

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

Financial Statements

With Independent Auditor's Report Thereon

June 30, 2013

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
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June 30, 2013

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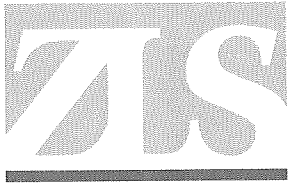
**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Official Roster
June 30, 2013**

Commission Members

James Hay	Chair
Susan Gray	Vice-Chair
Doris Cherry	Member
Doris Dennison	Member
Trudy Luken	Member
Nadine C. Maes	Member
Lawrence Sanchez	Member
Nannie Sanchez	Member
Curtiss Willson	Member
Yolanda Deines	Statutory Member
Celina Bussey	Statutory Member
Sidonie Squier	Statutory Member
Retta Ward	Statutory Member
Gino Rinaldi	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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each 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, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Commission 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 the Governmental Accounting Standards Board 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.

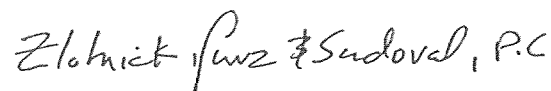
Other Information

Our audit was conducted for the purpose of forming opinions on the Commission's financial statements, the individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2.NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions 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* in considering the Commission's internal control over financial reporting and compliance.



Zlotnick, Laws & Sandoval, PC

December 12, 2013

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 945,911
Short term investments	79,183
Due from other agencies	76,178
Capital assets, net	48,415
TOTAL ASSETS	\$ 1,149,687
LIABILITIES	
Accounts payable	\$ 99,992
Accrued payroll payable	11,075
Due to State General Fund	4,495
Unearned revenue	494,773
Compensated absences payable:	
Due within one year	23,424
Due after one year	10,230
TOTAL LIABILITIES	643,989
NET POSITION	
Invested in capital assets	48,415
Restricted (Note 11)	285,943
Unrestricted	171,340
TOTAL NET POSITION	505,698
TOTAL LIABILITIES AND NET POSITION	\$ 1,149,687

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, 2013**

EXPENSES	
General government:	
Personal services and employee benefits	\$ 609,823
Contractual services	243,254
Other costs	118,709
Depreciation	<u>5,704</u>
TOTAL EXPENSES	<u>977,490</u>
 PROGRAM REVENUE	
Federal Grants	53,044
Charges for services	<u>27,661</u>
TOTAL PROGRAM REVENUE	<u>80,705</u>
NET PROGRAM EXPENSES	<u>(896,785)</u>
 GENERAL REVENUES AND TRANSFERS	
State general fund appropriation	852,600
State general fund reversion - FY 13	(4,495)
Transfer from Department of Education-Fund 28000	<u>285,524</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>1,133,629</u>
CHANGE IN NET POSITION	236,844
NET POSITION, BEGINNING	<u>268,854</u>
NET POSITION, ENDING	<u><u>\$ 505,698</u></u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	NMTAP	Total
ASSETS			
Current Assets:			
Investment in State GF Investment Pool	\$ 244,437	701,474	\$ 945,911
Short term investments	-	79,183	79,183
Due from other agencies	76,119	59	76,178
TOTAL ASSETS	\$ 320,556	780,716	\$ 1,101,272
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 99,992	-	\$ 99,992
Accrued payroll	11,075	-	11,075
Due to State General fund	4,495	-	4,495
Unearned revenue	-	494,773	494,773
TOTAL LIABILITIES	115,562	494,773	610,335
FUND BALANCES			
Restricted (Note 11)	-	285,943	285,943
Committed (Note 10)	50,000	-	50,000
Unassigned	154,994	-	154,994
TOTAL FUND BALANCE	204,994	285,943	490,937
TOTAL LIABILITIES AND FUND BALANCE	\$ 320,556	780,716	\$ 1,101,272

**Amounts reported in the Statement of Net Position
are different because:**

Total fund balances	\$ 490,937
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	48,415
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(33,654)
Net position per Statement of Net Position	<u>\$ 505,698</u>

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 FUNDS
For the year ended June 30, 2013**

	General Fund	NMTAP	Total
REVENUES			
Federal Grants	\$ 53,044	-	\$ 53,044
Charges for services	27,058	603	27,661
TOTAL REVENUES	<u>80,102</u>	<u>603</u>	<u>80,705</u>
EXPENDITURES			
General government:			
Current:			
Personal services and employee benefits	612,028	-	612,028
Contractual services	243,254	-	243,254
Other costs	118,525	184	118,709
Capital Outlay	54,119	-	54,119
TOTAL EXPENDITURES	<u>1,027,926</u>	<u>184</u>	<u>1,028,110</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(947,824)</u>	<u>419</u>	<u>(947,405)</u>
OTHER FINANCING SOURCES (USES):			
State general fund appropriation	852,600	-	852,600
Transfer from Department of Education	-	285,524	285,524
State general fund reversion - FY 13	(4,495)	-	(4,495)
TOTAL OTHER FINANCING SOURCES (USES):	<u>848,105</u>	<u>285,524</u>	<u>1,133,629</u>
NET CHANGE IN FUND BALANCE	(99,719)	285,943	186,224
FUND BALANCE, BEGINNING	304,713	-	304,713
FUND BALANCE ENDING	<u>\$ 204,994</u>	<u>285,943</u>	<u>\$ 490,937</u>

**Amounts reported in the Statement of Activities
are different because:**

Net change in fund balance	\$ 186,224
Net change in compensated absences	2,205
Excess capital outlay expenditures over depreciation	<u>48,415</u>
Changes in net position of governmental activities	<u>\$ 236,844</u>

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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
For the year ended June 30, 2013**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
State general fund appropriation	\$ 852,600	852,600	\$ 852,600	-
Federal Grants	-	291,580	53,044	(238,536)
Charges for services	-	-	27,058	27,058
TOTAL REVENUES	852,600	1,144,180	\$ 932,702	(211,478)
Fund Balance	101,400	101,400		
TOTAL RESOURCES	\$ 954,000	1,245,580		
EXPENDITURES				
General government:				
Current:				
Personal services and employee benefits	\$ 646,500	671,500	\$ 612,028	59,472
Contractual services	193,800	268,800	243,254	25,546
Other costs	113,700	305,280	172,644	132,636
TOTAL EXPENDITURES	\$ 954,000	1,245,580	\$ 1,027,926	217,654

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, 2013

1. Summary of Significant Accounting Policies

A. Nature of the Entity

The State of New Mexico, Governor's Commission on Disability (Commission) was created by Laws of 1978, Chapter 33 (Section 28-10-1 to 28-10-7, NMSA 1978, "the act"). The Commission consists of fifteen members, nine of whom shall be appointed by the governor. The six remaining members shall be the Director of the Vocational Rehabilitation Division of the Public Education Department, the Secretary of the Department of Workforce Solutions or designee, the Secretary of the Department of Health or designee, 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 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 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, 2013

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 position 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.

Governmental Funds – are used to account for all or most of the Commission's general government activities, including the collection and disbursement of earmarked monies (Special Revenue Fund).

General Fund - 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.

NMTAP - The NMTAP special revenue fund (SHARE fund # 28000) was transferred to the Commission from the Division of Vocational Rehabilitation of the Public Education Department in March of 2013. The NMTAP helps all New Mexicans with disabilities enhance their quality of life through the use of assistive technology. NMTAP provides services which include the ABLE Device loan Program, that provides short-term loans of Assistive Technology so individuals can try out devices or fill a temporary need for a device; Financial Loan Programs, which includes Tele-Work, a loan program for persons with disabilities who are looking for equipment loans to help them with a home-based business or self-employment; and Alternative Loan Program, which operates a loan program for persons with disabilities who need assistive technology; and the Back-In-Use program, which refurbishes donated technology equipment and donates to people with disabilities. The NMTAP fund does not revert to the State General Fund as it is not a budgeted fund. The Commission has elected to present this fund as a major fund to streamline the financial statement presentation.

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.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013

1. Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements (Continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources 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 and Federal grants. 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.

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.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

1. Summary of Significant Accounting Policies (Continued)

D. Capital Assets

Capital assets of the Commission include machinery and equipment, vehicles and furniture and fixtures. 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

E. Unearned Revenue

The NMTAP program received a onetime Federal Grant with a 10% State General Fund match in 2004. The money was deposited to the fund and recorded as unearned revenue. Each year as operating costs are incurred a corresponding amount is transferred from unearned revenue to Federal grant revenue in the amount of the operating costs. The remainder is available to cover future costs of operations.

F. 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

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

1. Summary of Significant Accounting Policies (Continued)

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.

G. Net Position

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

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

The Commission has no debt related to capital assets; therefore, net position invested in capital assets equal the capital assets, net of related accumulated depreciation. The Commission's financial statement does not show any net position restricted because it does not have any resources remaining in the net position 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 position 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, 2013.

H. 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:

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (continued)

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.

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.

I. 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.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

1. Summary of Significant Accounting Policies (Continued)

J. 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.

K. Budget and Budgetary Accounting

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

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

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

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

2. Investment in the State Treasurer General Fund Investment Pool

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	\$244,437	\$244,437
Fund 28000	1 day	\$701,474	\$701,474

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

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, 2013. See also Note 12.

3. Short Term Investment

The NMTAP fund has a savings account and certificates of deposits that are held as collateral for loans made under the federal tele-work program. Short term investments consist of the following:

	<u>Type</u>	<u>Interest Bearing</u>	<u>Balance</u>	<u>Balance</u>
U.S. Bank	CD	X	\$ 4,029	4,029
	CD	X	5,037	5,037
	CD	X	5,402	5,402
	CD	X	11,390	11,390
	CD	X	6,000	6,000
	CD	X	10,475	10,479
	CD	X	5,989	5,989
	Savings	X	<u>30,861</u>	<u>30,861</u>
Total			<u>\$ 79,183</u>	<u>79,183</u>
FDIC Insurance				<u>(79,183)</u>
Uninsured Amount				<u>=</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure the Commission's deposits may not be returned. Currently all of the above listed accounts are either insured or collateral has been pledged by the financial institution for amounts exceeding FDIC insurance.

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013**

4. Due From and Due To

The Commission was owed \$23,075 by Department of Health (SHARE fund 66500) at June 30, 2013 for a grant which the Commission administers and \$59 interest from the New Mexico State treasurer because the cash account is interest bearing. The Commission was also owed \$53,044 by the Federal government for expenditures incurred on the Technology Assistance Program grant.

5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance 6/30/12	Additions	Deletions*	Balance 6/30/13
Capital Assets:				
Machinery and equipment	\$ 9,256	11,338	-	\$ 20,594
Vehicles	109,332	42,781	37,828	114,285
Furniture and fixtures	-	-	-	-
Total	118,588	54,119	37,828	134,879
Accumulated Depreciation:				
Machinery and equipment	\$ 9,256	-	-	\$ 9,256
Vehicles	109,332	5,704	37,828	77,208
Furniture and fixtures	-	-	-	-
Total	118,588	5,704	37,828	86,464
Net Capital Assets	\$ -	48,415	-	\$ 48,415

Depreciation expense for the fiscal year ended June 30, 2013 was \$5,704.

6. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance 6/30/12	Additions	Deletions	Balance 6/30/13	Due within One Year
Annual Leave	\$ 35,859	27,127	(29,332)	\$ 33,654	\$ 23,424

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

7. PERA Retirement Plan

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Commission is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Commission are established in State statute under Chapter 10, Article 11, and NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$61,986, \$54,681, and \$66,275, respectively, which equal the amount of the required contributions for each fiscal year.

8. 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.

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.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013

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

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

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June 30, 2013**

The Commission's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$8,218, \$7,477 and \$7,271, respectively, which equal the required contributions for each year.

9. 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. The Commission expended \$19,233 to obtain this coverage.

10. Operating Transfers

Share Fund	Title	Transfer In	Out
(1) 64500	Department of Finance & Administration	852,600	
(2) 28000	Department of Public Education	<u>303,795</u>	
	Total	<u>1,156,395</u>	

- (1) General Appropriation Act of 2012, Laws of 2012, Chapter 19, Section 4
- (2) Move NMTAP program form the Division of Vocational Rehabilitation.

11. Restricted Net Position and Classification of Fund Balance

During the 2014 fiscal year the New Mexico State Legislature approved a budget for the Commission which required the Commission to use \$50,000 of its fund balance to meet operational expenses. As a result the Commission committed \$50,000 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. The restricted fund balance in the government-wide statement of position is the funds from the federal grant.

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013

12. Due to State General Fund

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, \$45,505 of the \$50,000 has been expended. The remaining balance of \$4,495 is due to the State General Fund.

13. General Fund Investment Pool Not Reconciled

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund investment Pool (the Pool), which is managed by the office of New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012 an independent expert diagnostic report revealed that the 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 reports are 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.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE System configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciliation items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciliation items. DFA Management

STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Notes to the Financial Statements
June 30, 2013

considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

DFA Management in FY 2012 recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that DFA management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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, 2013**

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: Implement mutually agreed upon epidemiological, research, evaluation and curriculum development, goals and objectives. Also to facilitate the successful operation of the annual Southwest conference on Disability and purchase materials for use at the conference.
- d. Beginning and ending dates of the MOU: May 16, 2011 through June 30, 2013;
- e. Total estimate amount of project and portion applicable to GCD: \$243,720;
- f. Amount GCD contributed in fiscal year 2013: \$114,720;
- g. Audit responsibility: CDD has audit responsibility;
- h. Fiscal agent: CDD;
- i. Name of government agency where revenues and expenditures are reported: CCD.

The New Mexico Governor's Commission on Disability and the State of New Mexico Division of Vocational Rehabilitation:

- a. Participants: the State of New Mexico Governor's Commission on Disability (GCD) and the State of New Mexico Division of Vocational Rehabilitation (NMDVR).
- b. Party responsible for operations: Both Parties.
- c. Description: Facilitate the transfer of administration of the State Grant for the Technology Assistance Program.
- d. Beginning and ending dates of the MOU: October 27, 2012 until the transfer is completed.
- e. Total estimate amount of project and portion applicable to GCD: No specific costs are involved.
- f. Amount GCD contributed in fiscal year 2013: None.
- g. Audit responsibility: Each party is responsible for audit during their period of administration.
- h. Fiscal agent: Each party is responsible for acting as fiscal agent during their period of administration.
- i. Name of government agency where revenues and expenditures are reported: Each party is responsible for acting as fiscal agent during their period of administration.

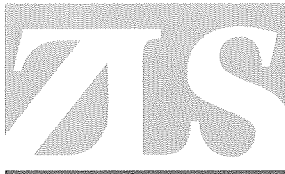
See Independent Auditor's Report

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Memorandums of Understanding
June 30, 2013**

The New Mexico Governor's Commission on Disability and the State of New Mexico Tourism Department:

- a. Participants: the State of New Mexico Governor's Commission on Disability (GCD) and the State of New Mexico Tourism Department.
- b. Party responsible for operations: Both Parties.
- c. Description: The GCD is permitted to use office number 139 of the Lamy Building that is leased by the Tourism Department from the General Services Department for storage of property.
- d. Beginning and ending dates of the MOU: December 13, 2012 until cancelled by either party with 30 days notice.
- e. Total estimate amount of project and portion applicable to GCD: No specific costs are involved.
- f. Amount GCD contributed in fiscal year 2013: None.
- g. Audit responsibility: None.
- h. Fiscal agent: the Department of Tourism is the leaseholder of the building. The GCD assumes all liability for any damage caused to the property and all liability for any harm caused to persons associated with GCD while accessing the space and all liability for any harm caused to the space during the duration of the MOU.
- i. Name of government agency where revenues and expenditures are reported: none specified.

See Independent Auditor's Report



Independent Auditor's 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 in accordance with the 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, the financial statements of the governmental activities, each 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, 2013, and the related notes to the financial statements, which collectively comprise the State of New Mexico Governor's Commission on Disability's basic financial statements and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance.

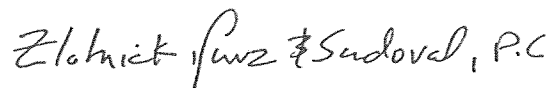
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Zlotnick, Laws & Sandoval, P.C.

December 12, 2013

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Schedule of Findings and Responses
June 30, 2013**

STATUS OF PRIOR YEAR'S FINDINGS

None

CURRENT YEAR'S FINDINGS

None

**STATE OF NEW MEXICO
GOVERNOR'S COMMISSION ON DISABILITY
Exit Conference
June 30, 2013**

The contents of this report were discussed at an exit conference held December 12, 2013.

The Commission was represented by:

James Hay, Chairman
Jim Parker, Director
Karen Courtney-Peterson , Chief Finance Officer

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

Asa Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C. However, management is responsible for the financial statements