

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

Financial Statements

With Independent Auditor's Report Thereon

June 30, 2012

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Table of Contents
June 30, 2012**

Introductory Section

Official Roster 1

Financial Section

Independent Auditor's Report..... 2

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Assets 4

Statement of Activities 5

Fund Financial Statements

Balance Sheet - Governmental Fund..... 6

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Fund 7

Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis) General Fund..... 8

Notes to the Financial Statements..... 9

Supplementary Information

Schedule of Memorandums of Understanding 21

Government Auditing Standards Report

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 23

Schedule of Findings and Responses..... 25

Exit Conference..... 26

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Official Roster
June 30, 2012**

Commission Members

Anthony Cahill	Chair
Cory Valencia	Vice-Chair
Doris Cherry	Member
James Hay	Member
Nadine C. Maes	Member
Nannie Sanchez	Member
Greg Trapp	Member
Yolanda Deines	Statutory Member
Celina Bussey	Statutory Member
Sidonie Squier	Statutory Member
Retta Ward	Statutory Member
Dr. Catherine Torres	Statutory Member
Ralph Vigil	Statutory Member

Administrative Officials

Jim Parker	Director
John Block, III	Deputy Director

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, 2012 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.

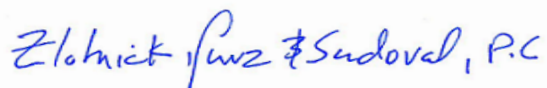
As discussed in Note 1, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the aggregate remaining fund information of the State that is attributable to the 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, 2012 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, 2012, 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 dated September 17, 2012 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 Board has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Zlotnick, Laws & Sandoval, P.C.

September 17, 2012

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF NET ASSETS
June 30, 2012**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 375,222
Due from other agencies	12,064
Capital assets, net	-
TOTAL ASSETS	\$ 387,286
LIABILITIES	
Accounts payable	\$ 59,867
Accrued payroll payable	22,706
Compensated absences payable:	
Due within one year	27,060
Due after one year	8,799
TOTAL LIABILITIES	118,432
NET ASSETS	
Invested in capital assets	-
Restricted (Note 11)	50,000
Unrestricted	218,854
TOTAL NET ASSETS	268,854
TOTAL LIABILITIES AND NET ASSETS	\$ 387,286

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, 2012**

EXPENSES

General government:

Personal services and employee benefits	\$ 603,343
Contractual services	182,344
Other costs	124,891
Depreciation	<u>6,930</u>

TOTAL EXPENSES 917,508

PROGRAM REVENUE

Charges for services	<u>58,942</u>
----------------------	---------------

TOTAL PROGRAM REVENUE 58,942

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES (858,566)

GENERAL REVENUES AND TRANSFERS

State general fund appropriation	<u>695,700</u>
----------------------------------	----------------

TOTAL GENERAL REVENUES AND TRANSFERS 695,700

CHANGE IN NET ASSETS (162,866)

NET ASSETS, BEGINNING 431,720

NET ASSETS, ENDING \$ 268,854

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, 2012**

	General Fund
ASSETS	
Current Assets:	
Investment in State GF Investment Pool	\$ 375,222
Due from other agencies	12,064
TOTAL ASSETS	\$ 387,286
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 59,867
Accrued payroll	22,706
TOTAL LIABILITIES	82,573
FUND BALANCES	
Restricted (Note 11)	50,000
Committed (Note 10)	101,400
Unassigned	153,313
TOTAL FUND BALANCE	304,713
TOTAL LIABILITIES AND FUND BALANCE	\$ 387,286
 Amounts reported in the Statement of Net Assets differ because:	
Total fund balances	\$ 304,713
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	-
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(35,859)
Net assets per Statement of Net Assets	\$ 268,854

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, 2012**

	General Fund
REVENUES	
Charges for services	\$ 58,942
TOTAL REVENUES	58,942
EXPENDITURES	
General government:	
Current:	
Personal services and employee benefits	603,343
Contractual services	182,344
Other costs	127,113
TOTAL EXPENDITURES	912,800
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(853,858)
OTHER FINANCING SOURCES (USES):	
State general fund appropriation	695,700
TOTAL OTHER FINANCING SOURCES (USES):	695,700
NET CHANGE IN FUND BALANCE	(158,158)
FUND BALANCE, BEGINNING	462,871
FUND BALANCE ENDING	\$ 304,713

Amounts reported in the Statement of Activities are different because:

Net change in fund balance	\$ (158,158)
Net change in current and long-term portions of compensated absences	2,222
Excess depreciation over capital outlay expenditures	(6,930)
Changes in net assets of governmental activities	\$ (162,866)

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, 2012**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State general fund appropriation	\$ 645,700	695,700	\$ 695,700	-
Charges for services	58,300	58,300	58,942	642
TOTAL REVENUES	704,000	754,000	<u>\$ 754,642</u>	<u>642</u>
Fund Balance	\$ 462,871	462,871		
TOTAL RESOURCES	<u>\$ 1,166,871</u>	<u>1,216,871</u>		
EXPENDITURES				
General government:				
Current:				
Personal services and employee benefits	\$ 638,000	608,000	\$ 603,343	4,657
Contractual services	208,500	212,000	182,344	29,656
Other costs	107,500	146,500	127,113	19,387
TOTAL EXPENDITURES	<u>\$ 954,000</u>	<u>966,500</u>	<u>\$ 912,800</u>	<u>53,700</u>

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, 2012**

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 Department of Workforce Solutions 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 Human Services Department 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, 2012

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 #05800) 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, 2012**

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, 2012**

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, 2012**

1. Summary of Significant Accounting Policies (Continued)

F. Net Assets

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.

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, 2012.

G. Fund Equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commission. These amounts cannot be used for any other purpose unless the Commission removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (continued)

Assigned: This classification includes amounts that are constrained by the Commission's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commission or through the Commission delegating this responsibility to the Commission director through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Commission would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

H. 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.

I. 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.

J. 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.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

J. Budget and Budgetary Accounting (continued)

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

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

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	\$375,222	\$375,222

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012. See also Note 12.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

3. Due From and Due To

The Commission was owed \$11,721 by Department of Health (SHARE fund 66500) at June 30, 2012 for a grant which the Commission administers. The Commission was also owed \$343 by the Secretary of State (SHARE fund 37000) for services provided to that agency.

4. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deletions*	Balance 6/30/12
Capital Assets:				
Machinery and equipment	\$ 9,783	-	527	\$ 9,256
Vehicles	109,332	-	-	109,332
Furniture and fixtures	-	-	-	-
Total	119,115	-	527	118,588
Accumulated Depreciation:				
Machinery and equipment	\$ 9,783	-	527	\$ 9,256
Vehicles	102,402	6,930	-	109,332
Furniture and fixtures	-	-	-	-
Total	112,185	6,930	527	118,588
Net Assets	\$ 6,930	6,930	-	\$ -

Depreciation expense for the fiscal year ended June 30, 2012 was \$6,930.

* During the 2012 fiscal year management performed an evaluation of fixed assets whereby it was determined that several of the assets, all of which had been fully depreciated, were no longer owned by the Commission and were, therefore, deleted from the Commission's records.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

5. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12	Due within One Year
Annual Leave	\$ 38,081	27,127	(29,349)	\$ 35,859	\$ 27,060

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 10.67% of their gross salary. The Commission is required to contribute 13.34% 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, 2012, 2011 and 2010 were \$54,681, \$66,275, and \$68,330, 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 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.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

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 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2012 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>
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, 2012**

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, 2012, 2011 and 2010 were \$7,477, \$7,271 and \$5,870, 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.

9. Operating Transfers

Share Fund	Title	Transfer In	Out
(1) 64500	Department of Finance & Administration	647,700	
(2) 64500	Department of Finance & Administration	50,000	
	Total	697,700	

- (1) General Appropriation Act of 2011, Laws of 2011, Chapter 179, Section 4
- (2) General Appropriation Act of 2012, Laws of 2012, Chapter 19, Section 5 (24)

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012

10. Designated Net Assets and Classification of Fund Balance

During the 2012 fiscal year the New Mexico State Legislature approved a budget for the Commission which required the Commission to use \$101,400 of its fund balance to meet operational expenses. As a result the Commission committed \$101,400 to provide grants to other agencies, and to meet obligations for services provided according to a memorandum of understanding with the University of New Mexico, in order to aid the Commission in fulfilling its purpose.

11. Restricted Net Assets and Fund Balance

During the 2012 fiscal year the Commission received a special appropriation of \$50,000 to purchase a modified accessible ramp van. The appropriation may be expended in fiscal years 2012 or 2013 and any unexpended balance must revert to the appropriate fund at the end of fiscal year 2013. As of the issuance of these financial statements, September 17, 2012, none of the \$50,000 has been expended or encumbered, the entire balance is unencumbered.

12. General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2012**

12. General Fund Investment Pool Not Reconciled (continued)

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. Management believes that these changes will allow for the completion of a timely and accurate reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

Since SHARE was implemented, the Commission recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Commission. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Commission's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Commission reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Commission's share in the State General Fund Investment Pool account are accurate.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Memorandums of Understanding
June 30, 2012**

The New Mexico Governor's Commission on Disability and University of New Mexico Center for Development and Disability:

- a. Participants: The New Mexico Governor's Commission on Disability (GCD) and University of New Mexico Center for Development and Disability (CDD);
- b. Party responsible for operations: CDD;
- c. Description: Facilitate the successful operation of the Annual Southwest Conference on Disability and maintain the Advisory Committee on Youth Leadership and Advocacy Program;
- d. Beginning and ending dates of the MOU: May 16, 2011 through June 30, 2012;
- e. Total estimate amount of project and portion applicable to GCD: \$129,000;
- f. Amount GCD contributed in fiscal year 2012: \$129,000;
- g. Audit responsibility: CDD has audit responsibility;
- h. Fiscal agent: CDD;
- i. Name of government agency where revenues and expenditures are reported: GCD.

The New Mexico Governor's Commission on Disability and New Mexico Secretary of State's Office:

- a. Participants: The New Mexico Governor's Commission on Disability (GCD) and New Mexico Secretary of State's Office (SOS);
- b. Party responsible for operations: GCD
- c. Description: As part of the Federal Help America Vote Act (HAVA) provide technical assistance and assist in public forums as it pertains to accessibility and voting, and perform accessibility surveys of polling sites in sixteen New Mexico counties;
- d. Beginning and ending dates of the MOU: May 16, 2011 through June 30, 2013;
- e. Total estimate amount contributed in fiscal year 2012: \$343;
- f. Amount GCD contributed in fiscal year 2012: \$0 toward this agreement;
- g. Audit responsibility: GCD;
- h. Fiscal Agent: SOS;
- i. Name of government agency where revenues and expenditures are reported: SOS.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Memorandums of Understanding
June 30, 2012

The New Mexico Governor's Commission on Disability and New Mexico Public Education Department Division of Vocational Rehabilitation:

- a. Participants: New Mexico Governor's Commission on Disability (GCD) and New Mexico Public Education Department Division of Vocational Rehabilitation (DVR);
- b. Party responsible for operations: GCD
- c. Description: Support and enhance Benefits Advisement services to beneficiaries of Social Security benefits in New Mexico;
- d. Beginning and ending dates of the MOU: July 1, 2011 through June 30, 2012
- e. Total estimate amount contributed in fiscal year 2012: \$5,943 contributed in in-kinds services by GCD and \$0 for DVR;
- f. Amount GCD contributed in fiscal year 2012: \$5,943 of in-kind services;
- g. Audit responsibility: GCD;
- h. Fiscal Agent: GCD;
- i. Name of government agency where revenues and expenditures are reported: DVR.

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, 2012, and have issued our report thereon dated September 17, 2012. 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

Management of agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered 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.

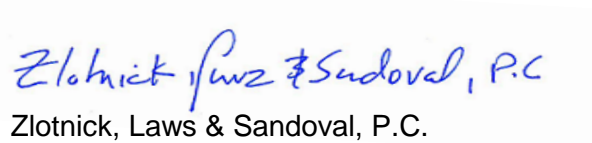
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we 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, 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*.

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



Zlotnick, Laws & Sandoval, P.C.

September 17, 2012

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2012**

STATUS OF PRIOR YEAR'S FINDINGS

Number	Description	Status
2010-01	Auditor Prepared the Financial Statements	Resolved
2011-01	Due From Other Agencies	Resolved
2011-02	Accrued Payroll	Resolved

CURRENT YEAR'S FINDINGS

None

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Exit Conference
June 30, 2012**

The contents of this report were discussed at an exit conference held October 1, 2012.

The Commission was represented by:

James Hay, Chairman
Susan Gray, Vice-Chairman
Jim Parker, Director
John Block III, Deputy Director

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

Rick Sandoval, CPA
Brian Laws, CPA

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