

**State of New Mexico
Governor's Commission on Disability**

Financial Statements

With Independent Auditor's Report Thereon

June 30, 2010

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
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June 30, 2010**

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**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Official Roster
June 30, 2010**

Commission Members

Anthony Cahill	Chair
Cory Valencia	Vice-Chair
Doris Cherry	Member
James Hay	Member
Gilbert John	Member
Richard Kaminski	Member
Nadine C. Maes	Member
Nannie Sanchez	Member
Greg Trapp	Member
Dorian Dodson	Statutory Member
Pamela Hyde	Statutory Member
Betty Doris	Statutory Member
Cindy Padilla	Statutory Member
Dr. Alfredo Vigil	Statutory Member
Ralph Vigil	Statutory Member

Administrative Officials

Jim Parker	Director
John Block, III	Deputy Director
Frank Romero, Jr.	Chief Financial Officer

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

DAVID G. ZLOTNICK, CPA
ASA LAWS, CPA
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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor

and

To the Members of
State of New Mexico
Governor's Commission on Disability
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Governor's Commission On Disability (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. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion 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 opinion.

As discussed in Note 1, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information 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 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Commission as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report April 25, 2011 dated 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 4 to 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The additional schedules listed under "Supplementary Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

April 25, 2011

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Management's Discussion and Analysis
June 30, 2010**

Management's Discussion and Analysis offers readers of the Governor's Commission on Disability's (Commission) financial statements a narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2010. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Commission's financial statements, which follow this narrative.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four sections (1) Management's Discussion and Analysis (MD&A) (2) the basic financial statements (3) required supplementary information and (4) other reports.

- (1) Management's Discussion and Analysis (this section) is designed to assist the reader in focusing on significant financial issues and to provide an overview of the Commission's financial activity.
- (2) The basic financial statements include two kinds of statements: Government-Wide financial statements and Fund financial statements. Government-wide financial statements provide both long-term and short-term information about the Commission's overall financial status. Fund financial statements focus on individual parts of the Commission. The governmental funds statements tell how the general government service was financed in the short-term as well as what remains for future spending. The financial statements also include notes intended to explain selected information in the financial statements and provide additional, detailed information.
- (3) The required supplementary information section provides schedules which further explain and support the information in the financial statements.
- (4) The other reports section provides additional supporting information including the Governmental Auditing Standards Reports, Schedule of Findings and Responses, Status of Prior Year Findings, and the memo on the Exit Conference.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report all financial and capital resources of the Commission as a whole, excluding the fiduciary funds of the Commission (see Fund Financial Statements below). The Statement of Net Assets displays the assets, liabilities, and net assets of the Commission in the "assets less liabilities equal net assets" format. The Statement of Activities presents governmental activities by function, at the level of detail required in the governmental fund statement of revenues, expenditures, and changes in fund balances.

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Management's Discussion and Analysis
June 30, 2010**

Fund Financial Statements

The fund financial statements provide detailed information about the Commission's significant governmental funds. Funds are accounting devices the Commission uses to keep track of the sources of funding and spending for specific purposes. The government-wide financial statements were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

This Commission has one fund: the General Appropriation Fund. All of the Commission's main operations are reflected in the general appropriation fund. The general fund financial statements provide information to help the user to assess the level of current financial resources available to the Commission.

FINANCIAL HIGHLIGHTS

Condensed Financial Comparison of Current and Prior Fiscal Year:

	June 30, 2010	June 30, 2009
Assets:		
Current Assets	\$ 628,135	\$ 333,451
Capital Assets	13,860	17,684
Total Assets	641,995	351,135
Liabilities:		
Current Liabilities	263,903	113,944
Non-Current Liabilities	10,456	6,351
Total Liabilities	274,359	120,295
Net Assets:		
Invested in Capital Assets	13,860	17,684
Restricted Net Assets	126,000	48,800
Unrestricted Net Assets (Deficit)	227,776	164,356
Total Net Assets	\$ 367,636	\$ 230,840
Revenue:		
General Revenue – State Appropriation	\$ 1,161,298	\$ 942,100
Program Revenue	121,734	88,823
Total Revenue	1,283,032	1,030,923
Expenses:		
Expenses – General Fund	1,024,312	1,034,107
Depreciation	3,824	6,930
Reversion	118,100	5,000
Total Expenses	1,146,236	1,046,037
Change in Net Assets:		
Change in Net Assets	136,796	(15,114)
Beginning Net Assets	230,840	245,954
Ending Net Assets	\$ 367,636	\$ 230,840

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Management's Discussion and Analysis
June 30, 2010**

Overall Financial Position

The increase in the government-wide total assets of \$154,064 is mainly attributable to a \$294,684 increase in current assets. The increase was helped by an increase in the General Fund Appropriation.

Individual Funds

The Commission is in sound financial condition, having a fund balance of \$393,245. This entire amount is designated for subsequent year's expenditures. The Commission's General Fund is a non-reverting fund to the State General Fund.

Budget Analysis

The Commission was budgeted \$1,218,900 for the year. There were budget adjustments from the original approved budget during the year which increased the budget to 1,291,880. The Commission under-expended its budget by \$264,686.

Capital Assets and Long-Term Debt

The Commission has \$167,123 of capital assets, consisting mainly of vehicles and equipment. Accumulated depreciation was \$153,263 at June 30, 2010. Net capital assets were \$13,860 at June 30, 2010. The only debt the Commission has is in compensated absences of which \$29,013 is considered current, and \$10,456 is long-term.

Other Facts and Circumstances

Currently the State of New Mexico is deliberating legislation that would significantly reduce the budget of the Commission. The Commission believes that the proposed budget cuts will significantly reduce the Commission's fund balance and operating budget.

COMMISSION HIGHLIGHTS

The New Mexico Governor's Commission on Disability is committed to improving the quality of life of all New Mexicans with disabilities. The Governor's Commission on Disability addresses social integration, economic self-sufficiency, political resolve, physical and program accessibility, and full participation in the benefits of life and rights of all individuals.

Even though the Americans with Disabilities Act (ADA) was passed in 1990 giving people with disabilities the same civil rights protections against discrimination as other minority and disenfranchised groups, GCD finds that there are still many barriers to "life, liberty and the pursuit of happiness" that many other people are able to take for granted. As a result, GCD acts in the role as disability advisor to the Governor and Legislature to ensure that policies are enacted and followed to benefit New Mexicans with disabilities.

Some of the key areas in which GCD works are:

- Architectural barrier removal: GCD conducts numerous plan reviews of buildings and community infrastructure to document access for people with disabilities; and, provides site visits for compliance.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Management's Discussion and Analysis
June 30, 2010**

COMMISSION HIGHLIGHTS (continued)

- Voting precinct access: GCD works with the NM Secretary of State's Office to ensure voting site accessibility through site visits across the State; and, provides accessibility training at the annual County Clerk Election School.
- Adaptive driving: GCD has initiated an Adaptive Driving Program through contract for service provision for people with disabilities and seniors to evaluate adaptive equipment needs for behind-the-wheel driving.
- Service and Support Personnel: GCD has initiated a SSP program for New Mexicans who are deaf/blind or dual sensory impaired through contract for service provision.
- Employment: GCD actively works with the private and public sectors to promote employment for New Mexicans with disabilities through trainings statewide.
- Youth leadership: GCD has developed a Youth Leadership program to recruit and empower future leaders with disabilities.
- Disability history: GCD has initiated a New Mexico Disability History program to capture voices of New Mexicans with disabilities through video, audio and still photography.
- Disability historical collection: GCD is continuing its collection of disability-related equipment, articles, books, music, etc., in the development of a 'traveling' project display for schools, libraries and/or museums.

The Commission is made up of fifteen members, nine appointed by the Governor. Six of the members are statutory members from disability agencies within the State of New Mexico.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the State of The New Mexico Governor's Commission on Disability finances for all those interested in the Commission's finances. If you have any questions about this report or need additional information, contact:

Frank Romero, Jr., CFO
New Mexico Governor's Commission on Disability
491 Old Santa Fe Trail, Lamy Bldg.
Santa Fe, New Mexico 87501

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF NET ASSETS
June 30, 2010**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 602,781
Due from other agencies	25,354
Capital assets, net	13,860
TOTAL ASSETS	\$ 641,995
LIABILITIES	
Accounts payable	\$ 142,590
Accrued payroll payable	23,000
Due to State General Fund	69,300
Compensated absences payable:	
Due within one year	29,013
Due after one year	10,456
TOTAL LIABILITIES	274,359
NET ASSETS	
Invested in capital assets	13,860
Restricted	126,000
Unrestricted	227,776
TOTAL NET ASSETS	367,636
TOTAL LIABILITIES AND NET ASSETS	\$ 641,995

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF ACTIVITIES
For the year ended June 30, 2010**

EXPENSES	
General government:	
Personal services and employee benefits	\$ 607,903
Contractual services	275,426
Other costs	140,977
Depreciation	<u>3,824</u>
TOTAL EXPENSES	<u>1,028,130</u>
PROGRAM REVENUE	
Charges for services	<u>114,126</u>
TOTAL PROGRAM REVENUE	<u>114,126</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(914,004)</u>
GENERAL REVENUES AND TRANSFERS	
State general fund appropriation	1,168,900
State general fund reversion - FY 10	<u>(118,100)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>1,050,800</u>
CHANGE IN NET ASSETS	136,796
NET ASSETS, BEGINNING	<u>230,840</u>
NET ASSETS, ENDING	<u><u>\$ 367,636</u></u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2010**

	General Fund
ASSETS	
Current Assets:	
Investment in State GF Investment Pool	\$ 602,781
Due from other agencies	25,354
TOTAL ASSETS	\$ 628,135
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 142,590
Accrued payroll	23,000
Due to State General Fund	69,300
TOTAL LIABILITIES	234,890
FUND BALANCES	
Reserved for contractual requirements	126,000
Unreserved	267,245
TOTAL FUND BALANCE	393,245
TOTAL LIABILITIES AND FUND BALANCE	\$ 628,135

Amounts reported in the Statement of Net Assets differ because:

Total fund balances	\$ 393,245
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	13,860
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(39,469)
Net assets per Statement of Net Assets	\$ 367,636

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the year ended June 30, 2010**

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 114,126
TOTAL REVENUES	<u>114,126</u>
EXPENDITURES	
General government:	
Current:	
Personal services and employee benefits	607,903
Contractual services	275,426
Other costs	<u>143,859</u>
TOTAL EXPENDITURES	<u>1,027,188</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(913,062)</u>
OTHER FINANCING RESOURCES (USES):	
State general fund appropriation	1,168,900
State general fund reversion - FY 10	<u>(118,100)</u>
TOTAL OTHER FINANCING RESOURCES (USES):	<u>1,050,800</u>
NET CHANGE IN FUND BALANCE	137,738
FUND BALANCE, BEGINNING	<u>255,507</u>
FUND BALANCE ENDING	<u><u>\$ 393,245</u></u>

Amounts reported in the Statement of Activities are different because:

Net change in fund balance	\$ 137,738
Net change in current and long-term portions of compensated absences	2,882
Excess depreciation over capital outlay expenditures	<u>(3,824)</u>
Changes in net assets of governmental activities	<u><u>\$ 136,796</u></u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
For the year ended June 30, 2010**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State general fund appropriation	\$ 1,168,900	1,168,900	\$ 1,168,900	-
Charges for services	50,000	122,980	114,126	(8,854)
TOTAL REVENUES	1,218,900	1,291,880	\$ 1,283,026	(8,854)
Fund Balance	\$ 255,507	255,507		
TOTAL RESOURCES	\$ 1,474,407	1,547,387		
EXPENDITURES				
General government:				
Current:				
Personal services and employee benefits	\$ 720,300	661,900	\$ 607,903	53,997
Contractual services	339,400	453,900	275,426	178,474
Other costs	159,200	176,080	143,859	32,221
TOTAL EXPENDITURES	\$ 1,218,900	1,291,880	\$ 1,027,188	264,692

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

1. Summary of Significant Accounting Policies

A. Nature of the Entity

The State of New Mexico, Governor's Commission on Disability (Commission) was created by Laws of 1978, Chapter 33 (Section 28-10-1 to 28-10-7, NMSA 1978, "the act"). The Commission consists of fifteen members, nine of whom shall be appointed by the governor. The six remaining members shall be the director of the Vocational Rehabilitation Division of the Public Education Department, the Secretary of Labor or designee, the Director of the Behavioral Health Services Division of the Department of Health, the Secretary of Children, Youth and Families or designee, the Secretary of the State of New Mexico Aging and Long-Term Services Department or designee and the Secretary of Human Services or designee. The Commission shall establish and maintain a comprehensive statewide program designated to encourage and promote attention to the concerns of the training and employment of individuals with disabilities in New Mexico.

The mission of the Commission is to ensure that all people, regardless of disability, can participate fully in mainstream society. The Commission accomplishes this mission by addressing barriers physical, programmatic and attitudinal that may keep a person with a disability from enjoying what society has to offer.

The Commission appoints the Director who has decision-making authority, has the power to manage the activities of the Commission and has primary responsibility for accountability in all fiscal matters.

B. Reporting Entity

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Commission applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

The Commission is a component unit of the primary government, the State of New Mexico. The Commission has no component units. These financial statements present the financial position and results of operation of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Commission has oversight responsibility. The Commission has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Commission is a user organization of the SHARE accounting system. The service organization is the Department of Finance and Administration (DFA).

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements

In accordance with GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities. The Commission does not have any fiduciary activities. The Commission does not have any business-type activities; therefore, only governmental activities are shown. Governmental activities are normally supported by taxes and intergovernmental revenues.

The fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Commission. The general fund (SHARE fund #03800) is the Commission's operating fund and includes all financial transactions conducted to fulfill its general government function. It accounts for all financial resources of the Commission.

Measurement focus, basis of accounting and financial statement presentation basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

The government-wide Statement of Activities demonstrates the direct expenses of the single function (general government) of the Commission which is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The Commission has no indirect expenses and, therefore, indirect expenses are not required to be allocated to functions in the Statement of Activities. Program revenues include charges for services provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenue. The general revenues support the net costs of the function or program not covered by program revenues.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered a measure of available spendable resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available. Revenues are available if collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Commission considers revenues to be available if collected within sixty days of the end of the fiscal year. Expenditures are recorded when a liability is incurred, as under accrual accounting. The Commission does not have any debt service expenditures. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

D. Capital Assets

Capital assets of the Commission include furniture and fixtures, and equipment. The Commission does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978 was amended effective June 19, 2005, changing the capitalization threshold to \$5,000. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Commission does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Commission are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3
Vehicles	5
Furniture and fixtures	7

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

E. Accrued Compensated Absences

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

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

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave, have the option to convert 400 hours of such leave to cash at one half of their hourly rate.

Fair Labor Standards Act (FLSA) states that nonexempt employees accumulate compensation time at a rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Overtime must be preapproved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30th, there was no compensation time owed to any employees.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010

F. Net Assets/Fund Equity

In the government-wide financial statements, net assets consist of three components:

- a) Invested in capital assets, net of related debt
- b) Restricted net assets
- c) Unrestricted net assets

The Commission has no debt related to capital assets; therefore, net assets invested in capital assets equal the capital assets, net of related accumulated depreciation. The Commission's financial statement does not show any net assets restricted because it does not have any resources remaining in the net assets that were received or earned with the explicit understanding between the Commission and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose. Therefore, all remaining net assets that are not related to capital assets are shown as unrestricted.

In the fund financial statements, reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

The Commission's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first. No such expenses occurred during the year ended June 30, 2010.

G. Reversions

Reversions to the State of New Mexico General Fund by the Commission are based on the definitions of reverting funds. The General Fund of the Commission is not a reverting fund by statute (Section 28-10-5 (c) NMSA 1978). However, balances left on special or supplemental appropriations are reverted when the special or supplemental appropriation lapses.

H. 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 disclosure. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

I. Budget and Budgetary Accounting

The Commission prepares and submits an annual budget for the General Fund to the Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by the Legislature of the State of New Mexico. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA.

Budgets are controlled at the "appropriation unit" level. Appropriations lapse at the end of the fiscal year except for those goods and services provided to the Commission by June 30th. The accounting records are held open for approximately one additional month per DFA directive, in order to record the transactions in the fiscal year ended June 30th.

The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable must be paid out of the next year's budget.

In accordance with the requirements of Section 2.2.2 10.A(2)(b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

2. Investment in the State Treasurer General Fund Investment Pool

The funds allotted to the Commission are held by the New Mexico State Treasurer and pooled with the general fund investment pool. The Commission is required to participate in this investment pool and the Commission does not receive any income from this investment.

The Commission's share of the Investment in the State General Fund Investment Pool is as follows:

	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
Governmental Funds:			
Investment in the State General Fund			
Investment Pool, fund 16400	1 day	\$602,781	602,781

For additional GASB 40 disclosure information regarding the State Treasurer General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer's Board for the fiscal year ended June 30, 2009.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

3. Due From and Due To

The Commission was owed \$6,950 by Department of Health (SHARE fund 66500) at June 30, 2010 for a grant which the Commission administers. The Commission was also owed \$18,404 by the Human Services Department (SHARE fund 63000) for services provided to that agency.

As of June 30, 2010 the Commission owed \$69,300 to the State General Fund for a required reversion of amounts from the General Fund Appropriation as the result of budget adjustments made by the state (see Note 9 for additional details).

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Capital Assets:				
Machinery and equipment	\$ 49,424	-	-	\$ 49,424
Vehicles	109,332	-	-	109,332
Furniture and fixtures	8,367	-	-	8,367
Total	167,123	-	-	167,123
Accumulated Depreciation:				
Machinery and equipment	\$ 49,424	-	-	\$ 49,424
Vehicles	88,542	6,930	-	95,472
Furniture and fixtures	8,367	-	-	8,367
Total	146,333	6,930	-	153,263
Net Assets	\$ 20,790	6,930	-	\$ 13,860

Depreciation expense for the fiscal year ended June 30, 2010 was \$3,824.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

5. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10	Due within One Year
Annual Leave	\$ 42,351	30,375	(33,257)	\$ 39,469	\$ 29,013

The Commission's General Fund resources have been used to liquidate accrued compensated absences in the past. The Commission had no other debt activity during the year.

6. PERA Retirement Plan

Plan Description. Substantially all of the Commission's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Commission is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Commission are established in State statute under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$68,330, \$72,995, and \$93,106, respectively, which equal the amount of the required contributions for each fiscal year.

7. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care

Plan Description. The Commission contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Commission was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Commission 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.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

7. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care (continued)

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 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 Commission to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

<u>Fiscal Year Employer</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	0.833%
FY12	1.834%	0.971%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

7. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care (continued)

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 \$5,870, \$5,720 and \$7,296, respectively, which equal the required contributions for each year.

8. Risk Management and Litigation

The Commission is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and, natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state laws have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Commission are accounted for in the General Fund. Any claims are processed through RMD.

There are no pending or known threatened legal proceedings involving material matters to which the Commission is a party.

9. Operating Transfers

	Share Fund	Title	Transfer In	Out
(1)	64500	Department of Finance & Administration	1,168,900	
(2)	64500	Department of Finance & Administration		118,100

(1) General Fund Appropriation Act, Laws of 2009

(2) Laws 2010, Second Session, Chapter 105/SB 182 General Fund Reversion –FY 10

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2010**

10. Restricted Net Assets and Reserved Fund Balance

As of June 30, 2010 the Commission had Restricted/Reserved an amount of \$126,000 to recognize contractual requirements the Commission has agreed to meet. \$80,000 of the amount is for a contract with the Catholic Community Services of Southern Arizona, Inc., DBA Community Outreach Program for the Deaf (COPD), to develop and implement a program in which services for Support Service Personnel are provided to individuals who are deaf or deaf/blind in New Mexico. \$46,000 is for the Adaptive Driving Program which the Commission implements through contract with various individuals and businesses. The program aids people with disabilities in evaluating adaptive equipment for behind-the-wheel driving.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Memorandum of Understanding
June 30, 2010**

The New Mexico Governor's Commission on Disability and UNM Center for Developmental Disability:

- a. Participants: The New Mexico Governor's Commission on Disability (Commission) and UNM Center for Developmental Disability (CDD).
- b. Responsible party for operations: The Commission
- c. Description: Agreement to implement mutually agreed upon epidemiological research, evaluation and curriculum development, goals and objectives.
- d. Beginning and ending dates of agreement: July 1, 2009, to June 30, 2010.
- e. Total estimated amount of project is \$75,000, of which the Commission paid \$75,000 and the CDD contributed \$0.
- f. The Commission contributed \$75,000 towards this agreement.
- g. The Commission has the audit responsibility.
- h. The Commission is the fiscal agent.
- i. The Commission reports all revenues and expenditures.

The New Mexico Governor's Commission on Disability and New Mexico Department of Health:

- a. Participants: The New Mexico Governor's Commission on Disability (Commission) and New Mexico Department of Health (DOH).
- b. Responsible party for operations: The Commission
- c. Description: Agreement to establish Tobacco Use Prevention and Control (TUPAC) curriculum designed specifically for those with disabilities.
- d. Beginning and ending dates of agreement: July 1, 2009, to June 30, 2010.
- e. Total estimated amount of project is \$50,100, of which the Commission paid \$0 and the HOD contributed \$50,100.
- f. The Commission contributed \$0 towards this agreement.
- g. The Commission has the audit responsibility.
- h. The DOH is the fiscal agent.
- i. The Commission reports all revenues and expenditures.

Zlotnick, Laws & Sandoval, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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ASA LAWS, CPA
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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

To the Members of
State of New Mexico
Governor's Commission on Disability
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Governor's Commission On Disability (Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated April 25, 2011. 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 preceding paragraph 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 response, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2010**

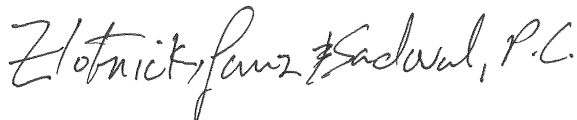
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination 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 deficiencies described as items 2010-01 through 2010-03 in the accompanying schedule of findings and responses to be material weaknesses.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the 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 entity, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Zlotnick, Laws & Sandoval, P.C.

April 25, 2011

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2010**

AUDITOR PREPARED THE FINANCIAL STATEMENTS

2010-01

Criteria:

State Audit Rule 2.2.2.8J(4) and Statement on Auditing Standards (SAS) No 115 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements.

Condition:

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

Cause:

The Commission currently does not have employees with sufficient expertise to apply generally accepted accounting principles (GAAP) in recording the Commission's financial transactions or preparing its financial statements.

Effect:

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

Recommendation:

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

Commission Response:

The Commission is a small agency which requires employees to perform a wide array of job duties and does not have budget to staff an in-house CPA to exclusively perform financial functions. However, the Commission will strongly consider contracting with a CPA to perform such functions, or may request support from DFA.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2010**

RESPONSIBILITY FOR FINANCIAL STATEMENTS

2010-02

Criteria:

The State Audit Rule 2.2.2.8 (J) clearly states that the Commission is responsible for the content of the audited financial statements. This fact permeates Generally Accepted Auditing Standards and is formally made a part of the audit process in New Mexico with its inclusion in the State Auditors Rule. State Audit Rule 2.2.2.8J(4) and Statement on Auditing Standards (SAS) No 115 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements

Condition:

The fixed asset balances were incorrectly stated on prior year's financial statements. The accumulated depreciation balance for machinery and equipment exceeded the asset balance of machinery and equipment resulting in a negative net balance. Also, during discussions with the Commission's staff it became apparent that certain portions of the financial statements, including audit adjustments, were not fully understood and inquiries about the financials were answered by deferring to actions by the auditor.

Cause:

The Commission did not involve themselves in the financial reporting process enough to gain a full understanding of what was being reported, the cause and effect of audit adjustments, and to identify any possible errors.

Effect:

The financial statements may be issued with material misstatements.

Recommendation:

The Commission must assure that they have the opportunity to read the audit report before it is issued. The Chairman, Director and CFO should take responsibility for verifying that the report has been read, thoroughly understood and approved.

Commission Response:

The Commission acknowledges this finding. As an Agency of eight approved positions, a small amount of transactions are processed. The Commission will work with the Chief Financial Officer (CFO) to prepare requested schedules, and for schedules where the CFO does not have the knowledge, skill, or ability to produce that which is needed for the audit, the Commission will find resources necessary to fulfill its responsibilities.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2010**

LATE AUDIT REPORT

2010-03

Condition:

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

Criteria:

The deadline for submitted state agency audit reports for the year ended June 30, 2010 cannot extend beyond December 15, 2009 as stated in Paragraph (5) of Subsection A of 2.2.2.9 NMAC *Report Due Dates*.

Effect:

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

Cause:

The Auditor originally contracted by the Commission passed away prior to commencing the audit. The Commission was left without sufficient time to find a replacement and have the audit performed and completed before the deadline.

Recommendation:

It is recommended that the Commission ensure that the audit can commence when there is sufficient time to complete the audit and audit report before the deadline.

Commission Response:

The Commission concurs with this finding. A contract was approved with sufficient time for an independent professional auditor (IPA) to complete and submit the audit before the deadline. Unfortunately the auditor took ill and passed away. There was not enough time to contract with another auditor and have the audit completed for submittal to meet the December 15, 2010 deadline. The Commission will continue to be proactive in contracting with an IPA to assure the audit is submitted to the State Auditor's Office on time, barring unforeseen circumstances.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Exit Conference
June 30, 2010**

The contents of this report were discussed at an exit conference held April 25, 2011.

The Commission was represented by:

Anthony Cahill, Chairman
Jim Parker, Director
Frank Romero, CFO

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA
Brian Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.