Non-operating gifts and grants	2,952	1,229	100	-	3,052	1,229
Transfers	1,974,400	1,857,800	111,900	111,600	2,086,300	1,969,400
TOTAL GENERAL REVENUE	2,197,463	2,039,751	115,075	148,626	2,312,538	2,188,377
EXPENSES:						
Rehabilitation	6,409,882	6,849,481	730,084	799,756	7,139,966	7,649,237
INCREASE (DECREASE) IN NET ASSETS	126,902	(2,529,527)	14,621	(62,878)	141,523	(2,592,405)
NET ASSETS, BEGINNING OF YEAR	(998,688)	1,530,839	(116,242)	(53,364)	(1,114,930)	1,477,475
NET ASSETS, END OF YEAR	\$ (871,786)	(998,688)	(101,621)	(116,242)	(973,407)	(1,114,930)

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

Management's Discussion and Analysis

June 30, 2009

Summary of Current Year Financial Activities

The Commission's overall net assets decreased 216%, excluding adjustment for overstating federal receivable in prior year. Net assets increased by 17% 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.

- Expenses for governmental activities decreased by \$439,599 or 6.4% due to decrease in consumer spending and decrease in capital expenditures. Federal grants increased by \$2,059,118 or 90.3% because an adjustment was made to correct overstated federal grants receivable in prior year (see Note 7). The comparative financial statements on previous pages reflect adjusted amounts for prior period adjustment. Net assets also increased due to reconciliation of program income and the grant revenues.
- Expenses for business-type activities decreased by \$69,672 or 8.7% due to closure of the Albuquerque training center in December, which also decreased charges for services and the additional write-off for allowance for doubtful accounts. Federal grants increased by \$142,857 or 84.5% because an adjustment was made to correct overstated federal grants receivable in prior year. Net assets also increased due to correction made to prior period amounts.

Significant downturn economic conditions on a national and state level are having a significant impact on the financial position or results of operations within the governmental activities.

Budget

For the General Fund revenue and expenses, there was an increase of \$638,562 between the original and final budgets. This increase was due to the ARRA Federal stimulus grant, awarded February 17, 2009. 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. The Commission reconciled program income back to the 2003 Federal fiscal year in order accurately account for all program income available to the Agency. This exercise updated total expenditures for the identified periods and now is accurately reflected on the Federal 269 reports for all open years. In accomplishing this exercise the Commission was able to make necessary adjustment to the federal grants receivable so that Financial Statements are accurately reflected. 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.

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

Management's Discussion and Analysis

June 30, 2009

Capital Assets

During FY 2009, the Commission purchased a Dell Power vault for \$6,257 to increase the server storage.

Debt

Long-term debt, which consists of accrued compensated absences, increased by \$2,223 or 4%. 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 2008 - 2009	
Vocational Rehabilitation Program	441
Adult Orientation Center	17
Students in Transition to Employment Program	18
Assistive Technology Service	521
Employment Development Center	22
Business Enterprise Program	25
Independent Living/Older Blind Program	549
Newsline for the Blind	5,220
Emergency Eye Care Program	188

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

Management's Discussion and Analysis

June 30, 2009

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.

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.

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 2009, STEP served 18 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, 2009

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) continued to produce top quality products manufactured by blind people and sold to federal, state and local governments, private companies and organizations. EDC also produced and sold colorful canvas tote bags, wine bags, laundry bags, suede paperweights, leather coasters, picnic tablecloths, placemats and other products. This enterprise entity was closed at the end of February 2009.

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 2009 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 2009, the IL/OB program served 549 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.

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.

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

Management's Discussion and Analysis

June 30, 2009

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 2009, 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 188 patients with surgeries in fiscal year 2009, 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, 2009

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

Newsline

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, 2009

COMMISSION FOR THE BLIND CLIENTS SERVED BY COUNTY

Bernalillo	327	Harding	2	Roosevelt	5
Catron	2	Hidalgo	1	San Juan	27
Chaves	34	Lea	10	San Miguel	20
Cibola	13	Lincoln	10	Sandoval	49
Colfax	20	Los Alamos	8	Santa Fe	78
Curry	20	Luna	4	Sierra	5
DeBaca	1	McKinley	22	Socorro	6
Dona Ana	73	Mora	2	Taos	23
Eddy	17	Otero	50	Torrance	3
Grant	17	Quay	11	Union	1
Guadalupe	3	Rio Arriba	34	Valencia	29

(Numbers do not include NEWSLINE subscribers.)

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

Management's Discussion and Analysis

June 30, 2009

**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, 2009

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS			
Due from the federal government	\$ 2,030,054	138,010	2,168,064
Inventories	-	76,384	76,384
Other assets	1,840	987	2,827
Capital assets, net	923,420	64,161	987,581
TOTAL ASSETS	<u>\$ 2,955,314</u>	<u>279,542</u>	<u>3,234,856</u>
LIABILITIES			
Overdraft of investment in State General Fund Investment Pool	\$ 3,053,305	270,346	3,323,651
Accounts payable	209,639	2,042	211,681
Accrued Payroll	170,104	26,542	196,646
Due to other state agencies	1,946	416	2,362
Due to general fund	19,277	967	20,244
Other Liabilities	191,574	67,171	258,745
Compensated absences (short-term)	129,422	10,572	139,994
Compensated absences (long-term)	51,833	3,107	54,940
TOTAL LIABILITIES	<u>3,827,100</u>	<u>381,163</u>	<u>4,208,263</u>
NET ASSETS			
Invested in capital assets	923,420	64,161	987,581
Restricted for capital projects	195,046	-	195,046
Unrestricted	(1,990,252)	(165,782)	(2,156,034)
TOTAL NET ASSETS	<u>(871,786)</u>	<u>(101,621)</u>	<u>(973,407)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,955,314</u>	<u>279,542</u>	<u>3,234,856</u>

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, 2009

	Primary Government		Total
	Governmental Activities	Business- Type Activities	
EXPENSES:			
Rehabilitation	\$ 6,353,176	720,695	7,073,871
Depreciation expense	56,706	9,389	66,095
Total expenses	<u>6,409,882</u>	<u>730,084</u>	<u>7,139,966</u>
PROGRAM REVENUES:			
Charges for service	-	317,719	317,719
Operating grants and contributions	4,339,321	311,911	4,651,232
Total program revenues	<u>4,339,321</u>	<u>629,630</u>	<u>4,968,951</u>
Net program expenses	<u>(2,070,561)</u>	<u>(100,454)</u>	<u>(2,171,015)</u>
GENERAL REVENUE:			
Miscellaneous revenue	220,111	3,075	223,186
Other gifts and grants	2,952	100	3,052
Total general revenues	<u>223,063</u>	<u>3,175</u>	<u>226,238</u>
TRANSFERS:			
General fund appropriation	1,960,400	111,900	2,072,300
Other financing sources	15,800	-	15,800
Reversion to State General Fund	(1,800)	-	(1,800)
CHANGE IN NET ASSETS	<u>126,902</u>	<u>14,621</u>	<u>141,523</u>
NET ASSETS AT BEGINNING OF YEAR			
As previously reported	760,185	77,644	837,829
Adjustment for overstating federal receivable in prior year (Note 7)	<u>(1,758,873)</u>	<u>(193,886)</u>	<u>(1,952,759)</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>(998,688)</u>	<u>(116,242)</u>	<u>(1,114,930)</u>
NET ASSETS END OF YEAR	<u>\$ (871,786)</u>	<u>(101,621)</u>	<u>(973,407)</u>

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, 2009

	<u>General Fund</u>
ASSETS	
Due from federal government	\$ 2,030,054
Other assets	1,840
	<hr/>
TOTAL ASSETS	\$ 2,031,894
	<hr/> <hr/>
LIABILITIES	
Overdraft of investment in State General Fund Investment Pool	\$ 3,053,305
Accounts payable	209,639
Accrued payroll	170,104
Due to other state agencies	1,946
Due to State General Fund	19,277
Other liabilities	191,574
	<hr/>
TOTAL LIABILITIES	3,645,845
	<hr/>
FUND BALANCES	
Reserved for capital projects	195,046
Unreserved	(1,808,997)
	<hr/>
TOTAL FUND BALANCE	(1,613,951)
	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,031,894
	<hr/> <hr/>

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, 2009

	<u>General Fund</u>
TOTAL FUND BALANCE - ALL GOVERNMENTAL FUNDS (Governmental Fund Balance Sheet)	\$ (1,613,951)
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	923,420
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>(181,255)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Net Assets)	<u><u>\$ (871,786)</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, 2009

	General Fund
REVENUES:	
Other gifts and grants	\$ 2,953
Federal grants	4,339,321
Miscellaneous revenue	220,111
Total revenues	4,562,385
EXPENDITURES:	
General government:	
Current:	
Personal services and benefits	3,990,773
Contract Services	101,436
Other Costs	835,792
Care and Support	1,468,002
Capital outlay	6,257
Total expenditures	6,402,260
Excess (deficiency) of revenues over expenditures	(1,839,875)
OTHER FINANCING SOURCES (USES):	
State general fund appropriation	1,960,400
Other financing sources	15,800
Reversion to State General Fund	(1,800)
Total other financing sources	1,974,400
Net change in fund balance	134,525
Fund Balance at Beginning of Year	
As previously reported	10,397
Adjustment for overstating federal receivable in prior year (Note 7)	(1,758,873)
Fund Balance at Beginning of Year, as Restated	(1,748,476)
Fund Balance at End of Year	\$ (1,613,951)

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, 2009

	<u>General Fund</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - (Statement of Revenues, Expenditures, and Changes in Fund Balance)	\$ 134,525
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Depreciation expense reported in statement of activities	(56,706)
Capital outlay reported in governmental expenditures	6,257
Net change in long-term debt reported as accrued compensated absences	<u>42,826</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Activities)	<u><u>\$ 126,902</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, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Federal Grants	\$ 5,311,100	5,977,562	2,876,364	(3,101,198)
Other Gifts & Grants	-	-	2,953	2,953
Miscellaneous Revenue	103,600	103,600	220,111	116,511
General Fd. Appropriation	1,988,300	1,960,400	1,960,400	-
Other Financing Sources	15,800	15,800	15,800	-
Total Revenues	\$ 7,418,800	8,057,362	5,075,628	(2,981,734)
EXPENDITURES				
Current:				
Personal services and benefits	\$ 4,400,700	4,403,400	3,990,773	412,627
Contractual services	192,300	191,300	101,437	89,863
Other	2,825,800	3,462,662	2,313,776	1,148,886
Total Expenditures	\$ 7,418,800	8,057,362	6,405,986	1,651,376

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, 2009

	Switchboard Operation
ASSETS	
Current Assets:	
Due from the federal government	\$ 138,010
Inventory	76,384
Other current assets	987
Total Current Assets	215,381
Non-Current Assets	
Capital assets, net	64,161
TOTAL ASSETS	\$ 279,542
LIABILITIES	
Current Liabilities:	
Cash overdraft	\$ 270,346
Accounts payable	2,042
Accrued payroll Liabilites	26,542
Due to other state agencies	416
Due to state general fund	967
Other liabilities	67,171
Compensated absences - short-term	10,572
Compensated Absences - long-term	3,107
Total Current Liabilities	381,163
NET ASSETS:	
Invested in capital assets	64,161
Unrestricted	(165,782)
TOTAL NET ASSETS	(101,621)
TOTAL LIABILITIES AND NET ASSETS	\$ 279,542

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, 2009

	<u>Switchboard Operation</u>
OPERATING REVENUES:	
Sales	\$ 317,719
Miscellaneous revenue	<u>3,075</u>
TOTAL OPERATING REVENUES	<u>320,794</u>
OPERATING EXPENSES:	
Personal services and benefits	594,504
Contract Services	13,515
Other Costs	112,676
Depreciation Expense	<u>9,389</u>
TOTAL OPERATING EXPENSES	<u>730,084</u>
OPERATING LOSS	<u>(409,290)</u>
NON-OPERATING REVENUE:	
State appropriation	111,900
Federal grants	311,911
Other gifts and grants	<u>100</u>
TOTAL NON-OPERATING REVENUE	<u>423,911</u>
CHANGE IN NET ASSETS	14,621
NET ASSETS AT BEGINNING OF YEAR	
As previously reported	77,644
Adjustment for overstating federal receivable in prior year (Note 7)	<u>(193,886)</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>(116,242)</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (101,621)</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, 2009

	<u>Switchboard Operation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 245,348
Payments to suppliers	(70,493)
Payments to employees	(633,765)
Payments to other funds	<u>(27,363)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(486,273)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriation	111,900
Federal grants	311,911
Other	<u>100</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>423,911</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)	(62,362)
BALANCE, BEGINNING OF YEAR	<u>(207,984)</u>
BALANCE, END OF YEAR	<u><u>\$ (270,346)</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, 2009

**Switchboard
Operation**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES:**

OPERATING INCOME (LOSS) (409,290)

**ADJUSTMENT TO RECONCILE OPERATING INCOME TO
NET CASH USED BY OPERATING ACTIVITIES:**

Depreciation expense 9,389
Bad debt expense -

CHANGE IN ASSETS AND LIABILITIES:

Receivables (75,446)
Inventory 55,872
Accounts payable (347)
Accrued payroll (33,848)
Due to other funds (27,363)
Other liabilities 173
Compensated absences (5,413)

NET CASH USED BY OPERATING ACTIVITIES (486,273)

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, 2009

	<u>Business Enterprise Program</u>
ASSETS:	
Cash and temporary investments	\$ 94,396
Due from external parties	659,352
Capital assets, net	<u>74,761</u>
TOTAL ASSETS	<u>828,509</u>
LIABILITIES	
Accounts payable	<u>630,643</u>
TOTAL LIABILITIES	<u>630,643</u>
NET ASSETS	
Held in trust for business enterprise program	<u><u>\$ 197,866</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, 2009

	Business Enterprise Program
ADDITIONS:	
Set aside fees	\$ 372,062
Investment earnings	2,733
Other income	4,727
	<hr/>
Total additions	379,522
	<hr/>
DEDUCTIONS:	
Program operating expenses	198,155
Depreciation	9,024
Expendable equipment	117,103
	<hr/>
Total deductions	324,282
	<hr/>
CHANGE IN NET ASSETS	55,240
NET ASSETS JUNE 30, 2008	142,626
	<hr/>
NET ASSETS JUNE 30, 2009	\$ 197,866
	<hr/> <hr/>

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, 2009**

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 applies 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 data of the state.

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.

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

**Notes to the Financial Statements
June 30, 2009**

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 switchboard operation (New Mexico Industries for the Blind) is included in the Commission's Enterprise Fund.

The Commission does not have any component units.

Basis of Accounting – GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

The statement of net assets and the statement of activities display information about the Commission, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide financial statements

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. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grants revenue is recorded when all applicable eligibility or reimbursement requirements are met.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – GASB Statement No. 34 - continued

Fund financial statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Commission’s actual experience confirms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Commission first uses restricted resources then unrestricted resources.

The accounts of the Commission are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Commission:

Governmental Funds

General Fund (SHARE fund #04700) – 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.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – GASB Statement No. 34 - continued

Proprietary Funds

Enterprise fund (SHARE fund #02400) - 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, accountability, or other purposes. Operating revenues include sales and miscellaneous income from business operations. All other revenue is considered non-operating.

The Enterprise Fund includes the Holloman contract, which provides switchboard operation for the Holloman Air Force Base, and 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 Commission closed the training center in February 2009.

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 unexpended funds at June 30th are to be used as a match against future federal grants.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – GASB Statement No. 34 - continued

Fiduciary Fund

Private Purpose Trust Funds – These are used to account for assets held and administered on behalf of individuals participating in the Vending Facilities Program (Business Enterprise Program) - 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. The Commission uses QuickBooks accounting software to keep track of the activities in this program.

Cash and Investments

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 the Interest in State General Fund Investment Pool.

Receivables

All receivables are fully collectible.

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.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 & equipment	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 service 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.

Equity

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- i. *Invested in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Commission has no outstanding debt relating to capital assets.
- ii. *Restricted net assets*, consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation; or imposed by law through constitutional provisions or enabling legislation.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity continued

- iii. *Unrestricted net assets* are all other net assets that do not meet the definition of “restricted” or “invested in capital assets.” The deficit reflected in the statement is caused primarily by accrued compensated absences at year end that have not been funded and other factors as described in note 7.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balances at year end represent amounts reserved for future program specific expenditures.

Program Revenues

Program revenues include federal and state grants, charged for services and merchandise sales. Grant revenues are recognized when all eligibility requirements have been met.

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). 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.

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

**Notes to the Financial Statements
June 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Data – continued

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.

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.

Inter-fund Activity

Inter-fund receivables or payables at year end are netted as part of the reconciliation to the government-wide financial statements.

2. COLLATERAL PLEDGED BY FINANCIAL INSTITUTIONS

Section 6-10-17, NMSA 1978 compilation requires that banks or savings and loans provide additional collateral on funds held that exceed the FDIC insurance limit. These excess funds are required to be fifty percent collateralized. The collateralization of the Commission's bank accounts is monitored by the State Treasurer's Office. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure State Treasurer cash and investments. Bank account balances at year end did not exceed FDIC limit.

3. INVESTMENTS

	<u>Balance</u>
State Treasurer's General Fund	
Investment Pool (GFIP):	
Governmental Fund	\$ (3,053,305)
Proprietary Fund	<u>(270,346)</u>
Total interest in State GFIP	<u>\$ (3,323,651)</u>

The Commission had an overdraft of (\$3,323,651).

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

**Notes to the Financial Statements
June 30, 2009**

3. INVESTMENTS – continued

Credit Risk

The State Treasurer’s General Fund Investment Pool is 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, 2009.

4. INVENTORIES

Inventory at year end is valued at cost.

Raw Materials	\$ 59,572
Finished Goods	16,812

Total	\$ 76,384

The Commission closed its manufacturing operations in February 2009, and required additional time to assess the true value of its inventory and to determine whether the inventory can be sold or donated to another state entity.

5. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2009 was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Government Activities:				
Non-depreciable assets:				
Land	\$ 326,185	-	-	\$ 326,185
Depreciable assets:				
Buildings and improvements	1,175,980	-	-	1,175,980
Machinery and equip.	2,205,283	6,257	-	2,211,540
	3,707,448	6,257	-	3,713,705
Accumulated depreciation:				
Buildings and improvements	(636,438)	(3,990)	-	(640,428)
Machinery and equip.	(2,097,141)	(52,716)	-	(2,149,857)
	(2,733,579)	(56,706)	-	(2,790,285)
 Total capital assets, net	 \$ 973,869	 (50,449)	 -	 \$ 923,420

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

**Notes to the Financial Statements
June 30, 2009**

5. CAPITAL ASSETS – continued

Current year depreciation related to governmental activities is \$ 56,706

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Business-Type Activities:				
Non-depreciable assets:				
Land	\$ 20,068	-	-	\$ 20,068
Depreciable assets:				
Building and improvements	264,894	-	-	264,894
Machinery and equipment	151,898	-	-	151,898
Total	<u>436,860</u>	<u>-</u>	<u>-</u>	<u>436,860</u>
Accumulated depreciation:	<u>(363,310)</u>	<u>(9,389)</u>	<u>-</u>	<u>(372,699)</u>
Total capital assets, net	<u>\$ 73,550</u>	<u>(9,389)</u>	<u>-</u>	<u>\$ 64,161</u>

There is no debt related to capital assets. Current year depreciation related to business-type activities is \$ 9,389

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Private Purpose Trust				
Depreciable assets:				
Building and improvements	\$ -	33,093	-	\$ 33,093
Machinery and equip	5,390	27,560	-	32,950
Vehicles	19,500	-	-	19,500
Total	<u>24,890</u>	<u>60,653</u>	<u>-</u>	<u>85,543</u>
Accumulated depreciation	<u>(1,758)</u>	<u>(9,024)</u>	<u>-</u>	<u>(10,782)</u>
Total capital assets, net	<u>\$ 23,132</u>	<u>51,629</u>	<u>-</u>	<u>\$ 74,761</u>

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 \$9,024.

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

**Notes to the Financial Statements
June 30, 2009**

6. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in compensated absences:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Government Activities:					
Annual Leave	\$ 222,806	160,976	204,305	179,477	\$ 127,644
Sick Leave	1,276	3,854	3,352	1,778	1,778
Total	<u>\$ 224,082</u>	<u>164,830</u>	<u>207,657</u>	<u>181,255</u>	<u>129,422</u>
Business-Type Activities:					
Annual Leave	<u>19,092</u>	<u>23,162</u>	<u>28,575</u>	<u>13,679</u>	<u>\$ 10,572</u>

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

7. PRIOR PERIOD ADJUSTMENT & NET ASSETS DEFICIT

At year end, the Commission had an unrestricted net asset deficit of \$2,156,034 (\$1,990,252 from the governmental activities and \$165,782 from the business-type activities). There were many factors attributable to the net assets deficit; a) Federal grants receivable from prior years were overstated and did not account for cash draw downs. b) The Commission budgeted and expended more than the actual available grant balances (ie, Federal grant period ends on September 30th, and State fiscal year ends on June 30th). The Commission budgets one-fourth of the grant award from the federal fiscal year in the subsequent state fiscal year. The unexpended grant balance was less than the amount budgeted therefore causing the Commission to expend in excess of the available grant balance. c) For the past seven years, the Albuquerque training center had operating losses in excess of \$1 million. The program did not generate adequate operating and non-operating revenues to cover its expenses.

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

**Notes to the Financial Statements
June 30, 2009**

8. OPERATING LEASES

The Commission leased certain office space and office equipment under lease agreements with various terms. Expenditures for operating leases for the year ended June 30, 2009 amounted to \$205,394 for office rental and \$23,643 for equipment rental.

Annual future minimum lease payments are as follows:

	Office	Equipment
2010	\$ 198,788	\$ 19,020
2011	195,141	15,913
2012	191,608	14,527
2013	156,001	7,051
2014	4,208	2,761
Thereafter	-0-	-0-
Total	\$ 745,746	\$ 59,272

9. PERA RETIREMENT PLANS

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 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, 2009, 2008 and 2007 were \$505,810, \$521,425 and \$536,829, respectively, equal to the amount of required contributions for the year.

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

**Notes to the Financial Statements
June 30, 2009**

**10. 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.

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.

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

**Notes to the Financial Statements
June 30, 2009**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. 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, 2009, 2008 and 2007 were \$38,663, \$39,923 and \$43,107, respectively, which equal the required contributions for each year.

11. RECONCILIATION BETWEEN BUDGETARY AND GAAP

A reconciliation of revenue and expenditures on the budgetary basis to revenues and expenditures on a GAAP basis for the fiscal year ended June 30, 2009 follows:

<u>General Fund</u>	
Revenue	
Budgetary Basis	\$ 5,075,628
Grants receivable adjustment	1,462,957
Reclassified to other financing sources/uses	(1,976,200)
GAAP basis	\$ <u>4,562,385</u>
Expenditures	
Budgetary Basis	\$ 6,405,986
Error correction	(3,726)
GAAP basis	\$ <u>6,402,260</u>

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

**Notes to the Financial Statements
June 30, 2009**

12. 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. As of June 30, 2009, the Commission had expended a total of \$4,954.

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.

13. SPECIAL APPROPRIATION

The Commission received \$25,000 special appropriation under 2008 Senate Bill 165 for expenditures in fiscal year 2009 for positions to provide rehabilitation training. The Commission expended the entire amount at year end. The appropriation is included in transfers on the Statement of Activities and the Statement of Revenues, Expenditures and Changes in Fund Balance – General Funds.

14. 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 01, 2008 through June 30, 2009.

SUPPLEMENTARY INFORMATION

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

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

For the Year Ended June 30, 2009

	PROPRIETARY FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
REVENUES:				
Other	\$ -	-	37,763	37,763
Other Sales Of Services	317,600	317,600	316,554	(1,046)
Federal Grants	413,400	413,400	103,451	(309,949)
Other Gifts & Grants	-	-	100	100
Miscellaneous Revenue	-	-	3,075	3,075
General Fd. Appropriation	111,900	111,900	111,900	-
Intra-St Wts Fed Grants	-	-	601	601
Total Revenues	<u>842,900</u>	<u>842,900</u>	<u>573,444</u>	<u>(269,456)</u>
EXPENDITURES				
Current:				
Personal services and benefits	720,900	720,900	599,917	120,983
Contractual services	15,100	15,100	13,515	1,585
Other	106,900	106,900	56,804	50,096
Total Expenditures	<u>842,900</u>	<u>842,900</u>	<u>670,236</u>	<u>172,664</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(96,792)</u>	
ADJUSTMENTS TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Revenue adjustments			171,261	
Compensated absences			5,413	
Depreciation expense			(9,389)	
Inventory adjustment			<u>(55,872)</u>	
CHANGES IN NET ASSETS AS REPORTED ON STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET ASSETS			<u>\$ 14,621</u>	

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, 2009

<u>Bank Name Account Title</u>	<u>Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
PRIMARY GOVERNMENT			
Interest in State General Fund Investment Pool			
Commission for the Blind	04700		\$ (3,053,305)
Switchboard Operation	02400		<u>(270,346)</u>
			<u><u>\$ (3,323,651)</u></u>
PRIVATE PURPOSE TRUST FUND			
Wells Fargo Bank New Mexico, N.A.			
Business Enterprise Program	CDs	\$ 63,327	\$ 63,327
Bank of America			
Set Aside Fund	4390802901	34,554	11,135
FLETC	4390802914	<u>19,934</u>	<u>19,934</u>
		<u><u>\$ 117,815</u></u>	<u><u>\$ 94,396</u></u>

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

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

Schedule of Operating Transfers

For the Year Ended June 30, 2009

SHARE FUND	TITLE	TRANSFER	
		IN	OUT
General Fund (04700)			
(1) 85300	Department of Finance and Administration	\$ 1,935,400	\$ -
(2) 85301	Department of Finance and Administration	15,800	-
(3) 85302	Department of Finance and Administration	25,000	-
(4) 85303	Department of Finance and Administration	-	1,800
Proprietary Fund (02400)			
(1) 85300	Department of Finance and Administration	111,900	-
		\$ 2,088,100	\$ 1,800

- (1) General Fund Appropriation, Laws of 2008, Chapter 3, Section 4.
- (2) Compensation Package, Laws of 2008, Chapter 13, Section 8.
- (3) Special Appropriation, Senate Bill 165, 2008 regular session.
- (4) Reversion to State General Fund

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

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

Joint Powers Agreement

For the Year Ended June 30, 2009

- a) Participants: The Commission for the Deaf and Hard of Hearing Persons & the Commission for the Blind.
- b) Responsible party for operations: The Commission for the Blind.
- c) Descriptions - to establish a cooperative and mutually beneficial relationship between the agencies in regard to enhancing information access services to people who are both deaf and blind, or who have combined vision and hearing loss. The Commission for the Blind shall be responsible for dissemination of information about NFB-Newsline, registration of new users, provision of training to new users, maintenance of the state information channel, and answering requests for assistance from users experiencing difficulty with the system or who otherwise require some additional support. In doing this, the Commission for the Blind shall be responsible to effectively communicate with those persons seeking assistance as specified by the Americans with Disabilities Act.
- d) Beginning and ending dates of agreement: July 1, 2008 to June 30, 2009.
- e) Total estimated amount of project is \$85,000.
- f) The Commission for the Deaf and Hard of Hearing Persons contributed \$135,000 in the current fiscal year.
- g) The Commission for the Blind has audit responsibility.
- h) The Commission for the Blind is the fiscal agent.
- i) The Commission for the Blind reports all revenues and expenditures.

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

Memorandum of Understanding

For the Year Ended June 30, 2009

- a) Participants: The NM Department of Health & the Commission for the Blind.
- b) Responsible party for operations: The Commission for the Blind.
- c) Descriptions - Provide blind and visually impaired children birth to 21 years of age, who have no funding options, with assistive technology such as Closed Circuit Television systems, screen readers, screen enlargement software, Franklin Language master, Talking Typer, Text Bridge, Perkins Braille writer, and Braille Note takers.
- d) Beginning and ending dates of agreement: July 1, 2008 to June 30, 2009.
- e) Total estimated amount of project is \$80,000.
- f) The NM Department of Health contributed \$80,000 in the current fiscal year.
- g) The Commission for the Blind has audit responsibility.
- h) The Commission for the Blind is the fiscal agent.
- i) The Commission for the Blind reports all revenues and expenditures.

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

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor Pass-Through Grantor Program Title	C DFA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Basic Support Grant	84.126	H126A00046	* \$ 4,192,765
Supported Employment	84.187	H187A00047	9,782
Independent Living Part B	84.169	H169A00047	55,583
Independent Living Part C O/B	84.177	H177B090031	225,001
Training Grant	84.265	H265A050060-08	4,149
TOTAL FEDERAL EXPENDITURES			\$ 4,487,280

*** Denotes Major Program**

Note 1> Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on an accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2> Outstanding Loans and Subrecipients

The Commission does not receive non-cash assistance, outstanding loan nor provides federal awards to subrecipients.

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, and each major 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, 2009 and have issued our reported thereon dated March 17, 2010. 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 08-1- through 08-3, 08-6 and 09-1.

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, of the significant deficiencies described above, we consider item 09-1 to be a material weakness.

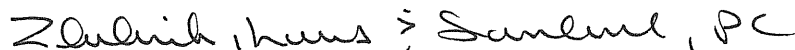
Compliance and Other Matters

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 item 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 08-08 through 08-10 and 09-2.

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.

March 17, 2010

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, 2009. 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.

As described in items 09-3 and 09-4 in the accompanying schedule of findings and questioned costs, the Commission did not comply with requirements regarding cash management and reporting requirements that are applicable to its Vocational Rehabilitation program. Compliance with such requirements is necessary, in our opinion, for the Commission to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Commission 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, 2009.

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 09-3 and 09-4 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 item 09-3 to be a material weakness.

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*

March 17, 2010

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

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: Qualified 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, 2009**

Section II - Financial Statement Findings

08-1

Late Audit Report

Condition:

The audit report for the fiscal year ended June 30, 2009 was not submitted by the December 15, 2009 deadline. It was submitted April 30, 2010.

Criteria:

The deadline for submitted state agency audit reports for the year ended June 30, 2009 cannot extend beyond December 15, 2009 as stated in Paragraph (5) 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:

In the current audit cycle the Agency took the Auditors recommendation to delegate responsibilities of Chief Finance Officer to someone who is experienced and competent. The Agency also hired individuals with knowledge, experience and competent in the administration of financial data in the agency general ledger.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

08-2

Internal Accounting System Reconciliation (Repeat)

Condition:

The Commission is recording Business Enterprise fund (Private Purpose Trust 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:

Monthly bank reconciliations for the Business Enterprise Program are being performed on a monthly basis and many procedures have changed to be in accordance with DFA's MAP standards and policies. The only item left of the original finding is to post monthly summary entries into SHARE.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

08-3

General Ledger Reconciliation (Revised & repeated)

Condition:

Undistributed receipts, Receipts Held in Suspense, Warrants Payable-Clearing, and State Dated Warrants accounts have not been reconciled. These accounts totaled \$282,319 at year end for both the General Fund and the Proprietary Fund.

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:

Revenues and other liabilities may be misstated. Errors or misstatements that may have occurred can go undetected.

Cause:

The Commission relies on DFA to reconcile these accounts.

Recommendation:

We recommend that reconciliations of suspense accounts be performed regularly. The accounting staff should be able to identify the components of the suspense account at any given time.

Agency Response:

As of July the Agency has started implement procedures to review trail balances frequently in order to insure proper accounting treatment of all transactions but have not completed the process yet.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

08-6

Auditor Prepared Financial Statements (Repeat)

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 current staff workload does not allow enough 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:

We have allocated a significant amount of resources in order to eliminate the finding. The poor economic conditions and the Governor's hiring freeze have contributed to our inability to fully complete the process. In the current cycle all information was provided to the IPA on agency created excel schedules including reconciliation information and adjusting entries. The Agency feels the measures and activities taken in the current fiscal year address and clears this finding.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

MATERIAL WEAKNESS

09-1

Fund Balance Deficit

Condition:

The Commission experienced a fund balance deficit at year end in excess of \$1.8 million in the general fund and a net asset deficit of over \$165 thousand in the proprietary fund.

Criteria:

The Commission operates its federal programs on a reimbursements basis, and utilizes a grants receivable account to record amounts due from the federal government.

Effect:

The grant allocation could be exceeded if federal expenditures are not appropriately reconciled.

Cause:

There are many factors that contributed to the deficits: 1) Commission uses estimates to budget its federal grants, but does not prepare a budget adjustment to reflect the actual federal awards available at the end of the grant period. 2) Prior years federal grant receivables were overstated and did not account for cash draw downs. 3) Program income received was not used to reduce program expenditures. 4) The Albuquerque Training Center was operating at a loss.

Recommendation:

The Commission needs to develop a plan that will eliminate the fund balance deficit. The Commission also needs to review its budget to make sure federal funds are available for carryover to the next State budget fiscal year.

Agency Response:

The Commission concurs with the Auditors recommendation to create a plan that will generate fund balance surpluses by reducing non-federal expenditures. We are currently in the process of identifying methods of accomplishing the task of creating a positive fund balance. Our plan is to accomplish this in the most aggressive timeframe possible. For State Fiscal Year 2010 we have implemented measures to ensure the availability of Federal Funds and adequate budget in the appropriate timeframes.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

OTHER MATTERS

08-8

Basic Support Program (Revised & Repeated)

Condition:

We examined 49 consumer files, which include the Vocational Rehabilitation (VR) Services program and the Independent Living (IL) program. We found the following exceptions:

- Five instances where the expenditures were charged to the incorrect reporting categories (ie STEP program charged to VR category).
- Three instances where the case management system shows payments made to the consumers, but we were unable to locate the authorization and the attached vendor invoices in the case file.
- One consumer got reimbursed for \$.40 per mile instead of \$.32 per mile per DFA rule.
- Two instances where the consumers filled out the IL applications for VR services.
- Three instances where actual payments to vendors differ from information disclosed in the case management system.
- VR services were paid to two consumers to attend colleges; however, there was no follow up to make sure consumers met the GPA requirement.
- One consumer did not sign the application form.
- Eligibility exceeded 60 days for one of the IL applicants.
- We also found payments posted to the AWARE database did not have voucher number references, which make the transactions more difficult to audit.

Criteria:

The purpose of the Rehabilitation Act of 1973, as amended is to empower individuals with disabilities to maximize employment, economic self-sufficiency, independence, and inclusion and integration into society. The Commission for the Blind has created policies and procedures to comply with this Act.

Effect:

Data maintained in the case management system (AWARE) may not be as reliable when information is not posted correctly into the system. Also, Program funds were spent on individuals who may not meet the qualifications.

Cause:

The Manual of Operating Procedures was not followed by councilors and staff to ensure compliance with program requirements.

Recommendation:

The counselors and staff need to follow the Manual of Operating Procedures and ensure data are recorded correctly in the AWARE system.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

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, 2009**

Section II - Financial Statement Findings

08-9

Cost Principles (Revised & Repeated)

Condition:

Staff in charge of pre-auditing vouchers do not verify that expenditures are allowable under Title 2 in the Code of Federal Regulations part 225, *Cost Principles for State, Local, and Indian Tribal Governments*(OMB Circular A-87).

Criteria:

Recipients of federal grants need to comply with the OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Effect:

Unallowable expenditures could have been charged to the program.

Cause:

The Commission staff did not reference 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 and approving vouchers should be trained to recognize activities allowed or unallowed in accordance with the OMB Circular A-87 *Principles for State, Local, and Indian Tribal Governments*. A copy of OMB Circular A-87 should be made available to all staff responsible for authorizing expenditures.

Agency Response:

In state fiscal year 2010, OMB Circular A-87 *Cost Principles for State, Local and Tribal Governments* has been made available to all staff responsible for authorizing expenditures and will be cleared then.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

08-10

Procurement, Suspension and Debarment (Repeated)

Condition:

The Commission currently does not verify to ensure vendors, who provide goods and services to the Commission, are not suspended or debarred from federal procurement or nonprocurement programs.

Criteria:

34 CFR 80 *Grants Management Common Rule* requires agencies to establish procedures for the effective use of the list of parties excluded from federal procurement or nonprocurement 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 nonprocurement programs.

Cause:

The Commission did not comply with the 34 CFR 80 *Grants Management 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 nonprocurement programs (www.epls.gov).

Agency Response:

The Commission identified the Federal website that lists all vendors that have been suspended or debarred for providing goods and services to federal and non-federal procurement programs. In addition, the Commission submits all W-9 documents for processing to the Department of Finance and Administration. We are currently looking at ways to develop and implement electronic querying tools against the federal procurement, suspension and debarment data.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section II - Financial Statement Findings

09-2

Business Enterprise Program

Condition:

The Commission uses QuickBooks accounting software to record the activities for its private purpose trust fund. We tested 22 cash disbursements and found expenses were not consistently applied to the proper accounts. We were unable to locate supporting documents for 3 disbursements totaling \$15,851. We had to reclassify 8 disbursements totaling \$60,653 from expenses to capital assets because individual amounts exceeded \$5,000. In addition, the program provides loans to its operators to purchase inventory, but the transactions were not posted correctly in the accounting system to show the amount receivable from operators. We also noted that the accounting system in QuickBooks was maintained in most part on a cash basis. No accrual adjustments were made by commission staff at year end.

Criteria:

GASB #34 requires all governmental funds be presented using the current financial resources measurement focus and the modified accrual basis of accounting. Proper internal control systems should be designed to allow management and staff to prevent and detect misstatements on a timely basis.

Effect:

Material errors may occur and not be detected on a timely basis by the Commission.

Cause:

Employees posting transactions to QuickBooks did not follow the proper procedures for posting transactions to the fund.

Recommendation:

The Commission should establish proper procedures for the posting of transactions to the Business Enterprise Program and the accounting reviewed each month to ensure transactions are recorded accurately. Certain transactions required that the accounts be maintained on the accrual basis of accounting. The Commission needs to revise the bookkeeping process over this fund to allow for the accounts to be maintained on the accrual basis.

Agency Response:

The Commission concurs with the Auditors recommendation of establishing proper procedures for posting of transactions and reviewing of said transactions on a monthly basis. This finding is similar to 08-2 and will be cleared in State Fiscal Year 2010.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section III – Federal Awards Findings

09-3

Cash Management

Department of Education Rehabilitation Services CFDA #84.126 Questioned costs: \$ -0-	&	In-Service Training CFDA #84.265 Questioned costs: \$ -0-
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Condition:

The Commission operates on a reimbursement basis. On July 9, 2009, after the State fiscal year ended, the Commission drew down \$2.98 million for the basic support program. The amount of the cash draw down exceeded actual expenditures, net of program income by about \$1 million. The draw downs for the in-service training grant also exceeded expenditures by about \$11,000. The Commission utilized the excess draw down within the first quarter of the fiscal year.

Criteria:

Under OMB Circular A-133 *Compliance Supplements*, grantees that operate on a cost reimbursement basis should not have cash advances.

Effect:

The Commission will maintain cash in excess of its immediate needs.

Cause:

The Commission recalculated the amount of federal expenditures based on program income received from prior years.

Recommendation:

The Commission needs to establish reliable methods for drawing funds from its federal programs.

Agency Response:

The Commission concurs with the Auditors recommendation of establishing reliable methods of drawing down funds for our Federal partners and updating of cash management agreements with the U.S. Department of Treasury.

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

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section III – Federal Awards Findings

09-4

Financial Status Report (SF-269)

Condition:

The Commission has not filed the SF-269, Financial Status Report for the entire fiscal year. In addition, program income received was not reflected on form SF-269 report.

Criteria:

OMB Circular A-133, *Compliance Supplement*, requires grantees to file SF-269 form on a quarterly basis.

Effect:

The Commission did not report total program outlays and program income to the Department of Education during the year. Noncompliance with grant agreements could adversely affect future federal funding.

Cause:

The finance director transferred to another state agency in December 2008, and his replacement was not found until July 2009.

Recommendation:

The Commission needs to comply with the reporting requirements under OMB Circular A-133, and file the report timely.

Agency Response:

The Commission concurs with the Auditors recommendation of complying with reporting requirements and is in the process of filing reports to be in compliance with federal regulations.

**New Mexico Commission for the Blind
CORRECTIVE ACTION PLAN**

JUNE 30, 2009

To who it may concern:

New Mexico Commission for the Blind herein submits the following corrective action plan for the year ended June 30, 2009.

Independent public accounting firm performing audit:
Zlotnick, Laws & Sandoval, P.C.
Certified Public Accountants
One Calle Medico
Santa Fe, New Mexico 87505

Audit Period:
June 30, 2009

The findings from the June 30, 2009 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT AUDIT FINDINGS

Finding 08-1 Late Audit Report

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:

In the current audit cycle the Agency took the Auditors recommendation to delegate responsibilities of Chief Finance Officer to someone who is experienced and competent. The Agency also hired individuals with knowledge, experience and competent in the administration of financial data in the agency general ledger.

Finding 08-2 Internal Accounting System Reconciliation (Repeat)

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.

New Mexico Commission for the Blind CORRECTIVE ACTION PLAN

JUNE 30, 2009

Agency Response:

Monthly bank reconciliations for the Business Enterprise Program are being performed on a monthly basis and many procedures have changed to be in accordance with DFA's MAP standards and policies. The only item left of the original finding is to post monthly summary entries into SHARE.

Finding 08-3 General Ledger Reconciliation (Revised & repeated)

Recommendation:

We recommend that reconciliations of suspense accounts be performed regularly. The accounting staff should be able to identify the components of the suspense account at any given time.

Agency Response:

As of July the Agency has started implement procedures to review trail balances on a monthly basis in order to insure proper accounting treatment of all transactions. The agency has implemented a monthly reconciliation process that complies with DFA's Model Accounting Practices.

Finding 08-6 Auditor Prepared Financial Statements (Repeat)

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:

We have allocated a significant amount of resources in order to eliminate the finding. The poor economic conditions and the Governor's hiring freeze have contributed to our inability to fully complete the process. In the current cycle all information was provided to the IPA on agency created excel schedules including reconciliation information and adjusting entries. The Agency feels the measures and activities taken in the current fiscal year address and clears this finding.

Finding 08-8 Basic Support Program (Revised & Repeated)

Recommendation:

The counselors and staff need to follow the Manual of Operating Procedures and ensure data are recorded correctly in the AWARE system.

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.

New Mexico Commission for the Blind CORRECTIVE ACTION PLAN

JUNE 30, 2009

Finding 08-9 Cost Principles (Revised & Repeated)

Staff in charge of pre-auditing and approving vouchers should be trained to recognize activities allowed or un-allowed in accordance with the OMB Circular A-87 *Principles for State, Local, and Indian Tribal Governments*. A copy of OMB Circular A-87 should be made available to all staff responsible for authorizing expenditures.

Agency Response:

In state fiscal year 2010, OMB Circular A-87 Cost Principles for State, Local and Tribal Governments has been made available to all staff responsible for authorizing expenditures and will be cleared then.

Finding 08-10 Procurement, Suspension and Debarment (Repeated)

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 identified the Federal website that lists all vendors that have been suspended or debarred for providing goods and services to federal and non-federal procurement programs. In addition, the Commission submits all W-9 documents for processing to the Department of Finance and Administration. We are currently looking at ways to develop and implement electronic querying tools against the federal procurement, suspension and debarment data.

Finding 09-01 Fund Balance Deficit

Recommendation:

The Commission needs to develop a plan that will eliminate the fund balance deficit. The Commission also needs to review its budget to make sure federal funds are available for carryover to the next State budget fiscal year.

Agency Response:

The Commission concurs with the Auditors recommendation to create a plan that will generate fund balance surpluses by reducing non-federal expenditures. We are currently in the process of identifying methods of accomplishing the task of creating a positive fund balance. Our plan is to accomplish this in the most aggressive timeframe possible. For State Fiscal Year 2010 we have implemented measures to ensure the availability of Federal Funds and adequate budget in the appropriate timeframes.

New Mexico Commission for the Blind

CORRECTIVE ACTION PLAN

JUNE 30, 2009

Finding 09-02 Business Enterprise Program

Recommendation:

The Commission should establish proper procedures for the posting of transactions to the Business Enterprise Program and the accounting reviewed each month to ensure transactions are recorded accurately. Certain transactions required that the accounts be maintained on the accrual basis of accounting. The Commission needs to revise the bookkeeping process over this fund to allow for the accounts to be maintained on the accrual basis.

Agency Response:

The Commission concurs with the Auditors recommendation of establishing proper procedures for posting of transactions and reviewing of said transactions on a monthly basis. This finding is similar to 08-2 and will be cleared in State Fiscal Year 2010.

Finding 09-03 Cash Management

Recommendation:

The Commission needs to establish reliable methods for drawing funds from its federal programs.

Action Planned:

The Commission concurs with the recommendation for establishing reliable methods for drawing funds from our federal partners. We are currently in the process of determining expenditure patterns in order to develop draw patterns that coincide. Once benchmarks are established new Cash Management Agreements will be negotiated with the United States Department of Treasury and the New Mexico State Treasurer's office.

Finding 09-04 Financial Status Report (SF-269)

Recommendation:

The Commission needs to comply with the reporting requirements under OMB Circular A-133, and file the report timely.

Action Taken:

The Commission concurs with the Auditors recommendation of complying with reporting requirements and is in the process of filing reports to be in compliance with federal regulations. Reports for the current federal funding cycle have been updated and submitted in order to comply with OMB Circular A-133 and federal regulations.

Sincerely,

Sandy B. Sandoval, Deputy Director

STATE OF NEW MEXICO
COMMISSION FOR THE BLIND

Prior Year Findings

Year Ended June 30, 2009

<u>Reference Number</u>	<u>Condition</u>	<u>Disposition</u>
08-1	Late Report	Repeated
08-2	Internal Accounting System Reconciliation	Repeated
08-3	General Ledger Reconciliation	Revised & Repeated
08-4	Internal Control over Cash Receipts	Resolved
08-5	Internal Control over Payroll	Resolved
08-6	Auditor Prepared Financial Statements	Repeated
08-7	Internal Control over Cash Disbursements	Resolved
08-8	Vocational Rehabilitation Program	Revised & Repeated
08-9	Cost Principles	Revised & Repeated
08-10	Procurement, Suspension and Debarment	Revised & Repeated
08-11	Fraud Policy	Resolved
08-12	Program Income	Revised & Modified as 09-4
08-13	Financial Reporting – Basic Support	Resolved

The financial statements were prepared by the auditors, Zlotnick, Laws and Sandoval, PC.

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

Exit Conference

June 30, 2009

The contents of this report were discussed at an exit conference held on April 29, 2010 with the following in attendance:

New Mexico Commission for the Blind

Dallas Allen, Commissioner (Via conference Call)
Greg D. Trapp, Executive Director
Sandy B. Sandoval, Deputy Director Administrative Services
Kelsang Jorlam, Director of Budget & Finance
Evelyn Blair, Executive Assistant
John Fleisher, Financial Specialist
Evelyn Blair, Executive Assistant

Zlotnick, Laws & Sandoval, P.C.

Richard Sandoval, CPA
Ban Trinh, CPA

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.