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Chester W. Mattocks
Certified Public Accountant

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY

**ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2008**

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**OFFICIAL ROSTER
AS OF JUNE 30, 2008**

Commission Members

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

Administrative

John Block, III	Interim Director
Frank Romero, Jr.	Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

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

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, each major fund, and the respective budgetary comparison of the General Fund of the State of New Mexico Governor's Commission on Disability (Commission) as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Commission's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and the individual fund 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. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1A, the financial statements of the Commission, are intended to present the financial position and changes of financial position of only that portion of the governmental activities, each major fund and the budgetary comparison of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008 and the changes in its financial position thereof and respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America

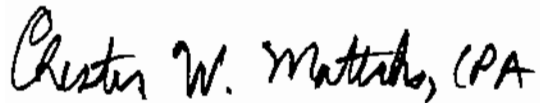
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission at June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison of 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, I have also issued my report dated December 3, 2008, on my consideration of the Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and

other matters. The purpose of that report is to describe the scope of my 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 my audit.

The Commission has not presented the Management's Discussion and Analysis for the year ended June 30, 2008 which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

My audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedule listed as "other supplemental information" in the Table of Contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Handwritten signature of Chester W. Mattick, CPA in black ink.

December 3, 2008

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Investment account with New Mexico State Treasurer	\$ 354,505
Due from State of New Mexico, Department of Health	20,421
Other receivable	4,400
Total current assets	<u>379,326</u>
Capital assets:	
Machinery and equipment	49,424
Vehicles	109,332
Other equipment	8,367
Total capital assets	<u>167,123</u>
Less accumulated depreciation	<u>(142,509)</u>
Total capital assets, net of accumulated depreciation	<u>24,614</u>
Total assets	<u>403,940</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	73,372
Accrued payroll and taxes	22,228
Due to other state agency	7,255
Due to State of New Mexico General Fund	4,315
Compensated absences payable - expected to be paid within one year	38,500
Total current liabilities	<u>146,570</u>
Noncurrent liabilities:	
Compensated absences payable - expected to be paid after one year	<u>12,316</u>
Total noncurrent liabilities	<u>12,316</u>
Total liabilities	<u>157,986</u>
<u>NET ASSETS</u>	
Invested in capital assets	24,614
Restricted – special appropriations	148,800
Unrestricted	72,540
Total net assets	<u>\$ 245,954</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Activities
Expenses:	
Information/advocacy services	\$ (967,015)
Less:	
Program revenues – charges for services	103,233
Total	103,233
Changes in net assets:	
Net (Expense)/Revenue	(863,782)
General revenues:	
General Fund appropriation	830,300
General Fund appropriation-compensation package	26,300
General Fund special appropriation	25,000
Transfer to State of New Mexico	
Children, Youth and Families Department- return of grant funds	(12,920)
Transfer of State of New Mexico	
Aging and Long-Term Services Department- reimbursement of funds	(7,255)
Miscellaneous	28,710
Transfer- Reversion to State of New Mexico General Fund FY 08	(3,971)
Transfer- Reversion to State of New Mexico General Fund FY 07	(344)
Total general revenues and transfers	885,820
Change in net assets	22,038
Net assets - beginning of year	223,916
Net assets - end of year	\$ 245,954

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**BALANCE SHEET - GOVERNMENTAL FUND
AS OF JUNE 30, 2008**

	General Fund
<u>ASSETS</u>	
Investment account with New Mexico State Treasurer	\$ 354,505
Due from State of New Mexico, Department of Health	20,421
Other receivables	<u>4,400</u>
Total assets	<u>\$ 379,326</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 73,372
Accrued payroll and taxes	22,228
Due to other state agency	7,255
Due to State of New Mexico General Fund (reversion FY08)	<u>4,315</u>
Total liabilities	<u>107,170</u>
Fund balances:	
Reserved – special appropriations	148,800
Unrestricted	<u>123,356</u>
Total fund balances	<u>272,156</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 379,326</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND -
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2008**

Total fund balances - Governmental Fund (Balance Sheet - Governmental Fund)	\$ 272,156
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2008 because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. These assets consist of:	
Machinery and equipment	\$ 49,424
Vehicles	109,332
Other equipment	8,367
Less accumulated depreciation	<u>(142,509)</u>
Total capital assets, net of accumulated depreciation	24,614
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Compensated absences payable	<u>(50,816)</u>
Net assets of governmental activities (Statement of Net Assets)	<u>\$ 245,954</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>
REVENUES	
Charges for services	\$ 103,233
Miscellaneous	28,710
Total revenues	<u>131,943</u>
EXPENDITURES	
Current:	
General government:	
Personal services/employee benefits	608,054
Contractual services	29,509
Other costs	<u>302,087</u>
Total expenditures	<u>939,650</u>
Excess (deficiency) of revenues over expenditures	<u>(807,707)</u>
Other financing sources (uses):	
State general fund appropriation - regular	830,300
State general fund appropriation – compensation package	26,300
State general fund appropriation- special	25,000
Transfer to State of New Mexico	
Aging and Long-term Services Department- reimbursement of funds	(7,255)
Transfer to State of New Mexico	
Children, Youth and Families Department – return of grant funds	(12,920)
Reversion to State of New Mexico General Fund FY08	(3,971)
Reversion to State of New Mexico General Fund FY07	<u>(344)</u>
Total other financing sources (uses)	<u>857,110</u>
Net change in fund balances	49,403
Fund balances - beginning	<u>222,753</u>
Fund balances - ending	<u>\$ 272,156</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - TO THE STATEMENT OF
ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances after extraordinary item (Statement of Revenues, Expenditures and Changes in Fund Balances) \$ 49,403

Amounts reported for governmental activities in the Statement of Activities are different for the year ended June 30, 2008 because:

In the Statement of Activities, certain operating expenses - compensated absences payable - are measured by the amounts earned during the year. In the Governmental Fund, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The increase in the liability for compensated absences payable for the year was: (15,414)

The Governmental Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expenses. In the current year, these amounts were:

Capital outlay expenditures which were capitalized	\$ -0-	
Depreciation	(11,951)	
(Deficiency) of capital outlay expenditures over depreciation		(11,951)
Change in net assets of Governmental Activities, after extraordinary item (Statement of Activities)	\$	<u>22,038</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal Sources	\$ -0-	\$ 47,650	\$ 46,521	\$ (1,129)
Charges for services	-0-	-0-	56,712	56,712
Other	-0-	-0-	28,710	28,710
Total revenues	<u>-0-</u>	<u>47,650</u>	<u>131,943</u>	<u>84,293</u>
EXPENDITURES:				
Current:				
General Government:				
Personal svcs/Employee benefits	615,600	776,850	765,254	11,596
Contractual services – other	174,000	219,078	108,532	110,546
Other costs	192,000	364,322	302,087	62,235
Total expenditures	<u>981,600</u>	<u>1,360,250</u>	<u>1,175,873</u>	<u>184,377</u>
Excess (deficiency) of revenues over expenditures	<u>(981,600)</u>	<u>(1,312,600)</u>	<u>(1,043,930)</u>	<u>268,670</u>
Other financing sources (uses):				
State general fund appropriations	830,300	830,300	830,300	-0-
Supplemental appropriation- compensation package	26,300	26,300	26,300	-0-
Special appropriations	100,000	248,722	248,722	-0-
Transfer out to another agency	-0-	(115,681)	(115,681)	-0-
Transfer from another agency	-0-	25,000	-0-	(25,000)
Special appropriation	25,000	25,000	25,000	-0-
Total other financing sources and uses	<u>981,600</u>	<u>1,039,641</u>	<u>1,014,641</u>	<u>(25,000)</u>
Net change in fund balance	-0-	(272,959)	<u>\$ (29,289)</u>	<u>\$ 243,670</u>
Prior year investment balance required To balance budget	<u>\$ -0-</u>	<u>\$ 272,959</u>		

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

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the responsibility for primary accountability for fiscal matters.

The financial statements for the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation based on size of government.

The Commission implemented the provisions of GASB #34 effective July 1, 2001. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Commission does not own any infrastructure assets and therefore is unaffected by this requirement. The Commission also implemented the provisions of the later related GASB statements #37 and #38 which affect GASB #34 and its implementation.

A. Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous

standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

GASB 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. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The Audit Act, Sections 12-6-1 through 12-6-14, 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 States of America. As a result, the Commission has prepared and issued its own audited, agency Annual Financial Report.

Included within the Commission for this purpose are the following: All of the programs that are administered and/or controlled by the Commission have been included.

No entities were noted that should be considered component units of the Commission. No entities were specifically excluded from the Commission because no entities were noted as meeting any of the criteria for potential inclusion.

B. Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The new reporting model focus is on either the Commission as whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Commission did not have any business-type activities during the year ended June 30, 2008 and the Commission has decided not to apply any FASB pronouncements issued after November 30, 1989.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Commission includes only one function (general government).

The net cost (by function or business-type activity) is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The Commission does not currently employ indirect cost allocation systems. 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, 2008.

This government-wide focus is more on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Commission, the only governmental fund is the General Fund which has been classified as a major fund as required.

The governmental fund statements are presented on the current financial resources measurement focus and modified accrual basis of accounting. 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 conforms 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' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the government-wide presentation.

The Commission does not have any fiduciary funds or any component units. If it did, the Commission would not include any fiduciary funds or component units that are fiduciary in nature in its government-wide financial statements.

C. Basis of Presentation

The financial transactions of the Commission are maintained on the basis of funds, 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 balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Commission, the only individual governmental fund, the General Fund, has been classified as a major fund. Only individual governmental or individual enterprise funds can be considered for major fund status.

1. Governmental Fund Types

The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and

balances of financial resources) rather than upon net income. The following is a description of the Governmental Fund of the Commission.

2. General Fund

The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily from appropriations from the State of New Mexico General Fund.

3. Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Commission, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient. The Commission had no such resources during the year ended June 30, 2008.

Pursuant to a professional services contract with the New Mexico Department of Health, the Commission conducted the State Tobacco Use Prevention and Control Program (TUPAC) on behalf of the Department of Health for \$ 46,521. The \$46,521 is considered to be charges for services. The Commission also received \$6,712 for performing service under a Joint Powers Agreement with the New Mexico Human Services Department for services provided in conjunction with an employment program. The Commission also received \$50,000 under a Memorandum of Understanding with the Division of Vocational Rehabilitation for providing a driving training program; and the Commission also received under another Memorandum of Understanding \$5,360 from the New Mexico Secretary of State for providing inspections of polling places. All are considered charges for services.

E. Budgetary Accounting

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

1. No later than September 1st, the Commission prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings are incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Commission submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Commission and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of line item.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. 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. There were \$200 of these accounts payable at June 30, 2008. There were also \$79,223 of GAAP 07 expenditures which were included in FY 08 as budgeted expenditures. A reconciliation is provided.

13. Appropriations lapse at the end of the fiscal year beginning with the year ended June 30, 2008. The Commission 's General Fund is not a reverting fund, per Section 28-10-5 (c), NMSA 1978.
14. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

F. Capital Assets

Property, plant and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software, are added to the capital accounts, is \$5,000. However, all capital outlay purchases may not necessarily be capitalized. The Commission does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Commission's depreciation guidelines.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Commission utilizes Internal Revenue Service guidelines to estimate the useful lives on fixed assets as follows:

Machinery and equipment	3 years
Vehicles	5 years
Other equipment	7 years

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Commission does not own any infrastructure assets.

G. Encumbrances Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund. Encumbrances lapse at year-end except for those recorded as accounts payable.

H. Compensated Absences Payable

Vacation and sick leave earned and not taken is 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 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable

semiannually 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 semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate comp time is also accrued. The compensated absences payable is included in the government-wide financial statements. Sick leave at June 30, 2008 which met the requirements for accrual resulted in an accrual of \$1,279 at June 30, 2008.

Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Between 1 month to 3 years	3.08
Over 3 to 7 years	3.69
Over 7 and 11 years	4.61
Over 11 to 15 years	5.54
Over 15 years/beyond	6.15

I. Due to State of New Mexico General Fund (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.

Reverting Funds - All funds that are not identified by law as non-reverting are reverting funds.

Current year reversions due to the State of New Mexico General Fund, from special appropriations as of June 30, 2008 were as follows:

	<u>General Fund</u>
Current year:	
FY 08 reversions:	
2008 Special appropriation for \$25,000	\$ 3,971
2007 Special Appropriation-Quality of Life	344
Total reversions	<u>\$ 4,315</u>

J. Reservations of Fund Balances

Reservations of fund balances on the Governmental funds 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 appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for –Special Appropriations- This reserve was created to represent the portions of special appropriations that are available for use in future years.

K. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Revenues consist of charges for services, grant revenue and other miscellaneous revenue.

Expenditures are recognized when the related fund liability is incurred.

L. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as invested in capital assets, restricted and unrestricted.

Invested in Capital Assets - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Commission did not have any related debt during the year ended June 30, 2008.

Unrestricted Net Assets - represent the unrestricted net assets of the Commission at June 30, 2008.

M. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

N. Due to Other State Agency

The "bridge the gap" program was transferred to the State of New Mexico Aging and Long-Term Services Department effective June 30, 2006. The \$115,681 was in payables at June 30, 2007 and was transferred out during the fiscal year ended June 30, 2008. In addition another \$7,255 was owed as of June 30, 2008. It has been recorded as a due to other state agency at June 30, 2008 and was transferred out in August 2008.

2. **INVESTMENT ACCOUNT WITH STATE TREASURER AND INVESTMENT POLICY**

Investment Account With State Treasurer

The following is a summary of the Commission's investment account with the New Mexico State Treasurer which represents the Commission's interest in the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

	<u>Held By</u>	<u>Type of Investment</u>	<u>Share Agency Number</u>	<u>Account Balance, Reconciled Balance and Financial Statement Balance at June 30, 2008</u>
General Fund	State Treasurer	Investment in State General Fund Investment Pool	64500-0580	\$ 354,505
Total				<u>\$ 354,505</u>

The New Mexico State Treasurer monitors the collateral for deposits held by it or other state entities in its various pools, which would include the investment account of the Commission. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these accounts is disclosed. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608. The Commission is not permitted to have any investments, and the Commission did not have any investments of its own during the year ended June 30, 2008. There is no custodial risk at the Commission's level since the account is under the control of the New Mexico State Treasurer. The requirements of GASB #40 are met at the level of the New Mexico State Treasurer.

3. RECEIVABLES

The Commission was owed \$20,421 at June 30, 2008 for charges for services under a contract related to providing tobacco education services. The \$20,421 was received in July and August 2008.

The Commission was also owed \$4,400 by a former employee under a court-ordered restitution. Payments from \$181 to \$200 are made monthly. At this rate, the receivable should be fully paid off by fiscal year 2011.

4. CAPITAL ASSETS

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

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Machinery and equipment	\$ 49,424	\$ -0-	\$ -0-	\$ 49,424
Vehicles	109,332	-0-	-0-	109,332
Other equipment	8,367	-0-	-0-	8,367
Total	<u>167,123</u>	<u>-0-</u>	<u>-0-</u>	<u>167,123</u>
Less accumulated depreciation for:				
Machinery and equipment	(51,194)	(1,336)	-0-	(52,530)
Vehicles	(70,997)	(10,615)	-0-	(81,612)
Other equipment	(8,367)	-0-	-0-	(8,367)
Total accumulated depreciation	<u>(130,558)</u>	<u>(11,951)</u>	<u>-0-</u>	<u>(142,509)</u>
Governmental Activities				
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 36,565</u>	<u>\$ (11,951)</u>	<u>\$ -0-</u>	<u>\$ 24,614</u>

Depreciation expense for the year ended June 30, 2008 was \$11,951. All of the depreciation expense relates to the general government function, and all capital assets are depreciable.

5. COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2008 is as follows:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Compensated Absences Payable	\$ 35,402	\$ 51,945	\$ (36,531)	\$ 50,816	\$ 38,500

Of the \$50,816, \$38,500 has been classified as a current liability in the Statement of Net Assets. In prior years, the General Fund was used to liquidate compensated absences. It is expected to continue to do so.

6. RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Commission is required to contribute 16.59% of their gross salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Commission's contribution to PERA for the years ended June 30, 2008, 2007 and 2006 was \$93,106, \$64,232 and \$59,489, respectively, which equal the amount of the required contributions for each fiscal year.

7. POST-EMPLOYMENT BENEFITS-STATE RETIREE HEALTH CARE PLAN

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

optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$7,296, \$5,033 and \$4,662 respectively, which equal the required contributions for each year.

8. 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, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Office are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2007, through June 30, 2008.

9. COMMITMENTS - OPERATING LEASES

The Commission leases an office in Albuquerque and entered into a four-year lease on June 1, 2007. These are two option periods of four years each. Payments required for the first four-year period are as follows:

	Year Ending June 30	Payments
	2009	\$ 30,230
	2010	30,230
	2011	27,711
		<u>\$ 88,171</u>

If both four-year option periods are exercised, the Commission will pay \$262,897 more in rent for the office. The Commission also leases a storage space on a month by month lease. The Commission paid \$33,317 for operating leases during the year ended June 30, 2008.

10. SPECIAL APPROPRIATIONS

Reversion Date	Related Laws and Purpose	Amount Original	Amount Recognized in FY 08	Amount Spent in FY 07	Amount Spent in FY 08	Total Spent to date	Unencumbered	Amount
							Balance Remaining At June 30, 2008	To be Reverted At June 30, 2008
6/30/2009	Laws of 2007, Chapter 2, Section 23, Item 1- Purchase/Equip Vehicle -Rehab Program	\$ 48,800	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 48,800	\$ -0-
SPECIAL APPROPRIATIONS								
6/30/2011	Laws of 2007, Chapter 42, Section 64, Item 1- Deaf Community Outreach Program Facility	100,000	-0-	-0-	-0-	-0-	100,000	-0-
		148,800	-0-	-0-	-0-	-0-	148,800 (1)	-0-
6/30/2008	Laws of 2007, Chapter 28, Section 5 Item 65- Quality of Life Programs for People with Disabilities	100,000	-0-	78	99,578	99,656	-0-	(2) 344
Totals		\$248,800	\$ -0-	\$78	\$99,578	\$99,656	\$148,800	\$344

6/30/2008

NEW SPECIAL APPROPRIATION			
Original Amount	Amount Recognized in FY 08	Amount Spent in FY 08	Amount to be Reverted at June 30, 2008
Laws of 2007, Chapter 21, Section 25	\$25,000	\$21,029	\$3,971 (2)

Note: There were no outstanding encumbrances for any of the above at June 30, 2008.

- (1) These funds will carryover to next year and are the reserved-special appropriations in the fund financial statements and are restricted-special appropriations in the government-wide financial statements.
- (2) This amount is an reversion, and has been recorded as Due to State of New Mexico General Fund at June 30, 2008.

11. OPERATING TRANSFERS

The following are the transfers in from other state agencies and out to other state agencies during the year ended June 30, 2008:

OFFICE'S SHARE AGENCY NUMBER	FUND TITLE	OTHER ENTITY SHARE AGENCY NUMBER	TRANSFER	
			In	Out
(1) 64500	Department of Finance & Administration	34100	\$ 830,300	\$ -0-
(2) 64500	Department of Finance & Administration	34100	26,300	-0-
(3) 64500	Department of Finance & Administration	34100	25,000	-0-
(4) 64500	Children, Youth and Families Department	66500	-0-	12,920
(5) 64500	Department of Aging and Long Term Services	62400	-0-	115,681
(6) 64500	Department of Finance and Administration	34100	-0-	21,013
(7) 64500	Department of Finance and Administration	34100	148,800	-0-
Total			\$ 1,030,400	\$ 149,614

- (1) State General Fund Appropriation
- (2) State General Fund Appropriation – compensation package
- (3) Special appropriation
- (4) Transfers of funds in connection with SAMSA grant- return of unused funds
- (5) Transfers out of grant funds for GAP Program
- (6) Transfer out of FY 07 reversion to State of New Mexico General Fund
- (7) Special appropriations

12. RECONCILIATION OF BUDGET TO GAAP

	<u>Expenditures</u>
Total per GAAP Statement	\$ 939,650
Add:	
Settlement paid in FY 08 but accrued in prior year	157,200
FY 07 Accounts payable for GAAP but is a FY 08 budget item	79,223
Accounts Payable which is a FY 08 item for GAAP but is FY 09 budget item	<u>(200)</u>
Total per Budget Statement	<u>\$ 1,175,873</u>

	<u>Other Financing Sources</u>
Total per GAAP Statement	\$ 857,110
Add: Reversions	4,315
Special appropriations recognized for GAAP in prior Year and for budget in current year	248,722
Return of grant funds	12,920
Reimbursement of grant funds	7,255
Less:	
Transfer out to another agency recorded for GAAP purposes in a prior year	<u>(115,681)</u>
Total per Budget Statement	<u>\$ 1,014,641</u>

Note: There were no differences in revenues.

13. DUE TO OTHER STATE AGENCY

At June 30, 2008, the Commission (SHARE # 64500) owed to the State of New Mexico Aging and Long-Term Services Department (SHARE # 62400) \$7,255 for reimbursement of grant funds.

**OTHER SUPPLEMENTAL SCHEDULE-SUPPORTING
SCHEDULE**

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**SCHEDULE OF JOINT POWERS AGREEMENT AND MEMORANDUMS OF
UNDERSTANDING AS OF JUNE 30, 2008**

JPA No. 08-630-8000-0024

PARTICIPANTS: New Mexico Human Services Department (HSD)
State of New Mexico Governor's Commission on Disability (Commission)

RESPONSIBLE PARTY FOR OPERATIONS: Commission

DESCRIPTION: Utilize services provided by the Commission to implement New Mexico's Comprehensive Employment Service "Focusing on Abilities" Strategic Plan.

EFFECTIVE DATES: April 1, 2008 – until December 30, 2010 or until termination of funding.

PROJECT COSTS: Maximum Project Costs:
State FY 08 \$ 50,000
State FY 09 and 10 50,000
State FY 11 25,000
Total \$125,000
All to be paid by HSD to the Commission.

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR: By HSD \$6,712

AUDIT RESPONSIBILITY: Commission

**GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES
ARE REPORTED:** Commission

MEMORANDUM OF UNDERSTANDING #08-0011

PARTICIPANTS: State Public Education Department Division of Vocational Rehabilitation (DVR)
Commission

RESPONSIBLE PARTY FOR OPERATIONS: Commission

DESCRIPTION:

1. Establish a driver's rehabilitation program recognized by the State Transportation Department and the Taxation & Revenue Department/Motor Vehicle Division.
2. Create a driving evaluation program for persons with disabilities who have never driven.
3. Create a driving evaluation program for persons who may have a driving record, but have become disabled and their ability to drive has come into question.
4. Create a driver's training program for persons with disabilities, deemed capable of driving, utilizing an appropriate vehicle and modifications

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**SCHEDULE OF JOINT POWERS AGREEMENT AND MEMORANDUMS OF
UNDERSTANDING AS OF JUNE 30, 2008 (CONTINUED)**

EFFECTIVE DATES: November 9, 2007 until June 30, 2008

PROJECT COSTS: \$50,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR: \$ 50,000 (DVR)

AUDIT RESPONSIBILITY:

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES
ARE REPORTED: Commission

MEMORANDUM OF UNDERSTANDING: Unnumbered

PARTICIPANTS: New Mexico Secretary of State (SOS) Commission

RESPONSIBLE PARTY FOR OPERATIONS: Commission

DESCRIPTION: Commission will provide assistance to SOS by performing inspections of polling
locations

EFFECTIVE DATES: January 15, 2008 until June 30, 2008.

PROJECT COSTS: \$80 per inspection upto total of \$15,000

AMOUNT CONTRIBUTED IN CURRENT FISCAL YEAR: \$5,360 paid to Commission by SOS

AUDIT RESPONSIBILITY: Commission

GOVERNMENT AGENCY WHERE REVENUES AND EXPENDITURES ARE REPORTED: Commission

OTHER REPORT

C
W
M **Chester W. Mattocks**
Certified Public Accountant

P.O. Box 25941
Albuquerque, New Mexico 87125
(505) 299-5233

**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**

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

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the financial statements of the governmental activities and each major fund and the respective budgetary comparison of the General Fund of the State of New Mexico, Governor's Commission on Disability (Commission) as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements, and have issued my report thereon dated December 3, 2008. I conducted my 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 my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

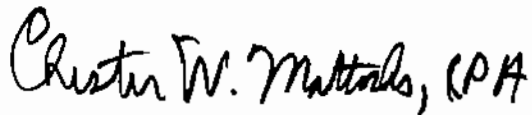
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in internal control that might be

significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Handwritten signature of Chester W. Matthews, CPA in black ink.

December 3, 2008

STATE COMPLIANCE SECTION

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

None reported.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

2006-4 Late Audit Report – Resolved.

2007-1 Failure to Follow Budgetary Procedures – Resolved.

2007-2 Deficit Fund Balance – Resolved.

2007-3 Overexpenditure of Budget -- Resolved.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was held on December 12, 2008. Attending were the following:

State of New Mexico, Governor's Commission on Disability

Mr. John Block III, Interim Director
Mr. Frank Romero, Jr., Chief Financial Officer
Mr. Alex Abeyta, Jr., Public Relations Specialist
Mrs. Yvonne Abeyta, Assistant

Governing Board of Commission

Mr. Anthony Cahill, Chair of Commission

Independent Auditor

Chester W. Mattocks, CPA

Note: The financial statements presented in this report were substantially prepared by the independent auditor, Chester W. Mattocks, CPA with the assistance of the staff of the Commission.