

**Financial Statement and Schedules
with Independent Auditor's Report Thereon**

For the Year Ended June 30. 2010

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

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June 30, 2010

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

Official Roster

June 30, 2010

Commissioners

Arthur A. Schreiber	Chairman
Helen Savoie	Commissioner
Dallas Allen	Commissioner

Administrative Officials

Greg Trapp	Executive Director
James Salas	Deputy Director, Vocational Rehabilitation
Virginia Murphy	Deputy Director, Independent Living
Sandy Sandoval	Deputy Director, Administration and Business Enterprise
Juan Haro	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, and the budgetary comparisons for the general fund and the major special revenue fund of the State of New Mexico, Commission for the Blind (Commission), as of and for the year ended June 30, 2010 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, 2010 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.

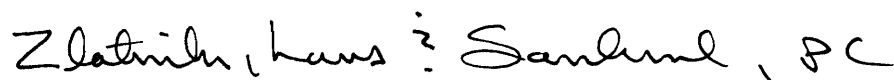
As discussed in Note 1, the financial statements of the Commission for the Blind are intended to present the financial position and changes in financial position and, where applicable, cash flows of only that portion of the financial reporting entity of the State that is attributable to the transactions 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, 2010 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, 2010, and the respective changes in financial position and, cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and the major special revenue 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 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 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 additional 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. Such information 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.

December 10, 2010

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

Management's Discussion and Analysis

June 30, 2010

Mission Statement

"Our mission is to enable persons who are blind to achieve vocational, economic and social equality by providing career preparation, training in the skills of blindness and above all, promoting and conveying the belief that blindness is not a barrier to successful employment, or to living an independent and 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, 2010

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, 2010**

Financial Analysis of the Commission as a Whole

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
ASSETS:						
Current and other assets	\$ 790,563	2,031,894	54,258	215,381	844,821	2,247,275
Capital and non-current assets	<u>1,147,004</u>	<u>923,420</u>	<u>54,772</u>	<u>64,161</u>	<u>1,201,776</u>	<u>987,581</u>
TOTAL ASSETS	<u>\$ 1,937,567</u>	<u>2,955,314</u>	<u>109,030</u>	<u>279,542</u>	<u>2,046,597</u>	<u>3,234,856</u>
LIABILITIES:						
Current liabilities	\$ 1,183,693	3,775,267	149,776	378,056	1,333,469	4,153,323
Long-term liabilities	<u>59,231</u>	<u>51,833</u>	<u>4,952</u>	<u>3,107</u>	<u>64,183</u>	<u>54,940</u>
TOTAL LIABILITIES	<u>1,242,924</u>	<u>3,827,100</u>	<u>154,728</u>	<u>381,163</u>	<u>1,397,652</u>	<u>4,208,263</u>
NET ASSETS:						
Invested in capital assets net of related debt	1,147,004	923,420	54,772	64,161	1,201,776	987,581
Restricted for Capital Projects	-	195,046	-	-	-	195,046
Unrestricted	<u>(452,361)</u>	<u>(1,990,252)</u>	<u>(100,470)</u>	<u>(165,782)</u>	<u>(552,831)</u>	<u>(2,156,034)</u>
TOTAL NET ASSETS	<u>694,643</u>	<u>(871,786)</u>	<u>(45,698)</u>	<u>(101,621)</u>	<u>648,945</u>	<u>(973,407)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,937,567</u>	<u>2,955,314</u>	<u>109,030</u>	<u>279,542</u>	<u>2,046,597</u>	<u>3,234,856</u>

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

**Management's Discussion and Analysis
June 30, 2010**

Financial Analysis of the Commission as a Whole

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
PROGRAM REVENUE:						
Charges for service	\$ -	-	377,144	317,719	377,144	317,719
Operating grants and contributions	5,335,737	4,339,321	-	311,911	5,335,737	4,651,232
TOTAL PROGRAM REVENUE	<u>5,335,737</u>	<u>4,339,321</u>	<u>377,144</u>	<u>629,630</u>	<u>5,712,881</u>	<u>4,968,951</u>
GENERAL REVENUE:						
Miscellaneous Revenue	347,299	220,111	-	3,075	347,299	223,186
Other financing sources	254,445	15,800	-	-	254,445	15,800
Non-operating gifts and grants	1,735	2,952	23	100	1,758	3,052
Transfers	1,955,800	1,960,400	111,900	111,900	2,067,700	2,072,300
Reversion to State General Fund (Budget Reduction)	(53,400)	(1,800)	-	-	(53,400)	(1,800)
TOTAL GENERAL REVENUE	<u>2,505,879</u>	<u>2,197,463</u>	<u>111,923</u>	<u>115,075</u>	<u>2,617,802</u>	<u>2,312,538</u>
EXPENSES						
Rehabilitation	6,435,545	6,353,176	427,337	720,695	6,862,882	7,073,871
Depreciation	99,439	56,706	9,389	9,389	108,828	66,095
Loss on impairment of assets	-	-	76,384	-	76,384	-
Total Expenses	<u>6,534,984</u>	<u>6,409,882</u>	<u>513,110</u>	<u>730,084</u>	<u>7,048,094</u>	<u>7,139,966</u>
INCREASE (DECREASE) IN NET ASSETS	1,306,632	126,902	(24,043)	14,621	1,282,589	141,523
NET ASSETS, BEGINNING OF YEAR						
As Previously Reported	(871,786)	760,185	(101,621)	77,644	(973,407)	837,829
Adjustment for undistributed receipts and other account balances in prior year	259,797	(1,758,873)	79,966	(193,886)	339,763	(1,952,759)
NET ASSETS BEGINNING OF YEAR, RESTATED	<u>(611,989)</u>	<u>(998,688)</u>	<u>(21,655)</u>	<u>(116,242)</u>	<u>(633,644)</u>	<u>(1,114,930)</u>
NET ASSETS, END OF YEAR	<u>\$ 694,643</u>	<u>(871,786)</u>	<u>(45,698)</u>	<u>(101,621)</u>	<u>648,945</u>	<u>(973,407)</u>

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

Management's Discussion and Analysis

June 30, 2010

Summary of Current Year Financial Activities

The Commission's overall net assets increased 167% overall and cash balance overdraft at year-end decreased significantly. The following explanation by individual funds is intended to help the user of these financial statements better understand the aforementioned changes.

- General Fund expenditures increased by \$328,930 (5.14%) and revenues from federal grants increased by \$996,416 (22.96%). The increase in revenues resulted from utilization of ARRA Stimulus funds, recognition of revenues earned in fiscal year 2009 and better than anticipated approval of Social Security Reimbursement Payments. Other factors also contributing to the increase in Net Assets was the reconciliation and correction to balance sheet accounts that previously had not been adjusted and enhanced efficiency of federal grants management including implementation of timely drawdown activities.

- In the Proprietary Fund, a modest loss occurred. The current year recognized a \$24,043 net decrease in net assets for the fund. The net loss to income was due to a write-off of \$76,384 for inventory associated with an enterprise activity closed a couple of years past. We determined the inventory was no longer of any significant value and the Commission authorized the adjustment be taken in this fiscal year. Excluding this one-time charge, the Proprietary Fund would have posted a modest increase in net assets from normal operations of \$52,341.

Significant downturns of economic conditions on a national and state level are having a negative impact on the financial position or results of operations within the many governmental activities. These economic conditions have left the state with an approximate budget shortfall of four hundred million dollars. A change in leadership in the Governor's office may have impact on the future of the Agency.

Budget

For the General Fund revenue and expenses, there was no change between the original and final budgets. Actual revenues exceeded budgeted and expenditures were lower than budgeted. This activity contributed to the significant increase in net assets. The better than expected general fund revenues was due to ARRA stimulus funding awarded February 17, 2009 and utilized during the fiscal year. In addition, effective federal grants management. The unexpected decrease in expenditures was partially due to capitalization of information technology infrastructure and capital improvement projects that contributed to the increase in net assets. Expenditures were maintained within budgeted levels. Economic condition at the State level may have a negative effect on future services and liquidity.

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

Management's Discussion and Analysis

June 30, 2010

Capital Assets

During FY 2010, there were capital asset additions of \$323,023 that are made up of replacement of the roof at the Albuquerque office and upgrading of our information technology infrastructure statewide.

Debt

Long-term debt, which consists of accrued compensated absences, increased by \$39,083 or 20%. 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 2009-2010	
Vocational Rehabilitation Program	462
Adult Orientation Center	16
Students in Transition to Employment Program	22
Assistive Technology Service	668
Business Enterprise Program	32
Independent Living/Older Blind Program	642
Newsline for the Blind	6,264
Emergency Eye Care Program	60

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

Management's Discussion and Analysis

June 30, 2010

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 2010, STEP served 22 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, video magnifiers and Braille note takers. The assistive technology provided by the Commission is intended to meet the individualized employment needs of our consumers.

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, providing services across the state pursuant to the Federal Randolph Sheppard act.

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

Management's Discussion and Analysis

June 30, 2010

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, thereby avoiding or delaying the need to transition into nursing home care. To accomplish this, direct services are provided to individuals, with the home being the primary location for the services. For FY 2010, the IL/OB program served 642 individuals, a large majority of whom were 55 years of age, or older.

The staff of the IL/OB program consists of eight 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, magnification devices, training on how to travel using the white cane, and other assistive technology, as well as 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 38 persons participated in the Senior Week training. The Senior Week program helps restore independence and self-confidence.

Newsline for the Blind

Newsline for the Blind is a computer-based system that allows visually impaired persons to access a variety of newspapers and publications by touch-tone telephone. Using the buttons on the telephone, the listener chooses a category of the paper, such as local news, sports, area events, editorial opinions or grocery ads. The listener can hear the selected story, skip to the next story, raise the volume, or exit the category and choose another category or publication. In FY 2010, Newsline averaged over 500 calls per day, and had approximately 6,264 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 60 patients with surgeries in fiscal year 2010, 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, 2010

ORGANIZATION CHART

Governor Bill Richardson

New Mexico Commission for the Blind

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

State Rehabilitation Council

Executive Director

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, 2010

COMMISSION FOR THE BLIND CLIENTS SERVED BY COUNTY

Bernalillo	377	Harding	2	Roosevelt	11
Catron	1	Hidalgo	5	San Juan	48
Chaves	35	Lea	12	San Miguel	27
Cibola	12	Lincoln	15	Sandoval	53
Colfax	18	Los Alamos	12	Santa Fe	76
Curry	17	Luna	7	Sierra	8
DeBaca	0	McKinley	36	Socorro	6
Dona Ana	114	Mora	3	Taos	26
Eddy	24	Otero	67	Torrance	3
Grant	19	Quay	6	Union	1
Guadalupe	4	Rio Arriba	27	Valencia	34

(Numbers do not include NEWSLINE subscribers.)

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

Management's Discussion and Analysis

June 30, 2010

**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

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

Management's Discussion and Analysis

June 30, 2010

**STATEWIDE OFFICE LOCATIONS - NEW MEXICO COMMISSION FOR THE
BLIND (Continued)**

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, 2010

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Accounts receivable, net	\$ -	54,258	54,258
Internal balances	59,289	(59,289)	-
Due from other state agencies	12,472	-	12,472
Due from the federal government	718,802	-	718,802
Capital assets, net	1,147,004	54,772	1,201,776
TOTAL ASSETS	\$ 1,937,567	49,741	1,987,308
LIABILITIES			
Overdraft of investment in State General Fund Investment Pool	\$ 584,488	25,128	609,616
Accounts payable	178,958	21,164	200,122
Accrued Payroll	195,974	23,863	219,837
Due to general fund	53,400	-	53,400
Deferred revenues	21,471	-	21,471
Compensated absences (current)	149,402	20,332	169,734
Compensated absences (noncurrent)	59,231	4,952	64,183
TOTAL LIABILITIES	1,242,924	95,439	1,338,363
NET ASSETS			
Invested in capital assets	1,147,004	54,772	1,201,776
Unrestricted (Note 7)	(452,361)	(100,470)	(552,831)
TOTAL NET ASSETS	694,643	(45,698)	648,945
TOTAL LIABILITIES AND NET ASSETS	\$ 1,937,567	49,741	1,987,308

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, 2010

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
EXPENSES:			
Rehabilitation	\$ 6,435,545	-	6,435,545
Contract services	-	427,337	427,337
Depreciation expense	99,439	9,389	108,828
Loss on impairment of assets (Note 15)	-	76,384	76,384
Total expenses	<u>6,534,984</u>	<u>513,110</u>	<u>7,048,094</u>
PROGRAM REVENUES:			
Charges for service	-	377,144	377,144
Operating grants and contributions	<u>5,335,737</u>	<u>-</u>	<u>5,335,737</u>
Total program revenues	<u>5,335,737</u>	<u>377,144</u>	<u>5,712,881</u>
Net program expenses	(1,199,247)	(135,966)	(1,335,213)
GENERAL REVENUE:			
Miscellaneous revenue	347,299	-	347,299
Other gifts and grants	<u>1,735</u>	<u>23</u>	<u>1,758</u>
Total general revenues	<u>349,034</u>	<u>23</u>	<u>349,057</u>
TRANSFERS:			
General fund appropriation	1,955,800	111,900	2,067,700
Other financing sources	254,445	-	254,445
Budget reduction	<u>(53,400)</u>	<u>-</u>	<u>(53,400)</u>
Total transfers	<u>2,156,845</u>	<u>111,900</u>	<u>2,268,745</u>
CHANGE IN NET ASSETS	1,306,632	(24,043)	1,282,589
NET ASSETS AT BEGINNING OF YEAR			
As previously reported	(871,786)	(101,621)	(973,407)
Adjustment for undistributed receipts and other account balances in prior year (Note 8)	<u>259,797</u>	<u>79,966</u>	<u>339,763</u>
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>(611,989)</u>	<u>(21,655)</u>	<u>(633,644)</u>
NET ASSETS END OF YEAR	<u>\$ 694,643</u>	<u>(45,698)</u>	<u>648,945</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, 2010

	<u>General Fund</u>	<u>Major Fund ARRA</u>	<u>Total Governmental Funds</u>
ASSETS			
Due from other funds	\$ 59,289	-	59,289
Due from other state agencies	12,472	-	12,472
Due from federal government	<u>547,597</u>	<u>171,205</u>	<u>718,802</u>
TOTAL ASSETS	<u>\$ 619,358</u>	<u>171,205</u>	<u>790,563</u>
LIABILITIES			
Overdraft of investment in State General Fund Investment Pool	\$ 438,238	146,250	584,488
Accounts payable	117,489	61,469	178,958
Accrued payroll	195,974	-	195,974
Due to State General Fund	53,400	-	53,400
Deferred revenues	<u>21,471</u>	<u>-</u>	<u>21,471</u>
TOTAL LIABILITIES	<u>826,572</u>	<u>207,719</u>	<u>1,034,291</u>
FUND BALANCES			
Unreserved	<u>(207,214)</u>	<u>(36,514)</u>	<u>(243,728)</u>
TOTAL FUND BALANCE	<u>(207,214)</u>	<u>(36,514)</u>	<u>(243,728)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 619,358</u>	<u>171,205</u>	<u>790,563</u>

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

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

**Reconciliation of Total Fund Balance from Balance Sheet - Governmental Funds to the Total
Net Assets on the Statement of Net Assets (Governmental Activities Column only)**

June 30, 2010

	<u>Governmental Funds</u>
TOTAL FUND BALANCE - ALL GOVERNMENTAL FUNDS (Governmental Fund Balance Sheet)	\$ (243,728)
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	1,147,004
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>(208,633)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Net Assets)	<u><u>\$ 694,643</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, 2010

	<u>General Fund</u>	<u>Major Fund ARRA</u>	<u>Total Governmental Funds</u>
REVENUES:			
Other gifts and grants	\$ 1,735	-	1,735
Federal grants	4,821,099	514,638	5,335,737
Miscellaneous revenue	347,299	-	347,299
Total revenues	<u>5,170,133</u>	<u>514,638</u>	<u>5,684,771</u>
EXPENDITURES:			
General government:			
Current:			
Personal services and benefits	3,663,694	161,631	3,825,325
Contract services	102,309	-	102,309
Other costs	803,523	44,584	848,107
Care and support	1,430,022	202,404	1,632,426
Capital outlay	180,490	142,533	323,023
Total expenditures	<u>6,180,038</u>	<u>551,152</u>	<u>6,731,190</u>
Excess (deficiency) of revenues over expenditures	(1,009,905)	(36,514)	(1,046,419)
OTHER FINANCING SOURCES (USES):			
State general fund appropriation	1,955,800	-	1,955,800
Other financing sources	254,445	-	254,445
Budget reduction	(53,400)	-	(53,400)
Total other financing sources	<u>2,156,845</u>	<u>-</u>	<u>2,156,845</u>
Net change in fund balance	1,146,940	(36,514)	1,110,426
Fund Balance at Beginning of Year			
As previously reported	(1,613,951)	-	(1,613,951)
Adjustment for undistributed receipts and other account balances in prior year (Note 8)	259,797	-	259,797
Fund Balance at Beginning of Year, as Restated	<u>(1,354,154)</u>	<u>-</u>	<u>(1,354,154)</u>
Fund Balance at End of Year	<u>\$ (207,214)</u>	<u>(36,514)</u>	<u>(243,728)</u>

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

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

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Government Funds
to the Statement of Activities**

For the Year Ended June 30, 2010

	<u>Governmental Funds</u>
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS - (Statement of Revenues, Expenditures, and Changes in Fund Balance)	\$ 1,110,426
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
Depreciation expense reported in statement of activities	(99,439)
Capital outlay reported in governmental expenditures	323,023
Net change in long-term debt reported as accrued compensated absences	<u>(27,378)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (Statement of Activities)	<u><u>\$ 1,306,632</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal Grants	\$ 5,171,800	5,171,800	5,474,177	302,377
Other Gifts & Grants	1,200	1,200	1,735	535
Miscellaneous Revenue	165,000	165,000	347,299	182,299
General Fd. Appropriation	1,955,800	1,955,800	1,955,800	-
Other Financing Sources	-	-	254,445	254,445
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 7,293,800</u>	<u>7,293,800</u>	<u>8,033,456</u>	<u>739,656</u>
EXPENDITURES				
Current:				
Personal services and benefits	\$ 4,654,600	4,654,600	3,663,694	990,906
Contractual services	192,100	192,100	102,309	89,791
Other	2,447,100	2,447,100	2,414,035	33,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 7,293,800</u>	<u>7,293,800</u>	<u>6,180,038</u>	<u>1,113,762</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)
Special Revenue Fund**

For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal Grants	\$ 666,462	666,462	715,828	49,366
EXPENDITURES				
Current:				
Personal services and benefits	\$ -	161,633	161,631	2
Contractual services	-	15,000	-	15,000
Other	666,162	489,529	389,521	100,008
Total Expenditures	\$ 666,162	666,162	551,152	115,010

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

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

Statement of Net Assets - Proprietary Fund

June 30, 2010

	Switchboard Operation
ASSETS	
Current Assets:	
Accounts receivable, net	\$ 54,258
Non-Current Assets	
Capital assets, net	54,772
TOTAL ASSETS	\$ 109,030
LIABILITIES	
Current Liabilities:	
Overdraft of investment in State General Fund Investment Pool	\$ 25,128
Accounts payable	21,164
Accrued payroll liabilities	23,863
Due to other funds	59,289
Compensated absences	20,332
Total Current Liabilities	149,776
Long-term Liabilities:	
Compensated absences	4,952
TOTAL LAIBILITIES	154,728
NET ASSETS:	
Invested in capital assets	54,772
Unrestricted	(100,470)
TOTAL NET ASSETS	(45,698)
TOTAL LIABILITIES AND NET ASSETS	\$ 109,030

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

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

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund

For the Year Ended June 30, 2010

	<u>Switchboard Operation</u>
OPERATING REVENUES:	
Sales	\$ 377,144
OPERATING EXPENSES:	
Personal services and benefits	378,722
Contract Services	12,413
Other Costs	36,202
Depreciation Expense	9,389
TOTAL OPERATING EXPENSES	<u>436,726</u>
OPERATING LOSS	(59,582)
NON-OPERATING REVENUES (EXPENSES):	
State appropriation	111,900
Other gifts and grants	23
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>111,923</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	52,341
Loss on impairment of assets (Note 15)	<u>(76,384)</u>
CHANGE IN NET ASSETS	(24,043)
NET ASSETS AT BEGINNING OF YEAR	
As previously reported	(101,621)
Adjustment for undistributed receipts and other account balances in prior year (Note 8)	79,966
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>(21,655)</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (45,698)</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, 2010

	<u>Switchboard Operation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 461,883
Payments to suppliers	(18,081)
Payments to employees	(369,796)
Receipts from other funds	<u>59,289</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>133,295</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriation	111,900
Federal grants	-
Other	<u>23</u>
TOTAL CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	<u>111,923</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)	245,218
BALANCE, BEGINNING OF YEAR	<u>(270,346)</u>
BALANCE, END OF YEAR	<u><u>\$ (25,128)</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, 2010

	<u>Switchboard Operation</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
OPERATING INCOME (LOSS)	\$ (59,582)
ADJUSTMENT TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Depreciation expense	9,389
CHANGE IN ASSETS AND LIABILITIES:	
Receivables	84,739
Accounts payable	19,122
Accrued payroll	(2,679)
Due to other funds	59,289
Other liabilities	11,412
Compensated absences	<u>11,605</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 133,295</u></u>

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

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

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

June 30, 2010

	<u>Business Enterprise Program</u>
ASSETS:	
Cash and temporary investments	\$ 122,575
Due from external parties	370,968
Capital assets, net	<u>71,262</u>
TOTAL ASSETS	<u>564,805</u>
LIABILITIES	
Accounts payable	<u>339,001</u>
TOTAL LIABILITIES	<u>339,001</u>
NET ASSETS	
Held in trust for business enterprise program	<u><u>\$ 225,804</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, 2010

	Business Enterprise Program
	<hr/>
ADDITIONS:	
Set aside fees	\$ 309,502
Investment earnings	1,724
Other income	10,470
	<hr/>
Total additions	321,696
	<hr/>
DEDUCTIONS:	
Program operating expenses	277,510
Depreciation	16,248
	<hr/>
Total deductions	293,758
	<hr/>
CHANGE IN NET ASSETS	27,938
NET ASSETS AT BEGINNING OF YEAR	197,866
	<hr/>
NET ASSETS AT END OF YEAR	\$ 225,804
	<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, 2010**

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, 2010**

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, 2010**

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, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – GASB Statement No. 34 - continued

Special Revenue Fund

ARRA Fund (SHARE fund #89000) – This special revenue fund was created by the Department of Finance and Administration to account for expenditure related to the federal stimulus funds.

Proprietary Fund

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 consists of the Holloman contract, which provides switchboard operation for the Holloman Air Force Base.

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.

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.

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

**Notes to the Financial Statements
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

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

**Notes to the Financial Statements
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – GASB Statement No. 34 - continued

Equity

Government-Wide Statements

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

- i. *Invested in capital assets, net of related debt*, consist 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* consist 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.
- iii. *Unrestricted net assets* are all other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

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 and charged for services. Grant revenues are recognized when all eligibility requirements have been met.

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.

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

**Notes to the Financial Statements
June 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary Data

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

The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). The budget is adopted on the modified accrual bases of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles (GAAP).

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

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

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.

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

**Notes to the Financial Statements
June 30, 2010**

3. INVESTMENTS

The funds allotted to the Commission are held by the New Mexico State Treasurer and pooled with the general fund investment pool. At year end the Commission over-drafted its share of the Investment in the State General Fund Investment Pool as follows:

	Balance
State Treasurer's General Fund Investment Pool (GFIP):	
Governmental Funds	\$ (584,488)
Proprietary Fund	(25,128)
Overdraft in State GFIP	\$ (609,616)

The State Treasurer's scope of authority for the types of investments that may be made with state funds is statutorily defined and governed by the State Treasurers Investment Policy approved by the State Board of Finance. The State Treasurer issues separate financial statements which disclose the categories of risk involved for GASB 40 disclosure purposes.

4. CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Government Activities:				
Non-depreciable assets:				
Land	\$ 326,185	-	-	326,185
Depreciable assets:				
Buildings and improvements	1,175,980	180,355	-	1,356,335
Machinery and equip.	2,211,540	142,668	-	2,354,208
	3,713,705	323,023	-	4,036,728
Accumulated depreciation:				
Buildings and improvements	(640,428)	(45,557)	-	(685,985)
Machinery and equip.	(2,149,857)	(53,882)	-	(2,203,739)
	(2,790,285)	(99,439)	-	(2,889,724)
 Total capital assets, net	 \$ 923,420	 223,584	 -	 1,147,004

Current year depreciation related to governmental activities is \$ 99,439

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

**Notes to the Financial Statements
June 30, 2010**

4. CAPITAL ASSETS – continued

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</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>(372,699)</u>	<u>(9,389)</u>	<u>-</u>	<u>(382,088)</u>
Total capital assets, net	<u>\$ 64,161</u>	<u>(9,389)</u>	<u>-</u>	<u>54,772</u>

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

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Private Purpose Trust				
Depreciable assets:				
Building and improvements	\$ 33,093	-	-	33,093
Machinery and equip	32,950	12,749	-	45,699
Vehicles	19,500	-	-	19,500
Total	<u>85,543</u>	<u>12,749</u>	<u>-</u>	<u>98,292</u>
Accumulated depreciation	<u>(10,782)</u>	<u>(16,248)</u>	<u>-</u>	<u>(27,030)</u>
Total capital assets, net	<u>\$ 74,761</u>	<u>(3,499)</u>	<u>-</u>	<u>71,262</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 \$16,248.

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

**Notes to the Financial Statements
June 30, 2010**

5. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in compensated absences:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>	<u>Due Within One Year</u>
Government Activities:					
Annual Leave	\$ 179,477	150,199	(157,855)	171,821	112,590
Sick Leave	1,778	50,588	(50,592)	1,774	1,774
Comp Time	-	35,038	-	35,038	35,038
Total	<u>\$ 181,255</u>	<u>235,825</u>	<u>(208,447)</u>	<u>208,633</u>	<u>149,402</u>
Business-Type Activities:					
Annual Leave	\$ 13,679	23,226	(15,266)	21,639	16,687
Sick Leave	-	34,341	(34,341)	-	-
Comp Time	-	36,325	(32,680)	3,645	3,645
Total	<u>\$ 13,679</u>	<u>93,892</u>	<u>(82,287)</u>	<u>25,284</u>	<u>20,332</u>

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

6. DUE TO / DUE FROM

Due from in the Statement of Net Assets consists of grants and other receivable from external parties at year end. The due to State General Fund in the Statement of Net Assets represents state general fund appropriation reduction of \$53,400 in current fiscal year.

The due from other state agencies in the Statement of Net Assets represents a receivable from the DFA for capital project improvements (see note 14).

7. NET ASSETS DEFICIT

At year end, the Commission had an unrestricted net asset deficit of \$552,831 (\$452,361 from the governmental activities and \$100,470 from the business-type activities). \$233,917 of the above amount represents unfunded accrued compensated absences; the remaining deficit resulted from the prior years' operations. During the year the Commission had reduced expenditures and increased revenues, primarily from the federal stimulus funds. The Commission is continuing to work toward having positive net asset balances.

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

**Notes to the Financial Statements
June 30, 2010**

8. PRIOR PERIOD ADJSUTMENTS

The adjustments of \$339,763 (\$259,797 from the governmental activities and \$79,966 from the business-type activities) to increase the beginning net assets balance represent the effort by the Commission to identify and adjust for balances in stale dated warrants, receipts held in suspense, undistributed receipts and other balance sheet accounts that have not been reconciled for many years.

9. 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, 2010 amounted to \$212,702 for office rental and \$32,919 for equipment rental.

Annual future minimum lease payments are as follows:

	Office	Equipment
2011	\$ 195,141	15,913
2012	191,608	14,527
2013	156,001	7,051
2014	4,208	2,761
2015	-0-	-0-
Total	\$ 546,958	40,252

10. 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, 2010 follows:

Revenue	General Fund	ARRA Fund
Budgetary Basis	\$ 8,033,456	\$ 715,828
Grants receivable adjustment	(653,078)	(201,190)
Reclassified to other financing sources/uses	(2,210,245)	-0-
GAAP basis	\$ 5,170,133	\$ 514,638

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

**Notes to the Financial Statements
June 30, 2010**

11. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. Neither the Commission nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Commission have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

12. 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 8.92 percent of their gross salary. The Commission is required to contribute 15.09 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, 2010, 2009 and 2008 were \$446,051, \$505,810 and \$521,425, 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, 2010**

**13. 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, 2010**

**13. 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. In the fiscal year ending June 30, 2011 through June 30, 2013 the contribution rates for the employees and employers will rise as follow:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, 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, 2010, 2009 and 2008 were \$37,519, \$38,663 and \$39,923, respectively, which equal the required contributions for each year.

14. 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, on a reimbursement basis, 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, 2010, the Commission had expended a total of \$179,399.

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

**Notes to the Financial Statements
June 30, 2010**

15. LOSS ON IMPAIRMENT OF ASSETS

During the year the Commissioners had approved the write-off of inventory balance of \$76,384, which consisted of raw materials and finished goods. The finished goods will be used for public relations and other purposes, and the raw materials will be sold, donated or otherwise disposed of in accordance with the State regulations.

16. 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, 2009 through June 30, 2010.

SUPPLEMENTARY INFORMATION

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

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

For the Year Ended June 30, 2010

	PROPRIETARY FUND			
	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	Favorable (Unfavorable)
REVENUES:				
Other Sales Of Services	\$ 323,900	323,900	377,143	53,243
Federal Grants	428,400	428,400	19,054	(409,346)
Other Gifts & Grants	-	-	23	23
General Fd. Appropriation	111,900	111,900	111,900	-
Total Revenues	\$ 864,200	864,200	508,120	(356,080)
EXPENDITURES				
Current:				
Personal services and benefits	\$ 323,900	323,900	367,117	(43,217)
Contractual services	15,000	15,000	12,413	2,587
Other	525,300	525,300	36,200	489,100
Total Expenditures	\$ 864,200	864,200	415,730	448,470
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			\$ 92,390	
ADJUSTMENTS TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Revenue adjustments			(19,053)	
Compensated absences			(11,607)	
Depreciation expense			(9,389)	
Inventory adjustment			(76,384)	
CHANGES IN NET ASSETS AS REPORTED ON STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN NET ASSETS			\$ (24,043)	

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, 2010

Bank Name Account Title	SHARE Account			SHARE Balance
PRIMARY GOVERNMENT				
Interest in State General Fund Investment Pool				
Commission for the Blind	04700		\$	(438,238)
ARRA Fund	89000			(146,250)
Switchboard Operation	02400			(25,128)
				(609,616)
			\$	(609,616)
PRIVATE PURPOSE TRUST FUND				
Wells Fargo Bank New Mexico, N.A.				
Business Enterprise Program	CDs	\$	64,781	\$ 64,781
Bank of America				
Set Aside Fund	4390802901		42,477	26,300
FLETC	4390802914		31,494	31,494
			\$ 138,752	\$ 122,575
			\$ 138,752	\$ 122,575

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, 2010

	<u>SHARE FUND</u>	<u>TITLE</u>	<u>TRANSFER</u>	
			<u>IN</u>	<u>OUT</u>
General Fund (04700)				
(1)	85300	Department of Finance and Administration	\$ 1,955,800	\$ -
(2)	82100	Department of Finance and Administration	174,445	-
(3)	06100	NM Department of Health	80,000	-
(4)	85300	Department of Finance and Administration	-	53,400
 Proprietary Fund (02400)				
(1)	85300	Department of Finance and Administration	111,900	-
			<u>\$ 2,322,145</u>	<u>\$ 53,400</u>

- (1) General Fund Appropriation, Laws Of 2008, Chapter 3, Section 4.
- (2) Bond Proceed, Senate Bill 827, Act 2007, Chapter 42, Section 5
- (3) MOU with the Department of Health to provide assistive technology for children.
- (4) State general fund budget reduction.

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

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

Memorandum of Understanding

For the Year Ended June 30, 2010

- 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, 2009 to June 30, 2010
- 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, 2010

Federal Grantor Pass-Through Grantor Program Title	C DFA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Basic Support Grant - cluster	84.126 / 84.390	H126A100046A/H39A090046 *	\$ 4,536,535
Independent Living Part C O/B - cluster	84.177 / 84.399	H177B100031B/H399a090031 *	426,343
Independent Living Part B - cluster	84.169 / 84.398	H169A100047B/H398A090047	76,378
Supported Employment	84.187	H187A100047A	30,718
Training Grant	84.265	H265A050060-09	22,775
TOTAL FEDERAL EXPENDITURES			\$ 5,092,749

* 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 and the major special revenue fund, and the related budgetary comparison of the enterprise fund presented as supplemental information of the State of New Mexico, Commission for the Blind (Commission), as of and for the year ended June 30, 2010 and have issued our reported thereon dated December 10, 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* as item 09-2 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *schedule of findings and questioned costs* as item 08-2 to be a significant deficiency.

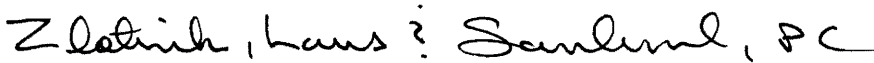
Compliance and Other Matters

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 and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *schedule of findings and questioned costs* as items 08-8 & 10-1.

We noted certain matters that are required to be reported under *Governmental Auditing Standards January 2007 Revision* paragraph 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 10-2 & 10-3.

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.

December 10, 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, 2010. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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

In our opinion, the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *schedule of findings and questioned costs* as items 10-4 and 10-5.

Internal Control Over Compliance

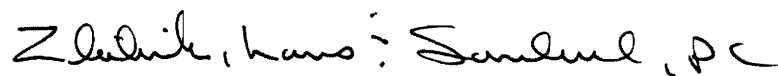
The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying *schedule of findings and questioned costs* as item 10-6. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

December 10, 2010

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

A. Material weaknesses identified Yes No

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

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

A. Material weaknesses identified? Yes No

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

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

Any audit findings disclosed that are required to be reported in accordance with 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Numbers

84.126 / 84.390
84.177 / 84.399

Name of Federal Program or Cluster

Vocational Rehabilitation
Independent Living Part C Older/Blind

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
For the Year Ended June 30, 2010**

Section II & III Financial Statements Findings

		Status of Current and Prior Year Findings	Significant Deficiency	Material Weakness	Compliance	Other Matters	Section II Financial Statement Finding	Section III Federal Awards Finding
Prior Year Findings:								
08-1	Late Report	Resolved	no	no	yes	no	yes	no
08-2	Internal Accounting System Reconciliation	Repeated	yes	no	no	no	yes	no
08-3	General Ledger Reconciliation	Resolved	yes	no	no	no	yes	no
08-6	Auditor Prepared Financial Statements	Resolved	yes	no	no	no	yes	no
08-8	Vocational Rehabilitation Program	Revised & Repeated	no	no	no	yes	yes	no
08-9	Cost Principles	Resolved	no	no	no	yes	yes	no
08-10	Procurement, Suspension and Debarment	Resolved	no	no	no	yes	yes	no
09-1	Fund Balance Deficit	Resolved	yes	yes	no	no	yes	no
09-2	Business Enterprise Program	Revised & Repeated	yes	yes	no	no	yes	no
09-3	Cash Management	Resolved	no	no	no	no	no	yes
09-4	Financial Status Report (SF-269)	Resolved	no	no	no	no	no	yes
Current Year Findings:								
10-1	Capital Assets	Current	no	no	yes	no	yes	no
10-2	Budgetary Control	Current	no	no	no	yes	yes	no
10-3	Voucher Test	Current	no	no	no	yes	yes	no
10-4	Data Collection Form	Current	no	no	yes	no	no	yes
10-5	Allowable Costs / Cost Principles	Current	no	no	yes	no	no	yes
10-6	Reporting Requirements	Current	yes	no	no	no	no	yes

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

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 SHARE software and reconciled on a monthly basis. Monthly reconciliations should be performed as soon as possible in accordance with DFA's MAP Standards and Policies.

Agency Response:

The Agency accepts the Auditor's recommendation of recording summarized transactions into the State on New Mexico SHARE general ledger on a monthly basis. Currently, monthly bank reconciliations for the Business Enterprise Program are being performed and many procedures have incorporated changes outlined in the Department of Finance and Administrations, Manual of Accounting Practices. The Agency now has sufficient resources to incorporate the auditor's recommendation of recording transactions into the SHARE general ledger. For state fiscal year 2011 the Agency will incorporate the Business Enterprise Program reconciliation into its month end process and will post changes to balance sheet items to the SHARE general ledger.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

MATERIAL WEAKNESS

09-2

Business Enterprise Program (Revised & Repeated)

Condition:

The Commission uses QuickBooks accounting software to record the activities for its private purpose trust fund. A perfunctory review of the general ledger detail revealed that accounting entries are not being properly recorded. We had to reclassify 2 disbursements totaling \$12,749 from expenses to capital assets because individual amounts exceeded \$5,000. 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; 19 vendor loan repayment transactions totaling \$19,081 were reclassified from a revenue account to reduce vendor loan balances owed. In addition, this same revenue account was used to record vendor reimbursement payments for liability insurance which the program pays for, in total, up-front. We also noted that the accounting system in QuickBooks was maintained in most part on a cash basis. Several large year-end adjustments were made to reverse prior year account balances and enter current year amounts. Accounting entries should be recorded as transactions occur.

In addition, the Commission currently does not maintain a listing of its capital assets nor the depreciation schedule for the business enterprise program.

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.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

Agency Response:

The agency accepts the auditor's recommendation of establishing proper procedures for posting procedures for the posting of transactions to the Business Enterprise Program and the accounting reviewed each month to ensure transactions are recorded accurately. In addition, monthly bookkeeping processes will be changed to incorporate appropriate accrual postings.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

COMPLIANCE AND OTHER MATTERS

08-8

Consumer Files (Revised & Repeated)

Condition:

We examined 61 consumer files, which include the Vocational Rehabilitation (VR) Services program and the Independent Living (IL) program. We found the following exceptions:

- Six consumer files where payments made to or on behalf of the IL consumers were missing vendor invoices and authorization request.
- One consumer received college training, but there was no evidence in the file that shows the consumer met the GPA requirement.
- One consumer received college training, and enrolled in 12 credit hours in the 2009 Fall semester, but only completed and earned 6 credit hours at the end of the semester. The consumer continued to receive training and maintenance for the Spring, 2010 semester, and earned only 6 credit hours for the Spring.

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:

Program funds were spent without appropriate documentation placed in the physical case file.

Cause:

VR Councilors, IL Teachers, and support staff failed to appropriately document compliance with program requirements.

Recommendation:

The counselors and staff need to follow the Manual of Operating Procedures and ensure consumers are in compliance with applicable requirements and the consumer files should be maintained up to date.

Agency Response:

All expenditures were for eligible VR and IL consumers, and were in compliance with the requirements of the MOP and Rehab Act. The Rehab Act prohibits establishing criteria that would constitute a cap on services without the provision of a process to allow for consideration of exceptions based on individual circumstances. Therefore, the MOP provides exceptions to the requirement that a consumer complete at least twelve semester hours each term. In addition, when a consumer fails to cooperate with the agreed upon IPE, the Rehab Act and MOP have procedures that must be followed to document the non-cooperation. The error was not that the consumer completed less than a full-time course load, but that the counselor did not document

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

and explain the issue in case notes. The consumer is eligible for services, even if the consumer failed to take twelve hours. It is common for consumers to occasionally fail to follow through on an agreed upon activity, and such circumstances are contemplated within the language of the Rehab Act and MOP. It usually takes a number of such infractions before a consumer becomes ineligible for VR services.

With respect to the VR program and the number of credit hours taken, the counselor and consumer printed the grade report from the consumer's account on the college Website. The counselor reviewed the grade report and forwarded it to an administrative support staff for filing. The grade report was misfiled. A note will put in AWARE documenting this process.

Counselors will make a case note in the electronic file confirming satisfactory receipt of grade reports/transcripts. Staff performing filing duties will double-check to ensure that they are filing the particular document in the correct hard file.

With respect to the IL case files in the Farmington office, one file was for a closed consumer whose case was served by a teacher who retired two years ago. Supporting documentation was located in AWARE. The other authorization and invoice were located and filed. With respect to the three Albuquerque IL case files, the printed invoices and authorizations were not located, though documentation is present in Santa Fe.

Procedures have been put in place to assure appropriate maintenance of IL purchase records and documentation.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

10-1

Capital Assets

Condition:

The Commission has not taken a physical inventory of its capital assets in the past three years.

Criteria:

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors.

Effect:

Capital assets on the Commission's financial statements could be overstated. The capital listing may contain numerous items that are obsolete or no longer in service.

Cause:

The Commission has not performed a physical inventory of its capital assets in the past three years because financial personnel were concentrating on addressing and correcting financial statement issues.

Recommendation:

The Commission needs to perform an annual physical inventory of its capital assets to ensure that the assets exist and are still in use. Obsolete assets should be removed from the capital asset listing and be disposed of in accordance with State Auditor Rule, Subsection V of 2.22.10 NMAC.

Agency Response:

The Agency accepts part of the auditor's recommendation which references an annual physical inventory of our capital assets. As Commission now has the resources to perform a physical inventory, a physical inventory of assets will be performed in the current fiscal year as required by Section 12-6-10(A) NMSA 1978.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

10-2

Budgetary Control

Condition:

The Commission over-expended its budget in the enterprise fund in the personal services and benefits category by \$43,217. Although the over-expenditure occurred at the fund level, the overall expenditure for this category was within the appropriated program budget level.

Criteria:

Budgets are established to quantify planned actions and activities and facilitate communication about the results. Appropriate budget tracking procedures allow for evaluating performance and the allocation of the appropriate resources where needed through budget adjustment requests.

Effect:

The actual activities exceeded the allocated resources for personal services and benefits.

Cause:

Unknown.

Recommendation:

The Commission should prepare a budget projection in order to detect unfavorable budget variances, so that a budget adjustment request can be prepared prior to the deadline.

Agency Response:

The agency accepts the auditor's recommendation the agency should prepare a internal budget projection in order to detect unfavorable budget variances.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section II – Financial Statement Findings

10-3

Voucher Test

Condition:

We examined ninety-two (92) vouchers that related to the basic support and the independent living for the older blind programs and found the following exceptions:

- Two vouchers for a total of \$16 where the per diem was miscalculated and resulted in the overpayment to the employee.
- One voucher for \$373 for repair of the sprinkler system was charged to the basic support grant; this cost should have been allocated based on the square footage of the facility in order to maintain consistency with the cost allocations.
- One voucher was posted to the AWARE database incorrectly, overstating the amount by \$3. The AWARE case management system is used to keep track of the consumers' information and federal reporting

Criteria:

Invoices processed for payment shall be posted to the various activities where benefits were derived. Any reimbursement for travel and per diem must be calculated correctly to avoid any overpayments. Voucher payments that are for the consumers should also be posted to the AWARE system.

Effect:

The Commission overpaid an employee for per diem and did not allocate the expenditure between programs, resulting in an overcharge to one program and an undercharge to other programs.

Cause:

Posting error in the case management system, miscalculations of per diem rate and misallocation of costs were not caught during the pre-auditing process.

Recommendation:

Due diligence is required when posting payments to the AWARE system and pre-auditing payment vouchers. Personnel reviewing and approving vouchers need to be aware of the impact of the cost allocations.

Agency Response:

The Agency accepts the auditors recommendation of due diligence in posting transactions to or auditing of payment vouchers be exercised. In addition, staff should be aware of the impact of cost allocations when reviewing and approving vouchers. In fact, we have provided several cost allocation and overall grant awareness trainings over the last six months.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section III – Federal Awards Findings

10-4

Data Collection Form

Condition:

The Commission submitted the data collection form and the reporting package for the fiscal year ending June 30, 2009 in mid October 2010, which is over six months after the due date.

Criteria:

OMB Circular A-133, Section 320 states that the data collection form and the reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Effect:

Cognizant or oversight agency uses the data collection form and the reporting packages to monitor program compliance, and when the data collection form is not submitted timely, it could have a negative impact on the Commission.

Cause:

The Commission did not complete the 2009 audit until May 2010.

Recommendation:

The Commission needs to be more cognizant of the deadline for submitting the data collection form and the reporting package to the federal clearing house.

Agency Response:

The Agency accepts the auditor's recommendation but only to the extent initiation of the process was late and only items in our direct control for of the submission to the Federal Clearing House. Those activities in direct control of the IPA need to be addressed by them directly.

Corrective Action Plan:

The corrective action is to get the audit in on time and once released by the State Auditor to process the form immediately.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section III – Federal Awards Findings

10-5

Department of Education

Rehabilitation Services CFDA #84.126 Questioned costs: \$ -0-	&	Independent Living Part C Older/Blind CFDA #84.177 Questioned costs: \$ -0-
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Allowable Costs/Cost Principles

Condition:

Wages and benefits charged to some federal programs by the administration and various departments are based on management estimates, not actual time activity reports.

Criteria:

Wages and benefits are allowable costs under the *Cost Principles for State, Local, and Indian Tribal Governments* (2 CFR Part 225), if they meet certain specific requirements. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Effect:

The Rehabilitation Services Administration is responsible for monitoring the Basic Support and other programs and could recommend refunds or reduction in future federal funding.

Cause:

The Commission did not comply with the federal *Cost Principles*. The Commission may need to correct the personnel action form to allow employees to input time spent on various programs.

Recommendation:

The Commission needs to establish procedures to ensure employees comply with periodic certifications for employees working solely on one program and implement personnel activity reports (timesheets) for employees working on multiple programs.

Agency Response:

The Agency accepts the auditors recommendation of the needs to establish procedures to ensure employees comply with periodic certifications for employees working solely on one program and implement personnel activity reports (timesheets) for employees working on multiple programs.

Corrective Action Plan:

The agency is already in the process of having employees that only work on one program certify their time. Those that work on multiple programs will be required to fill out a time form and certifying their hours worked.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section III – Federal Awards Findings

10-6

Reporting Requirements

Condition:

We reviewed the following reports and noted certain errors with the respective forms:

Form SF-269-Final Dated 9/30/10 (VR Services)

- Total outlays reported on line 10a. of the form are \$6,158,272. The amount should have been \$6,332,116. The Commission earned program income of \$173,844 and elects to use the addition alternative for reporting program income. The Commission disbursed the program income and the amount needs to be included in total outlays for the program.
- The accounting basis noted on the SF-269 is “Cash”, however, the books and records from which the amounts were derived from are on an “Accrual” basis of accounting. Since this is a final report and the Commission expended all of its funds, the accounting method used does not have an effect on the amounts provided in this report. The proper basis of accounting should be noted on the form, however.
- The program income disbursed and realized noted on lines 10r. and 10t., respectively, is \$173,884. The program income listed in the accounting records is actually \$173,844. A difference of \$40.

Form SF-425 Dated 6/30/2010 (BS Services)

- The federal share of expenditures on line 10e. was reported as \$1,493,695. The amount should have been \$1,897,960. The amount on line 10f. (unliquidated obligations) was listed as \$28,695. The amount should have been \$432,362. The total federal share on line 10g. is listed as \$1,522,390 instead of \$2,330,322. The Commission is aware of the federal funds authorized and maintains accounting records to prevent them from over-expending the authorization. The amounts included in lines 10h. through 10k. are derived from amounts described above and therefore were calculated incorrectly.
- The accounting basis is noted as “cash” instead of “accrual”.
- The Commission also transferred program income of \$264,646. Although the Commission noted the transfer in line 12.1 of the “remarks” section, it failed to include the amount on the proper line of 12e.

Form SF-425-Final Dated 9/30/10 (IL Services)

- The basis of accounting is listed as “cash” rather than “accrual”. Since this is a final report and the Commission expended all of its funds, the accounting method used does not have an effect on the amounts provided in this report. The proper basis of accounting should be noted on the form, however.
- The Commission expended \$305,265 of program income transferred from the Basic Support Vocational Rehab to the Independent Living Older Blind program. However, the amount is listed on line 10m. instead of line 10n. The Commission uses the addition alternative rather than the deduction alternative as listed in the form.
- The Commission noted on line 12, “remarks” that it had transferred program income from the Basic Support program in the amount of \$305,265. The Commission failed to include the amount on line 12e.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section III – Federal Awards Findings

Criteria:

OMB Circular A-133, *Compliance Supplement*, requires grantees to file accurate form SF-269/SF-425 on a timely basis.

Effect:

The Commission understated the actual program expenditures at year end and provided incorrect information on the federal financial reports submitted to the Department of Education.

Cause:

The Commission prepared the federal financial reports using the cash basis instead of the accrual basis of accounting.

Recommendation:

The Commission needs to prepare the federal financial reports accurately.

Agency Response:

With regard to the bullets listed under “Form SF-269-Final Dated 9/30/10 (VR Services),” the Agency accepts the findings.

With regard to the first bullets listed under “Form SF-425 Dated 6/30/2010 (BS Services),” the Agency does not accept the finding as calculations for unliquidated obligations are up for interpretation. In the IPAs condition, the example used does refer to specific accrual data, but instead calculates the unliquidated obligation based on total expenditures through 06/30/10 minus cash disbursements. Unliquidated obligations can also be seen as the total of all accrued accounts payable at that date, plus all accrued payroll taxes payable at that date, plus all accrued payroll benefits payable at that date. This would also be a correct way of calculating unliquidated obligations. The IPA’s suggestion regarding how unliquidated obligations should be calculated is just one of a number of ways to derive this number. For consistency, the Agency will adopt one method and stick with that method in the future.

With regard to the second and third bullets listed under “Form SF-425 Dated 6/30/2010 (BS Services),” the Agency accepts the findings.

With regard to items listed under “Form SF-425-Final Dated 9/30/10 (IL Services),” the Agency accepts with the finding.

Corrective Action Plan:

The Agency accepts the recommendation of the IPA and will proceed accordingly.

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

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Section III – Federal Awards Findings

Summary Schedule of Prior Audit 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-

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.

Status of finding:

Corrective action has been taken and this matter has been resolved. The Commission has implemented a bi-weekly review of all agency expenditures, journalizes reclassifications where needed, and has established grant accounting schedules that are updated in this time frame. Draws are now being done every two weeks.

09-4

Financial Status Report (SF -269)

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

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 reports.

Status of finding:

Corrective action has been taken and this matter has been resolved. The Commission is now up to date with all SF-269 / SF-425 submissions and continues to submit these reports within 30 days of their due date.

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

Exit Conference

June 30, 2010

The contents of this report were discussed at an exit conference held on December 13, 2010 with the following in attendance:

New Mexico Commission for the Blind

Arthur A. Schreiber, Commissioner (Via conference call)
Greg D. Trapp, Executive Director (Via conference call)
James Salas, Deputy Director (Via conference call)
Virginia Murphy, Deputy Director (Via conference call)
Sandy B. Sandoval, Deputy Director Administrative Services
Kelsang Jorlam, Director of Budget & Finance
John Fleisher, Financial Specialist

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.

The financial statements were prepared by the auditors, Zlotnick, Laws and Sandoval, PC.; however, the financial statements are the responsibility of management.