

**STATE OF NEW MEXICO
PUBLIC EDUCATION
DEPARTMENT
Financial Statements
for the Year Ended
June 30, 2007,
and Independent
Auditors' Report**

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Table of Contents



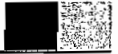
	Page
<i>Official Roster</i>	1
<i>Independent Auditors' Report</i>	2 - 4
<i>Management's Discussion and Analysis</i>	5 - 19
 <i>Basic Financial Statements:</i>	
 <i>Government-wide Financial Statements:</i>	
Statement of Net Assets	21
Statement of Activities	22
 <i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.....	23 - 24
Reconciliation of the Balance Sheet to the Statement of Net Assets - Governmental Funds	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	26 - 27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Funds.....	28
Statements of Revenues and Expenditures – Budget and Actual – Major General and Special Revenue Funds	29 - 38
Statement of Fiduciary Net Assets.....	39
Statement of Changes in Fiduciary Net Assets.....	40
Notes to the Financial Statements.....	41 - 76
 <i>Supplementary Information:</i>	
Combining Balance Sheet - Non-Major Governmental Funds	78 - 83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	84 - 89
Special Revenue Funds – Non-Major - Statement of Revenues and Expenditures – Budget and Actual (Non-CAAP Budgetary Basis).....	90 - 109



	Page
<i>Supplementary Information - continued:</i>	
Special Capital Outlay – General Fund 1995 –29100 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	110
Special Capital Outlay – General Fund 1996 –38700 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	111
Special Capital Outlay – Severance Tax Bonds 1999 –46800 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	112
Special Capital Outlay – Severance Tax Bonds 1998 –54000 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	113
Special Capital Outlay – Severance Tax Bonds 1998 –54100 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	114
Special Capital Outlay – Severance Tax Bonds 1998 –54200 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	115
Special Capital Outlay – Severance Tax Bonds 1998 –54300 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	116
Public School Capital Improvements –63400 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	117 - 118
Public School Capital Outlay –63500 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	119 - 120
Kindergarten Capital Funding –63600 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	121
Special Capital Outlay - Severance Tax Bonds 1994 –66100 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	122
Special Capital Outlay - Severance Tax Bonds 2000 –81300 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	123
Special Capital Outlay 2004 –81600 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	124 - 125
Special Capital Outlay 2000 –81800 – Schedule of Multi-year Budgeted Special Capital Outlay Fund.....	126 - 127
Notes to Trust Funds and Agency Funds.....	128
Combining Statement of Net Assets – Fiduciary Funds.....	129
Combining Statement of Changes in Net Assets – Fiduciary Funds.....	130
Statement of Net Assets – Public Education Department.....	131
Statement of Activities – Public Education Department.....	132
Statement of Net Assets – Division of Vocational Rehabilitation – Disability Determination Services.....	133
Statement of Activities – Division of Vocational Rehabilitation – Disability Determination Services.....	134

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Table of Contents - continued



	Page
<i>Supplementary Information - continued:</i>	
Schedule of Changes in Assets and Liabilities – Agency Fund.....	135
Supplemental Schedule of Cash and Cash Equivalents.....	136 - 137
<i>Single Audit:</i>	
Schedule of Expenditures of Federal Awards.....	139 - 142
Notes to Schedule of Expenditures of Federal Awards.....	143
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.....	144 - 145
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	146 - 148
Schedule of Findings and Questioned Costs.....	149 - 179
Summary Schedule of Prior Year Audit Findings.....	180 - 181
Exit Conference.....	182



Year Ended June 30, 2007

Administrative Officials

Veronica C. García, Ed.D.	Secretary of Education
Catherine Cross Maple, Ph.D.	Deputy Secretary, Learning & Accountability
Don Moya	Deputy Secretary, Finance & Operations
Karen K. Harvey, Ph.D.	Assistant Secretary, Quality Assurance & Systems Integration
Tom Dauphinee, Ph.D.	Acting Assistant Secretary, Accountability & Assessment
Cynthia A. Marietta	Director, Administrative Services
Mary Rose C de Baca	Assistant Secretary, Educator Quality Support
Nancy Martine-Alonzo	Assistant Secretary, Indian Education
Robert Piro	Assistant Secretary, Chief Information Officer
Don Duran, Ed.D.	Assistant Secretary, Charter School Division
James Holloway, Ed.D.	Assistant Secretary, Rural Education
Gilbert Perea	Assistant Secretary, Program Support & Pupil Transportation
Patricia Parkinson, Ed.D.	Assistant Secretary, School & Instructional Support
Gary Beene	Director, Division of Vocational Rehabilitation
Sherry Garcia	Deputy Director, Division of Vocational Rehabilitation
Gloria J. Gonzales	Chief Financial Officer, Division of Vocation Rehabilitation

Public Education Commission

M. Andrew Garrison	Commissioner	Albuquerque	District 1
Millie Pogna	Secretary	Albuquerque	District 2
Kathryn E. Krivitzky	Commissioner	Albuquerque	District 3
Aileen Garcia	Commissioner	Santa Fe	District 4
Mavis V. Price	Commissioner	Thoreau	District 5
Catherine M. Smith	Vice Chair	Mimbres	District 6
Eugene E. Gant	Commissioner	Gadsden, Hatch, Las Cruces	District 7
Nancy R. Bowles	Commissioner	Roswell	District 8
Dennis J. Roch	Chairperson	Texico	District 9
Midge Y. Graham	Commissioner	Des Moines	District 10



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INDEPENDENT AUDITORS' REPORT

State of New Mexico
 Public Education Department
 and
 Mr. Hector H. Balderas
 New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund including the budgetary comparison, and the aggregate remaining fund information of the State of New Mexico Public Education Department (Department) as of and for the year ended June 30, 2007, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds including budget comparisons and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the individual fund financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major funds and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of

State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

New Mexico as of June 30, 2007, and the changes in the 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, each major fund, the aggregate remaining fund information of the Department as of June 30, 2007, and the respective changes in financial position, and the budget comparisons for the general fund and major special revenue funds thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and fiduciary fund of the Department as of June 30, 2007, and the respective changes in the financial position thereof, and the respective budget comparisons presented as supplementary information 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 our report dated March 31, 2008, on our consideration of the Department's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, on the individual fund financial statements and on the budgetary comparisons of the Department. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Supplemental Information (Statements of Net Assets and Activities for the Public Education Department and for the Division of Vocational Rehabilitation/Disability Determination Service; Schedule of Changes in Assets and Liabilities for the Agency Fund; Supplemental Schedule of Cash and Cash Equivalents) is presented for purposes of additional analysis and is not a required part of the basic financial statements and the individual fund financial statements of the Department. Such schedules and such supplemental information and additional information have been subjected to the auditing procedures applied in the audit of the financial statements and the individual fund financial statements and, in our opinion,

State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

are fairly stated in all material respects, in relation to the financial statements of each of the respective individual funds taken as a whole.

Meyners + Company, LLC
March 31, 2008

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis

June 30, 2007



The following management's discussion and analysis (MD&A) provides an overview of the State of New Mexico Public Education Department (Department) financial activities for the fiscal year ended June 30, 2007. The MD&A is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Department's financial activity, (c) identify changes in the Department's financial position, (d) identify any material deviations from the financial plan (the approved budget) and (e) identify any financial issues or concerns. Please read it in conjunction with the Department's financial statements, which begin following this analysis.

Department Highlights

The Department is made up of two distinct appropriated entities: the Public Education Department and the Division of Vocational Rehabilitation. The Public Education Department (PED) provides leadership at the state and department levels in meeting the needs of and requirements for education in New Mexico. This includes providing assistance and direction to local school districts, local boards of education and other educational entities.

The Division of Vocational Rehabilitation (DVR) is responsible for the administration and provision of all DVR programs and services through seven area and thirteen satellite offices statewide.

In September 2003, New Mexico voters approved a constitutional amendment changing the nature of the Department. The 15-member State Board of Education was replaced by the elected 10-member Public Education Commission, whose authority and duties were defined by laws enacted by the New Mexico State Legislature during the 2004 Regular Session. The Superintendent of Public Instruction, appointed by the State Board of Education, was replaced by the Secretary of Public Education, a cabinet secretary appointed by the governor and confirmed by the New Mexico Senate. The State Public Education Department was replaced by the Public Education Department as a cabinet-level department of the executive branch of government.

Another constitutional amendment, also approved by the voters in September 2003, increased the distribution from the State Land Grant Permanent Fund to be used to implement and maintain educational reforms passed by the state legislature.

Using this Annual Report

The Department's Basic Financial Statements (BFS) are presented in four parts, in the following order:

1. Department-wide Financial Statements,
2. Fund Financial Statements,
3. Budgetary Comparison Statements, and
4. Notes to the Basic Financial Statements.



Using this Annual Report - continued

Department-wide Financial Statements

The department-wide financial statements include the first two financial statements: the *Statement of Net Assets* and the *Statement of Activities*. These statements report information on all of the financial activities and resources of the Department as a whole except for information applicable to fiduciary activities. Fiduciary activities represent funds held in trust for others. These funds are not included in the resources available to support the Department's governmental activities. Governmental activities are financed by general revenue appropriations and state and federal grants.

The *Department-wide Statement of Net Assets* reports the assets of the Department and the corresponding claims and liabilities against those assets at June 30, 2007. The difference between the value of the assets and the liabilities is reflected as the value of the net assets. Increases or decreases in net assets measure whether the financial position of the Department improved or deteriorated. Net assets legally limited to a particular use are reported as restricted. Unrestricted net assets are assets that can be used to fund operating expenses in future years. A deficit (negative) balance in unrestricted net assets would indicate that obligations incurred in the current and prior periods exceed the value of assets currently available, and that the assets of future periods will be required to meet the established obligations.

The *Department-wide Statement of Activities* reports the educational and educational-related expenses and the cost of general government operations of the Department, with a comparison of the program revenues obtained to finance them, and the general revenues made available to fund the difference. The statement also reports the change in net assets during the 2007 fiscal year.

The Department's activities are grouped into the functional programs. The Education activities are funded from federal revenues provided primarily by the U.S. Department of Education. Health and Welfare activities are vocational rehabilitation programs and the Disability Determination Services program, both administered by DVR.

Fund Financial Statements

The fund financial statements that follow the department-wide financial statements report on the financial position and changes in financial position of the individual funds used by the Department. Funds are separate accounting entities used in government accounting to segregate transactions according to the sources of funding and to demonstrate legal compliance with the restrictions that may be imposed on those financial resources. The Department uses two types of funds to account for its financial activities: *governmental funds* and *fiduciary funds*.



Using this Annual Report - continued

Fund Financial Statements - continued

Governmental funds are used to account for the finances of the governmental activities reported in the department-wide financial statements. The Department uses two types of governmental funds: a *general fund* to account for activities not required to be accounted for in other funds, and *special revenue funds* to account for collection and expenditure of earmarked and restricted fund resources (Note 1).

Fiduciary funds are used to account for resources the Department holds for others. The Department uses three fiduciary funds. The *agency fund* is used to accumulate driver safety fees that are to be distributed to each school for the purpose of providing defensive driving instructions. The *private-purpose trusts* are used to report arrangements under which principal of donations invested or interest earned on investments benefit specific individuals. The Eva Lou Scholarship fund benefits "deserving boys and girls", and the Tutor Scholarship is used to account for donations to be used to fund scholarships for academically successful students who tutor at-risk high school students. The finances of these funds are reported in a separate *Statement of Fiduciary Net Assets*. The resources of these funds are excluded from the department-wide financial statements because they cannot be used to finance the Department's operations.

Reconciliation of Department-wide Financial Statements to Fund Financial Statements

Differences in amounts reported in the department-wide financial statements versus the fund financial statements result from the different measurement focus and basis of accounting used. The measurement focus used for governmental funds is based on budgetary control and the flow of resources in the current year. As an example, capital purchases are treated as expenditures of the current year. Department-wide financial statements reflect such transactions as allocations over the time of use in the form of depreciation. A reconciliation of differences between department-wide and fund financial statements is provided in separate schedules that detail the differences in accounting treatment.

Budgetary Comparisons

The budgetary comparison statements furnish a budget-to-actual comparison for all governmental funds to report compliance with the approved budget. The budget amounts reported are those in the original budget and in the amended budget, which reflects all legal adjustments made to the budget since the start of the fiscal year. The budgetary actual amounts are stated on the same basis as the budget figures.



Using this Annual Report - continued

Notes to the Financial Statements

The notes to the financial statements provide detailed information to support and explain key financial information presented in the department-wide and fund financial statements. The notes provide information on the activities of the Department, on the bases of accounting used, and on accounting policies reflected in the financial statements, in addition to clarifying key financial information. They are integral to understanding the financial statements.

Supplemental and Supplementary Information

Supplemental information is provided to report the combining financial statements of non-major funds and fiduciary funds, to report the change in assets and liabilities of the agency fund, and to report the details of federal grant awards and expenditures. The information is provided in compliance with federal and state reporting requirements.

Since the Department is composed of two distinct entities, a separate discussion and analysis section is being presented for both the Public Education Department and the Division of Vocational Rehabilitation, following the department-wide discussion and analysis.

Financial Highlights

Public Education Department

- The Department has 13 major funds. The General fund (05700) accounts for administration of PED, not including DVR or federal administrative costs. DVR's administrative costs are reported in the Vocational Rehabilitation fund (50000) and the Disability Determination Services fund (50100). PED's federal administrative costs are reported in the Federal Department of Education Administration fund (84400). The other funds are primarily pass-through funds and are described in more detail in the financial statements footnotes beginning on page 41.
- The Department's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. We exclude these activities from the Department's other financial statements because the Department cannot use these assets to finance its operations. The Department is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



Financial Highlights – continued

Public Education Department - continued

- There is a deficit fund balance in the Federal Department of Education Administration Fund (84400) of \$1.1 million. Prior to 2004, federal administrative revenues and expenditures were recorded in the General Operating Fund, 05700. Beginning in 2004, the Department created a new fund, 84400, to separately track federal administrative funds. Federal revenues and receivables were not properly reconciled for a number of years in Fund 05700. In 2005, the Department reconciled the ending federal receivable amounts in Funds 05700 and 84400, and then transferred the remaining balances in 05700 to 84400. The \$1,051,954 is an amount that the Department was not able to identify as either write-offs of prior year receivables, or prior year expenditures for which revenues have not been accrued. The Department plans to work towards adjusting the general ledger by either requesting a supplemental appropriation or identifying other funding sources to eliminate the fund deficit.
- In the Public School Support Flowthrough fund (85800), there was a change in fund balance of \$2,300,000 between FY 06 and FY 07.
- Bond proceeds reported in the capital project funds (63400, 63500, 81600 and 81800) increased over \$26 million from prior year in the aggregate. This was due to an increase in appropriation to fund public school capital projects.
- Special projects (79000) reported a decrease in fund balance of approximately \$22.4 million between FY 06 and FY 07. The Fund 79000 fund balance did not exceed appropriations. An OpBud 5 totaling \$26,028,148 was processed in FY 07 to establish a budget for expenditures related to FY 06 projects. The revenue was in FY 06.

Division of Vocational Rehabilitation

- DVR has two major funds. The Vocational Rehabilitation fund receives the majority of its funding from federal grants that require state matching funds. The other fund is the Disability Determination Services fund, which receives all of its funding from a federal grant that does not require a state match.
- The Vocational Rehabilitation fund showed an excess of revenues over expenditures, resulting in an increase in fund balance of \$7,073,027 when accounted for on a GAAP basis.
- The Disability Determination Services fund showed an excess of expenditures over revenues, resulting in a decrease in fund balance of \$(324,405) when accounted for on a GAAP basis.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis - continued

June 30, 2007

Financial Highlights – continued

Division of Vocational Rehabilitation - continued

- Both funds operated in compliance with their budgetary authority for the year.
- DVR capital assets increased by \$111,809, which was a net effect of depreciation expense of \$164,329, capital purchases of \$239,959, and a prior year restatement of net capital assets beginning balance of \$36,179.
- Administration – The DVR program is a joint effort of the federal and state governments to assist people with disabilities, as a function of the Rehabilitation Act of 1973, as amended, the Technology-Related Assistance for Individuals with Disabilities Act of 1988, as amended, and the Social Security Act, as amended. The New Mexico DVR is a Division of the New Mexico Public Education Department and is responsible for a variety of services for people with disabilities. DVR has served New Mexicans with disabilities for 83 years (1923 – 2007).

The Department's net assets at June 30, 2007 were \$47.9 million.

	(Dollars in Thousands)			
	June 30, 2007			June 30, 2006
	PED	DVR	Department	Department
Current assets	\$ 311,367	11,902	323,269	327,260
Capital assets, net (restated)	<u>666</u>	<u>440</u>	<u>1,106</u>	<u>874</u>
Total assets	<u>\$ 312,033</u>	<u>12,342</u>	<u>324,375</u>	<u>328,134</u>
Liabilities	<u>\$ 270,984</u>	<u>5,520</u>	<u>276,504</u>	<u>271,335</u>
Net Assets				
Invested in capital assets, net of related debt (restated)	\$ 666	440	1,106	874
Restricted	42,116	158	42,274	58,325
Unrestricted	<u>(1,733)</u>	<u>6,224</u>	<u>4,491</u>	<u>(2,400)</u>
Total net assets	<u>\$ 41,049</u>	<u>6,822</u>	<u>47,871</u>	<u>56,799</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis - continued

June 30, 2007

Financial Highlights – continued

Changes in the Department's Net Assets

	(Dollars in Thousands)			
	June 30, 2007			June 30, 2006
	PED	DVR	Department	Department
<u>Program Revenue Grants</u>	\$ 337,844	41,150	378,994	424,409
<u>General Revenues</u>				
State appropriations	2,380,767	6,176	2,386,943	2,180,903
Proceeds of State General obligations and severance tax bonds	22,265	-	22,265	64,925
Total revenues	<u>2,740,876</u>	<u>47,326</u>	<u>2,788,202</u>	<u>2,670,237</u>
<u>Expenses</u>				
Health and Welfare	-	40,363	40,363	42,280
Education	2,757,148	-	2,757,148	2,614,600
Total expenses	<u>2,757,148</u>	<u>40,363</u>	<u>2,797,511</u>	<u>2,656,880</u>
Change in net assets	(16,272)	6,963	(9,309)	13,357
<u>Net assets</u>				
Beginning of year, restated	57,321	(141)	57,180	43,442
End of year	<u>\$ 41,049</u>	<u>6,822</u>	<u>47,871</u>	<u>56,799</u>

The decrease in net assets of \$9.3 million is primarily attributable to a decrease of \$16.3 million in PED net assets due to a decrease in specific purpose fund appropriations. DVR's change in net assets increased \$7.0 million between years. The increase is primarily attributable to the change from the cash basis of accounting to the accrual basis of accounting as is required by state law. Most of the remaining funds are included in restricted net assets at year-end because the funds are restricted for a specific purpose according to enabling legislature.

Most of the Department's funding passes through to the schools. Administrative costs are approximately 1.5% of the Department's total expenditures. Education continues to be a priority of the state and the Department's operations are adequately supported by state and federal resources.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis - continued

June 30, 2007

Financial Highlights – continued

Changes in Capital Assets: There was no significant capital asset activity during fiscal year 2007.

	(Dollars in Thousands)			
	June 30, 2007			June 30, 2006
	PED	DVR	Department	Restated Department
Equipment and machinery	\$ 3,716	3,396	7,112	6,420
Accumulated depreciation	(3,050)	(2,956)	(6,006)	(5,546)
Total capital assets, net	\$ 666	440	1,106	874

Capital Assets for the Department are presented in Note 5 to the financial statements to illustrate changes from the prior year.

Reporting the Department's Most Significant Funds

The Department's two kinds of funds are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and description of each existing fund type follow:

Governmental funds – Governmental funds are used to account for the Department's general government activities, including the collection and disbursement of specific or legally restricted monies. Governmental funds include:

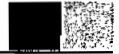
- General fund – The primary operating fund of the Department accounts for all financial resources, except those required to be accounted for in other funds.
- Special revenue funds – These account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary funds – Fiduciary funds account for assets held by the Department in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Department.

- Private purpose trust funds – These funds are used to account for trust arrangements under which principal or interest benefit specific individuals or organizations, but not the reporting government.
- Agency funds – These are used to account for assets held on behalf of individuals, private organizations, other government and/or other funds.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis - continued



Budgetary Highlights

The New Mexico State Legislature makes annual appropriations to the Department. Amendments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration, with review by the Legislative Finance Committee.

Over the course of the year, the Department adjusts its budget as authorized in the Appropriations Act. These budget adjustments allow the Department to utilize funds where needed. Budget adjustment requests were generally for increases in Federal Grants.

Changes between the original and final budgets occurred for the following funds: Fund 67400 – Vocational Education Flowthrough, \$333 thousand for additional budget authority for prior year claims; Fund 67300 – Federal Department of Education Flowthrough, with an increase of \$70.3 million for additional budget authority for prior year claims; and Fund 84400 – Federal Department of Education Administration, an increase of \$10.0 million for grants not included in the original budget and administrative carry over.

DVR budgetary statements are shown on page 30 for the Vocational Rehabilitation fund and on page 31 for the Disability Determination Services fund. The total budget for the Vocational Rehabilitation fund increased from \$32,190,200 to \$32,906,675 during the year. This net increase of \$716,475 is the result of new grants and grant carryover from the prior fiscal year. The Vocational Rehabilitation fund had revenues in excess of budgeted revenues of \$4,184,807 and unspent budgeted expenditures of \$2,888,220 in state fiscal year 2007. These amounts are almost entirely the result of the accrual basis of accounting; revenue from the prior year being realized in the current year; and the budget being established on a cash basis. Budgeted expenditures are estimated and a request is established a year in advance, based on revenue projections and historical data. Therefore, the total amount budgeted does not always materialize. The majority of these unused grants can be utilized in the 2008 state fiscal year.

DVR's total expenditures by category on a budgetary basis are shown below:

	<u>FY 07</u>
Purchase of services for clients	\$ 15,641,222
Personal services	18,615,194
Contracted professional services	761,555
Other costs	<u>5,487,686</u>
Total	\$ <u>40,505,657</u>



Economic and Budgetary Factors

National and State Economy

The national economic outlook has stabilized in three critical areas:

- Expected real growth of 0.6% in Gross Domestic Product (GDP). The current expansion, which has become the second longest in the post-WWII period, will likely continue well beyond its current 67 months.
- The well-publicized crash of the “housing bubble” and the collapse of the sub-prime lending market will hold down GDP growth. Some housing markets – principally in California and Florida – were apparently overvalued and will experience significant declines in new home construction, sales of pre-owned homes and median prices of new and pre-owned homes. Other markets, including Albuquerque and the rest of New Mexico, will experience a small shrinkage of short duration in new home construction, no absolute decline in median prices and relatively quick recovery to pre-2004 trend growth.
- Despite high debt levels, high rate of mortgage defaults and the end of the “housing bubble,” consumers will apparently *continue their* historically high levels of consumption of cars and trucks, consumer electronics and other goods and services.

New Mexico job growth continues to be exceptionally strong. By the end of FY 07, the New Mexico economy will have added 15,800 jobs. With April's 1.9 percent year-over-year job growth, New Mexico is the 15th fastest growing economy in the U.S. Forecasts provided by the Bureau of Business and Economic Research. Employment growth remains broad-based, with 12 of 13 industry groups expanding. However, three industries account for about 82 percent of added jobs. The large health services and professional and business services industries, along with the moderately sized accommodation and food services industry, added a total of 14,800 jobs in the last year. The outlook remains favorable, with many companies expanding their workforces.

Both crude oil and natural gas prices have declined from peak levels reached during mid-summer of 2006. High summer prices were driven by unusually warm weather conditions, concerns over potential hurricane-related production cutbacks (the so-called “risk premium”) and geo-political risks to crude oil suppliers. The absence of hurricane-related outages and positive news on inventory levels allowed prices to drop sharply in October. However, prices for both natural gas and crude oil have firmed since the December 2006 revenue estimate.



Economic and Budgetary Factors - continued

National and State Economy - continued

Consensus revenue estimates were revised upward from the December 2006 estimates. Most of the revision is due to higher oil and gas revenues. Broad-based revenues, including gross receipts tax and personal income tax, are mixed with gross receipts adjusted slightly downward and personal income tax (PIT) and corporate income tax (CIT) adjusted significantly upwards.

Gross Receipts Tax (GRT) collections posted another strong year in FY 07, growing by almost 9 percent after almost 12 percent growth in FY 06. Growth in the Administrative Services sector was a major factor, contributing almost 30 percent of total growth. Other sectors making major contributions were retail trade, construction and mining.

Net receipts from the Compensating Tax posted another strong year in FY 07, growing by almost 16 percent after 17 percent growth in FY 06. Industries making major contributions to this revenue were mining, utilities and transportation.

Net PIT collections for FY 07 are up by about \$12 million compared with the latest forecast, reflecting strength in withholding, quarterly estimated payments and payments with returns. Some of the strength in estimated payments appears to be due to large one-time transactions, but the strength in withholding collections indicates that income gains are broad-based.

Net CIT collections in FY 07 are expected to be \$25 million over the latest forecast amount. A large portion of this excess is attributable to collection activity undertaken by the Tax and Revenue Department. Total CIT collections generated by compliance initiatives were \$27 million in FY 07, \$23 million higher than the baseline amount expected for that revenue.

Budget

For FY 07, the Legislature appropriated approximately \$2.3 billion in public school support, an increase of approximately \$163.6 million, or 7.7 percent over the FY 06 appropriation - a greater increase in new dollars designated for education than the previous high of \$149.0 million appropriated by the 2001 Legislature. Public school-related appropriations and related recurring appropriations, including the 5.0 percent salary increase, have been "sanded" (which means an across-the-board reduction) by 0.105 percent. \$38.3 million in special nonrecurring appropriations are included in the bill and were not sanded.

Economic and Budgetary Factors - continued

Budget – continued

The FY 07 statewide program cost of approximately \$2.2 billion represents an increase of \$147.7 million, or 7.3 percent, over the appropriation for the current school year. Among the initiatives included in the program cost were sufficient dollars to fund enrollment growth (\$11.9 million) and increases for insurance (\$21.2 million) and fixed costs (\$3.2 million), as well as:

- a mandatory average 5.0 percent salary increase for all school employees other than educational assistants, for whom a mandatory average 9.5 percent salary increase is included;
- the 0.75 percent increase in the employer's contribution to the Educational Retirement Fund for FY 07;
- full funding for elementary fine arts programs at a 1.0 student FTE; and
- funding for the \$45,000 minimum salary for Level 3-A teachers to implement the fourth year of the five-year phase-in of the three tiered licensure system. In addition, language is included in the *General Appropriation Act of 2006* to require school districts and charter schools to provide the salary increases for teachers before implementing the minimum salary.

Additional public education-related appropriations in "HB 2 Junior," for a variety of programs, total \$799,000. Initiatives funded in this appropriation include:

- establish *Math and Science Bureau* - \$250,000;
- *Cyber Academy* in Rio Rancho Public Schools - \$172,000;
- assist school districts to develop phase 1 wellness policies - \$150,000;
- *Reading Materials Fund* - \$100,000;
- comprehensive secondary school reform initiative in Los Lunas Public Schools - \$80,000;
- model multicultural arts and education program for public schools - \$40,000; and
- *Fiesta Educativa Parent Conference and Outreach* in Gadsden Independent Schools - \$7,000.



Economic and Budgetary Factors - continued

Budget – continued

Other operational funding in the General Appropriation Act of 2006 provided more than \$148.7 million for categorical public school support including public school transportation, supplemental distributions, instructional materials, educational technology and incentives for school improvement. Additionally, the General Appropriation Act of 2006 provided approximately \$40.3 million in related appropriations. Total dollar increase over the FY05 appropriation was \$163.6 million or 7.7 percent.

Total non-recurring education reform initiatives in FY 07 were \$38.3 million. The initiatives that were funded include:

- Assessment & Test Development - \$6.6 million;
- Breakfast for Elementary Students/Food to Schools - \$2.0 million;
- Emergency Supplemental - \$5.0 million;
- Teacher Professional Development Fund - \$2.0 million;
- School Library Material Fund - \$3.0 million;
- School Improvement Framework - \$6.0 million;
- School Owned Bus Replacements - \$3.7 million;
- Computer-based Math & On-demand Student/Classroom Info. Access - \$2.5 million;
- Elementary Physical Education/Anti-obesity Programs - \$2.0 million;
- Summer Institutes for Reading & Mathematics (professional development) - \$1.0 million;
- Pre-kindergarten start-up - \$1.5 million;
- Parental Training and Involvement/Domestic Violence Curriculum - \$750 thousand;
- Public School Funding Formula to the Legislative Council Service - \$500 thousand;



Economic and Budgetary Factors - continued

Budget – continued

- Regional Education Cooperatives Operations - \$750 thousand;
- Rural Education/Community Revitalization - \$250 thousand;
- Summer Camp Program in Santa Fe - \$300 thousand;
- Three-tiered Licensure Evaluation System: Teachers - \$300 thousand; and
- Uniform Public School Chart of Accounts - \$122.5 thousand.

The final unit value was set at \$3,446.44, an increase of \$248.43, or 7.76 percent, over the FY 06 final unit value.

More than \$140.0 million for public school capital outlay needs, including more than \$21.0 million in Severance Tax Bonds and \$119.0 million in general fund, were appropriated to the Public Education Department. The *Public School Capital Improvements Act* state guarantee amount went from \$60 to \$90 per mill per unit in FY 07.

For public school libraries, in CS/SB 301, as amended, *2006 Capital Projects G.O. Bond Act* (with emergency clause), the Legislature appropriated \$3.0 million in General Obligation Bonds. Language provides \$3,000 per eligible library and to distribute the remaining balance on a per-membership basis to support the acquisition of new, updated materials for public school libraries (including juvenile detention center libraries).

Future Events That Will Financially Impact the Department

During the 2007 legislative session, Governor Richardson's budget priorities included *Making Schools Work*.

Every New Mexico child deserves a world-class education. Thus, the Administration priorities included expanding the PreK-20 education system focused on raising the level of excellence for all students by closing the student achievement gap that exists among the diverse student populations within New Mexico and between New Mexico students and those students in other states and countries. One Administration goal for *Making Schools Work* is to prepare all New Mexico students to succeed in a complex world by providing a world-class PreK-20 education system.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Management's Discussion and Analysis - continued



Future Events that will Financially Impact the Department - continued

For FY08, the Legislature appropriated approximately \$2.5 billion in public school support and related recurring appropriations, an increase of approximately \$197.8 million, or 8.6 percent, over FY 07. The FY08 statewide program cost of approximately \$2.3 billion represents an increase of about \$153.5 million, or 7.1 percent, over the FY 07 school year.

Requests for Information

The Public Education Department's Administrative Services Division compiled this analysis. Please refer any questions to Ricky Bejarano, Audit and Accounting Bureau Chief, at Ricky.Bejarano@state.nm.us.

The mailing address is: New Mexico Public Education Department, Administrative Services Division, Education Building, 300 Don Gaspar, Room 228, Santa Fe, New Mexico 87501-2786.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Net Assets

AS OF JUNE 30, 2007

ASSETS

CURRENT ASSETS:

Investment in State General Fund	
Investment Pool	\$ 149,791,439
Due from other governments	87,334,321
Due from external parties	68,119,845
Advances to local education agencies	18,017,617
Prepaid expenses	<u>6,165</u>

TOTAL CURRENT ASSETS 323,269,387

NON-CURRENT ASSETS:

Capital assets	7,112,074
Less: accumulated depreciation	<u>(6,005,977)</u>

TOTAL NON-CURRENT ASSETS 1,106,097

TOTAL ASSETS \$ 324,375,484

CURRENT LIABILITIES:

Accounts payable	\$ 75,866,148
Accrued payroll and taxes	3,952,437
Deferred revenue	4,224,899
Due to other governments	22,645,267
Due to local education authorities	168,243,748
Other liabilities	-
Compensated absences payable	<u>1,571,916</u>

TOTAL CURRENT LIABILITIES 276,504,415

NET ASSETS:

Invested in capital assets (restated, note 5)	1,106,097
Restricted	40,401,044
Unrestricted	<u>6,363,928</u>

TOTAL NET ASSETS \$ 47,871,069

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Activities



YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets</u>
GOVERNMENTAL ACTIVITIES:			
Education	\$ 2,757,147,675	337,843,518	(2,419,304,157)
Health and welfare	<u>40,363,296</u>	<u>41,150,293</u>	<u>786,997</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>2,797,510,971</u>	<u>378,993,811</u>	(2,418,517,160)
GENERAL REVENUES:			
State appropriations			2,386,943,162
Bond proceeds appropriations			<u>22,265,000</u>
TOTAL GENERAL REVENUES			<u>2,409,208,162</u>
CHANGE IN NET ASSETS			(9,308,998)
NET ASSETS, BEGINNING OF FISCAL YEAR			<u>56,799,068</u>
RESTATEMENTS (Note 5)			<u>380,999</u>
NET ASSETS, BEGINNING OF FISCAL YEAR Restated			<u>57,180,067</u>
NET ASSETS, END OF FISCAL YEAR			\$ <u>47,871,069</u>

<i>AS OF JUNE 30, 2007</i>	05700	50000	50100	67200	67300	67400	79000
	PED General Fund	Division of Vocational Rehabilitation	Disability Determination Services	Federal School Food Services Flowthrough	Federal Dept. of Education Flowthrough	Vocational Education Flowthrough	Special Projects
ASSETS:							
Investment in State General Fund							
Investment Pool	\$ 2,687,358	3,602,806	63,641	(9,647,925)	(5,801,734)	(266,110)	18,315,617
Federal grants receivable	-	5,996,616	664,160	14,908,898	44,765,317	4,020,012	-
Bond proceeds receivable	-	-	-	-	-	-	-
Due from state general fund	-	-	-	-	-	-	2,201,462
Due from other state agencies	404,665	581,090	5,515	-	-	-	492
Due from local education authorities	-	-	-	-	15,715,637	954,829	77,526
Due from external miscellaneous parties	12,453	575	-	36,445	5,500	-	-
Due from State Board of Finance	-	-	-	-	-	-	-
Due from other funds	759,089	-	-	-	51,157	1,904,594	1,237,603
Prepaid expenses	1,042	4,764	-	-	-	-	356
TOTAL ASSETS	\$ <u>3,864,607</u>	<u>10,185,851</u>	<u>733,316</u>	<u>5,297,418</u>	<u>54,735,877</u>	<u>6,613,325</u>	<u>21,833,056</u>
LIABILITIES AND FUND BALANCES:							
LIABILITIES:							
State warrants	\$ 1,502	1,346	1,651	-	54,179	2,449	39,274
Vouchers payable	-	-	-	-	-	-	-
Accounts payable	893,315	1,749,058	415,916	4,613,920	33,639,332	4,020,012	8,666,650
Accrued payroll and taxes	2,163,969	810,273	503,814	-	-	-	(44,461)
Due to state general fund	176,321	-	-	-	-	-	233,221
Due to other state agencies	110,655	251,038	99,135	-	207,503	-	247,374
Due to federal government	5,101	-	-	632,341	17,023,272	2,501,164	-
Due to local education authorities	-	-	-	-	28,847	89,700	2,438,208
Deferred revenue	-	61,938	-	-	1,878,150	-	-
Due to other funds	424,047	-	-	51,157	1,904,594	-	4,775,000
Other liabilities	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>3,774,910</u>	<u>2,873,653</u>	<u>1,020,516</u>	<u>5,297,418</u>	<u>54,735,877</u>	<u>6,613,325</u>	<u>16,355,266</u>
FUND BALANCES:							
Reserved	39,300	-	-	-	-	-	1,873,103
Unreserved	50,397	7,312,198	(287,200)	-	-	-	3,604,687
TOTAL FUND BALANCES (DEFICIT)	<u>89,697</u>	<u>7,312,198</u>	<u>(287,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,477,790</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>3,864,607</u>	<u>10,185,851</u>	<u>733,316</u>	<u>5,297,418</u>	<u>54,735,877</u>	<u>6,613,325</u>	<u>21,833,056</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Balance Sheet - Governmental Funds



84400	85800	63400	63500	81600	81800	Other	Total
Federal Dept. of Education Administration	Public School Support Flowthrough	Public School Capital Improvements	Public School Capital Outlay	Special Capital Outlay Severance Tax Bonds 2004	Special Capital Outlay General Fund	Non-major Governmental Funds	Governmental Funds
(1,979,921)	12,599,432	5,388,066	127,698	1,270,839	88,183,420	35,248,252	149,791,439
5,292,670	-	-	-	-	-	-	75,647,673
-	-	-	-	-	-	-	-
-	(618)	-	-	-	700,000	4,600,733	7,502,195
-	857,037	-	24,200	-	2,814,845	378,464	4,184,453
-	-	-	-	-	-	388,388	18,017,617
88,602	-	-	-	-	-	1,023	144,598
-	-	23,304,075	13,081,563	28,844,967	184,212	2,560,430	67,975,247
402,370	626,516	-	-	75,763	-	5,676,577	10,733,669
203	-	-	-	-	-	(200)	6,165
<u>3,803,924</u>	<u>14,082,367</u>	<u>28,692,141</u>	<u>13,233,461</u>	<u>30,191,569</u>	<u>91,882,477</u>	<u>48,853,667</u>	<u>334,003,056</u>
23,018	-	-	-	-	21,805	1,534	146,758
-	-	-	-	-	-	-	-
1,545,977	5,596,122	27,611	499,543	957,808	654,469	12,439,657	75,719,390
499,506	-	-	-	-	-	19,336	3,952,437
-	328,191	-	-	-	-	386,087	1,123,820
12,313	222,150	-	17,048	-	-	11,045	1,178,261
23,623	9,388	-	-	-	-	148,297	20,343,186
636,319	-	28,664,530	12,716,870	28,996,069	91,206,203	3,467,002	168,243,748
1,356,031	-	-	-	-	-	928,780	4,224,899
759,091	626,516	-	-	237,692	-	1,955,572	10,733,669
-	-	-	-	-	-	-	-
4,855,878	6,782,367	28,692,141	13,233,461	30,191,569	91,882,477	19,357,310	285,666,168
-	-	-	-	-	-	-	1,912,403
(1,051,954)	7,300,000	-	-	-	-	29,496,357	46,424,485
(1,051,954)	7,300,000	-	-	-	-	29,496,357	48,336,888
<u>3,803,924</u>	<u>14,082,367</u>	<u>28,692,141</u>	<u>13,233,461</u>	<u>30,191,569</u>	<u>91,882,477</u>	<u>48,853,667</u>	<u>334,003,056</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Reconciliation of the Balance Sheet to the
Statement of Net Assets - Governmental Funds

YEAR ENDED JUNE 30, 2007

Total Fund Balance - Governmental Funds
(Governmental Fund Balance Sheet) \$ 48,336,888

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. These assets consist of:

Capital assets	7,112,074
Accumulated depreciation	<u>(6,005,977)</u>
Total capital assets	1,106,097

Some liabilities are not due and payable in the current period and,
therefore, are not reported in the fund:

Compensated absences payable	<u>(1,571,916)</u>
Net assets of governmental activities (Statement of Net Assets)	\$ <u>47,871,069</u>

<i>AS OF JUNE 30, 2007</i>	05700	50000	50100	67200	67300	67400	79000
	<u>PED General Fund</u>	<u>Division of Vocational Rehabilitation</u>	<u>Disability Determination Services</u>	<u>Federal School Food Services Flowthrough</u>	<u>Federal Dept. of Education Flowthrough</u>	<u>Vocational Education Flowthrough</u>	<u>Special Projects</u>
REVENUES:							
Federal grants	\$ -	30,864,906	10,146,422	91,090,626	216,805,077	9,797,784	-
Other revenue	<u>28,384</u>	<u>50,422</u>	<u>16,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,598</u>
TOTAL REVENUES	28,384	30,915,328	10,162,797	91,090,626	216,805,077	9,797,784	63,598
EXPENDITURES:							
<i>Current:</i>							
Education	12,550,752	-	-	91,090,626	216,805,077	9,797,784	35,577,871
Health and welfare	-	29,844,705	10,420,993	-	-	-	-
Capital outlay	<u>-</u>	<u>173,750</u>	<u>66,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	12,550,752	30,018,455	10,487,202	91,090,626	216,805,077	9,797,784	35,577,871
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12,522,368)	896,873	(324,405)	-	-	-	(35,514,273)
OTHER FINANCING SOURCES (USES):							
State general fund appropriations	12,612,065	6,176,154	-	-	-	-	13,633,600
Appropriations funded with State Severance Bond Proceeds	-	-	-	-	-	-	-
Reversions to State General Fund	-	-	-	-	-	-	(549,055)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>12,612,065</u>	<u>6,176,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,084,545</u>
NET CHANGE IN FUND BALANCE	89,697	7,073,027	(324,405)	-	-	-	(22,429,728)
FUND BALANCE (DEFICIT), BEGINNING	<u>-</u>	<u>239,171</u>	<u>37,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,907,518</u>
FUND BALANCE (DEFICIT), ENDING	\$ <u>89,697</u>	<u>7,312,198</u>	<u>(287,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,477,790</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

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



84400	85800	63400	63500	81600	81800	Other	Total
Federal Dept. of Education Administration	Public School Support Flowthrough	Public School Capital Improvements	Public School Capital Outlay	Special Capital Outlay Severance Tax Bonds 2004	Special Capital Outlay General Fund	Non-major Governmental Funds	Governmental Funds
16,706,965	-	-	-	-	-	33,732	375,445,512
-	11,622	-	-	-	-	2,527,898	2,698,299
16,706,965	11,622	-	-	-	-	2,561,630	378,143,811
16,730,993	2,231,033,036	18,500,000	-	3,765,000	63,477,134	56,572,889	2,755,901,162
-	-	-	-	-	-	37,178	40,302,876
-	-	-	-	-	-	-	239,959
16,730,993	2,231,033,036	18,500,000	-	3,765,000	63,477,134	56,610,067	2,796,443,997
(24,028)	(2,231,021,414)	(18,500,000)	-	(3,765,000)	(63,477,134)	(54,048,437)	(2,418,300,186)
45,909	2,232,871,100	-	-	-	63,477,134	58,127,200	2,386,943,162
-	-	18,500,000	-	3,765,000	-	-	22,265,000
(21,883)	(399,686)	-	-	-	-	-	(970,624)
-	850,000	-	-	-	-	-	850,000
24,026	2,233,321,414	18,500,000	-	3,765,000	63,477,134	58,127,200	2,409,087,538
(2)	2,300,000	-	-	-	-	4,078,763	(9,212,648)
(1,051,952)	5,000,000	-	-	-	-	25,417,594	57,549,536
(1,051,954)	7,300,000	-	-	-	-	29,496,357	48,336,888

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities - Governmental Funds

YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (9,212,648)

Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses (compensated absences payable) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The net increase in the liabilities for the year was:

Change in compensated absences payable 52,832

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay 239,959
Depreciation expense (389,140)
Excess of capital outlay over depreciation expense (149,181)

Rounding (1)

Change in net assets of governmental activities (Statement of Activities) \$ (9,308,998)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds



05700 - PED GENERAL FUND				
	<u>Budgeted Amount</u>		<u>Actual Amount</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES:				
Federal grants	\$ -	-	-	-
State general fund appropriations	11,926,800	12,046,800	12,612,065	565,265
Other state funds	-	77,403	-	(77,403)
Other financing sources	448,200	448,200	28,384	(419,816)
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	12,375,000	12,572,403	12,640,449	68,046
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	12,375,000	12,572,403	12,640,449	68,046
EXPENDITURES:				
Education:				
Personal services	10,625,900	11,168,105	11,146,435	21,670
Contract services	351,200	259,307	272,211	(12,904)
Other costs	1,397,900	1,164,303	1,132,106	32,197
Other uses	-	-	-	-
Total education	12,375,000	12,591,715	12,550,752	40,963
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	12,375,000	12,591,715	12,550,752	40,963
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(19,312)	89,697	27,083

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



50000 - DIVISION OF VOCATIONAL REHABILITATION

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Federal grants	\$ 26,087,600	26,804,075	30,864,906	4,060,831
State general fund appropriations	5,927,600	5,927,600	5,977,600	50,000
Other state funds	175,000	175,000	-	(175,000)
Other financing sources	-	-	248,554	248,554
Miscellaneous revenue	-	-	<u>422</u>	<u>422</u>
TOTAL REVENUES	<u>32,190,200</u>	<u>32,906,675</u>	<u>37,091,482</u>	<u>4,184,807</u>
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total education	-	-	-	-
Health and welfare:				
Personal services	12,299,200	13,502,300	13,323,213	179,087
Contract services	899,800	878,350	490,424	387,926
Other costs	18,991,200	18,526,025	16,204,818	2,321,207
Other uses	-	-	-	-
Total health and welfare	<u>32,190,200</u>	<u>32,906,675</u>	<u>30,018,455</u>	<u>2,888,220</u>
TOTAL EXPENDITURES	<u>32,190,200</u>	<u>32,906,675</u>	<u>30,018,455</u>	<u>2,888,220</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>-</u>	<u>-</u>	<u>7,073,027</u>	<u>7,073,027</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



50100 - DISABILITY DETERMINATION SERVICES

	<u>Budgeted Amount</u>		<u>Actual Amount</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES:				
Federal grants	\$ 11,790,700	11,790,700	10,146,422	(1,644,278)
State general fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	16,375	16,375
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	11,790,700	11,790,700	10,162,797	(1,627,903)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total education	-	-	-	-
Health and welfare:				
Personal services	5,695,100	5,695,100	5,291,957	403,143
Contract services	391,100	391,100	271,131	119,969
Other costs	5,704,500	5,704,500	4,924,114	780,386
Other uses	-	-	-	-
Total health and welfare	<u>11,790,700</u>	<u>11,790,700</u>	<u>10,487,202</u>	<u>1,303,498</u>
TOTAL EXPENDITURES	11,790,700	11,790,700	10,487,202	1,303,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(324,405)	(324,405)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



**67200 - FEDERAL SCHOOL FOOD
SERVICES FLOWTHROUGH**

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ 92,032,600	97,039,464	91,090,626	(5,948,838)
State general fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	92,032,600	97,039,464	91,090,626	(5,948,838)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	92,032,600	97,039,464	91,071,294	5,948,838
Other uses	-	-	-	-
Total education	92,032,600	97,039,464	91,071,294	5,948,838
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	92,032,600	97,039,464	91,071,294	5,948,838
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	19,332	-
ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET (Note 18)			\$ 19,332	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



**67300 - FEDERAL DEPARTMENT OF
EDUCATION FLOWTHROUGH**

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ 263,650,100	333,921,366	216,805,077	(117,116,289)
State general fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	263,650,100	333,921,366	216,805,077	(117,116,289)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	2,761,721	2,761,721	-
Other costs	263,650,100	331,159,645	214,043,356	117,116,289
Other uses	-	-	-	-
Total education	263,650,100	333,921,366	216,805,077	117,116,289
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	263,650,100	333,921,366	216,805,077	117,116,289
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



67400 - VOCATIONAL EDUCATION FLOWTHROUGH

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Federal grants	\$ 12,640,800	12,973,400	9,797,784	(3,175,616)
State general fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	12,640,800	12,973,400	9,797,784	(3,175,616)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	950,000	1,282,600	1,172,456	110,144
Other costs	11,690,800	11,690,800	8,625,328	3,065,472
Other uses	-	-	-	-
Total education	12,640,800	12,973,400	9,797,784	3,175,616
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	12,640,800	12,973,400	9,797,784	3,175,616
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



79000 - SPECIAL PROJECTS

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Federal grants	\$ -	-	-	-
State general fund appropriations	36,163,100	36,163,100	13,633,600	(22,529,500)
Prior year budget (Op bud5)	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	63,598	63,598
TOTAL REVENUES	36,163,100	36,163,100	13,697,198	(22,465,902)
BEGINNING CASH	292,000	7,481,911	-	(7,481,911)
TOTAL REVENUES AND BEGINNING CASH	36,455,100	43,645,011	13,697,198	(29,947,813)
EXPENDITURES:				
Education:				
Personal services	450,800	539,060	532,874	6,186
Contract services	17,589,500	28,556,250	26,655,312	1,900,938
Other costs	18,185,100	14,320,001	8,938,740	5,381,261
Other uses	-	-	-	-
Total education	36,225,400	43,415,311	36,126,926	7,288,385
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	229,700	229,700	-	229,700
Total health and welfare	229,700	229,700	-	229,700
TOTAL EXPENDITURES	36,455,100	43,645,011	36,126,926	7,518,085
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(22,429,728)	(22,429,728)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued

**84400 - FEDERAL DEPARTMENT OF
EDUCATION ADMINISTRATION**

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ 19,522,000	29,048,853	16,706,965	(12,341,888)
State general fund appropriations	-	-	45,909	45,909
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	19,522,000	29,048,853	16,752,874	(12,295,979)
FUND BALANCE	-	125,000	-	(125,000)
TOTAL REVENUES AND FUND BALANCE	19,522,000	29,173,853	16,752,874	(12,420,979)
EXPENDITURES:				
Education:				
Personal services	7,022,300	8,607,037	6,170,815	2,436,222
Contract services	10,501,800	16,347,934	9,132,850	7,215,084
Other costs	1,997,900	4,218,882	1,449,211	2,769,671
Other uses	-	-	-	-
Total education	<u>19,522,000</u>	<u>29,173,853</u>	<u>16,752,876</u>	<u>12,420,977</u>
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	<u>19,522,000</u>	<u>29,173,853</u>	<u>16,752,876</u>	<u>12,420,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(2)	(2)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued

85800 - PUBLIC SCHOOL SUPPORT FLOWTHROUGH

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
	REVENUES:			
Federal grants	-	-	-	-
State general fund appropriations	2,230,571,100	2,230,571,100	2,232,871,100	2,300,000
Other state funds	-	-	-	-
Other financing sources	850,000	850,000	850,000	-
Miscellaneous revenue	-	-	11,622	11,622
TOTAL REVENUES	2,231,421,100	2,231,421,100	2,233,732,722	2,311,622
FUND BALANCE	7,300,000	7,300,000	-	(7,300,000)
TOTAL REVENUES AND FUND BALANCE	2,238,721,100	2,238,721,100	2,233,732,722	(4,988,378)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	2,238,721,100	2,238,721,100	2,231,432,722	7,288,378
Other uses	-	-	-	-
Total education	2,238,721,100	2,238,721,100	2,231,432,722	7,288,378
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	2,238,721,100	2,238,721,100	2,231,432,722	7,288,378
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-\$ -	-\$ -	2,300,000	2,300,000

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statements of Revenues and Expenditures -
Budget and Actual - Major General
and Special Revenue Funds - continued



63400 - PUBLIC SCHOOL CAPITAL IMPROVEMENTS

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State general fund appropriations	-	-	-	-
Other state funds	48,372,204	48,372,204	18,500,000	(29,872,204)
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	48,372,204	48,372,204	18,500,000	(29,872,204)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	48,372,204	48,372,204	18,500,000	29,872,204
Other uses	-	-	-	-
Total education	48,372,204	48,372,204	18,500,000	29,872,204
Health and welfare:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total health and welfare	-	-	-	-
TOTAL EXPENDITURES	48,372,204	48,372,204	18,500,000	29,872,204
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	-	-

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT**

Statement of Fiduciary Net Assets



AS OF JUNE 30, 2007

	Private Purpose Trusts	Agency Fund
ASSETS:		
Cash	\$ 38,424	216,480
Certificate of Deposit	20,000	-
Due from other state agencies	757	-
TOTAL ASSETS	\$ 59,181	216,480
LIABILITIES:		
Due to external party	\$ -	216,480
Due to local education agencies	-	-
TOTAL LIABILITIES	-	\$ 216,480
NET ASSETS:		
Reserved for scholarships	59,181	
TOTAL LIABILITIES AND NET ASSETS	\$ 59,181	

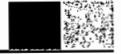
STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Changes in Fiduciary Net Assets



YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trusts</u>
ASSETS:	
Investment earnings:	
Interest	\$ <u>2,102</u>
DEDUCTIONS:	
Scholarship expense	<u>-</u>
CHANGE IN NET ASSETS	2,102
NET ASSETS, BEGINNING OF YEAR	<u>57,079</u>
NET ASSETS, END OF YEAR	\$ <u><u>59,181</u></u>



NATURE OF ORGANIZATION

The State of New Mexico Public Education Department (Department) is responsible for establishing and implementing standards for education and providing administrative services, including school budgeting and reporting, and for educational and vocational rehabilitation programs in the State of New Mexico. Specific programs focus on a number of services, including regulatory enforcement, information dissemination, and vocational rehabilitation for physically and mentally handicapped citizens, and adjudication of disability and supplementary security claims for the general vocational rehabilitation program.

The elected 10-member Public Education Commission serves in an advisory capacity in accordance with laws enacted by the New Mexico State Legislature during the 2004 Regular Session.

The chief executive officer of the Department is the Secretary of Education, a cabinet secretary appointed by the governor and confirmed by the New Mexico Senate. The Department's functions are administered through the Public Education Department (PED), the Division of Vocational Rehabilitation (DVR) and its subdivision, Disability Determination Services (DDS).

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

◆ *Reporting Entity*

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. No entities were noted that should be considered component units of the Department.

The Department is an agency of the State of New Mexico, which is the primary government, pursuant to the Public Schools Act Section 22-2-1 through 22-2-20. These financial statements include all funds over which the Cabinet Secretary has authority.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Basic Financial Statements**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental activities. The Department is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term obligations.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.) that are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function of an activity. The Department includes two functions (education, and health and welfare). When an expense is incurred for purposes when both restricted and unrestricted resources are available, the Department utilizes the restricted resources first.

The net cost by function is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. Since the Department only has one program, it does not employ indirect cost allocation in the financial statements.

Provided in the additional information schedule is a breakdown of the government-wide financials showing the Division of Vocational Rehabilitation net assets and activities separate from the Department. These schedules are for informational purposes only and are not presented in accordance with generally accepted accounting standards. Therefore, they are not presented in the basic financial statements.

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ **Basic Financial Statements - continued**

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds. Non-major funds (by category) are summarized into a single column.

The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This presentation is deemed more appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the government-wide presentation.

The Department's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

◆ **Basis of Presentation**

The financial transactions of the Department are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The funds of the Department are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and descriptions of each existing fund type follow:

Governmental funds are used to account for the Department's general government activities, including the collection and disbursement of specific or legally restricted monies.

Governmental funds include:

General Fund – The primary operating funds of the Department accounts for all financial resources, except those required to be accounted for in other funds.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Basis of Presentation - continued**

Governmental funds – continued:

Special Revenue Funds – These account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary funds for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the Department. Agency and trust funds are custodial in nature and do not involve measurement of results of operations.

Private-purpose Trust Funds – These funds are used to account for trust arrangements under which principal or interest benefits specific individuals or organizations, but not the reporting government.

Agency Funds – These are used to account for assets held on behalf of individuals, private organizations, other government and/or other funds.

The major funds presented in the financial statements include the following:

PED General Fund (05700) - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily from appropriations from the State of New Mexico General Fund, and is a reverting fund.

Division of Vocational Rehabilitation (50000) – This fund accounts for all operations of the DVR, except for those of Disability Determination Services. This is a non-reverting fund. This fund is considered major because of its importance to the users of the financial statements.

Disability Determination Services (50100) – This fund accounts for the operations of the Disability Determination Services Unit. This is a non-reverting fund. This fund is considered major because of its importance to the users of the financial statements.

Federal School Food Services Flowthrough (67200) – This fund accounts for federal grant funds from the U.S. Department of Agriculture. This is a non-reverting fund.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Basis of Presentation - continued**

Federal Department of Education Flowthrough (67300) – This fund accounts for most of the federal education programs from the U.S. Public Education Department. This is a non-reverting fund.

Vocational Education Flowthrough (67400) – This fund accounts for federal grant funds for vocational education. This is a non-reverting fund. This fund is considered major because of its importance to the users of the financial statements.

Special Projects (79000) – The Special Projects Flowthrough fund accounts for the receipts and disbursements of state special appropriations for a variety of projects established by the Legislature (47th Legislature, 2nd Session, Chapter 109). This is a reverting fund.

Federal Department of Education Administration (84400) – The Federal Department of Education Administration Flowthrough fund accounts for administrative expenses except those required to be accounted for in another fund. It is funded primarily from appropriations from grant funds. This is a reverting fund. This fund is considered major because of its importance to the users of the financial statements.

Public School Support Flowthrough (85800) – The Public School Support Flowthrough fund is used in the accounting of distributions to school districts for the State Equalization Guarantee, Transportation and Supplemental Distributions programs. Financing is provided through State General Fund appropriations. This is a reverting fund.

Public School Capital Improvements (63400) – The Public School Capital Improvements fund accounts for the proceeds from bond sales issued under the provisions of the Public School Capital Improvements Act (NMSA 1978, § 22-25-1 and 22-25-10). Funds remaining after the completion of capital projects are to be reverted.

Public School Capital Outlay (63500) – The Public School Capital Outlay fund accounts for the proceeds of certain bonds, lottery proceeds and general fund appropriations used to meet critical school district capital outlay needs that cannot be met by a school district after it has exhausted all available resources. This is a non-reverting fund.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Basis of Presentation - continued**

Special Capital Outlay – Severance Tax Bonds (2004) (81600) – The fund, established in 2004, accounts for severance tax bond proceeds appropriated to the Public Education Department. Funds remaining after the completion of capital projects are to be reverted.

Special Capital Outlay – General Fund (2000) (81800) – The fund, established in 2000, accounts for general fund appropriations for special capital outlay projects. Funds remaining after the completion of capital projects are to be reverted.

◆ **Basis of Accounting**

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

The Government-wide Financial Statements and the Fiduciary Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis using the economic resources measurement focus and the accrual basis of accounting, incorporating long-term assets and receivables as well as long-term debt and obligations.

◆ **Accrual**

Revenues are recognized when earned and expenses are recognized when incurred.

◆ **Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department defines the term “available” to include funds received within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Modified Accrual - continued**

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Revenues from special appropriations (capital projects) that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other State and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received if they are not susceptible to accrual.

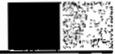
Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Department has elected not to follow subsequent private-sector guidance.

◆ **Budgets and Budgetary Accounting**

The Department must operate within the budgets adopted by the State Legislature and federal grantor agencies. Legal compliance is monitored through the establishment of a budget and a financial control system, which permit a budget-to-actual expenditure comparison. Annual appropriation budgets are adopted for the general, special revenue and certain fiduciary funds. However, cash balances for certain special revenue and fiduciary funds do not revert to the State General Fund at the end of the fiscal year. Expenditures may not legally exceed appropriations for each budget at the appropriation unit category level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration (DFA) within the limitations specified in the General Appropriations Act.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ Budgets and Budgetary Accounting - continued

Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. 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 that do not get paid timely must be paid out of the next year's budget.

The budget-to-actual comparisons for the capital projects funds, which are based on multiple year appropriations budgets, are presented in supplemental schedules to the financial statements as Multi-Year Budgeted Schedules.

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

- No later than September 1, the Department submits to the Budget Division of DFA and the Legislative Finance Committee (LFC) an appropriations request for the fiscal year commencing the following July 1. The appropriations request includes proposed expenditures and the means of financing them.
- Budget hearings are scheduled with DFA and LFC. Budget recommendations are prepared by the above agencies. The two budget recommendations are submitted for the upcoming legislative session.
- Budget hearings are scheduled before the Appropriations Committee of the New Mexico House of Representatives and Senate. The final outcome of these hearings is incorporated into the General Appropriations Act.
- The Governor of the State of New Mexico signs the General Appropriations Act into law within the legally prescribed time limit.
- Not later than May 1, the Department submits an annual operating budget request to the Budget Division of DFA, which reviews the request and subsequently approves the budget based upon the appropriation made by the Legislature. All subsequent budget transfers and increases must be authorized by the Director of the Budget Division. The budgets for the year ended June 30, 2007 have been so adjusted.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ ***Budgets and Budgetary Accounting - continued***

- Legal budgetary control for expenditures and encumbrances is by category of the appropriation unit.
- Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.

The unexpended and unencumbered State General Fund appropriation to the Department lapses at year end and reverts to the State General Fund. The Department may also receive funding from various special appropriations. The language of a particular special appropriation determines when it lapses and whether or not unexpended and unencumbered balances revert to the State General Fund. See Note 14 for specific funds subject to annual reversion to State General Fund.

◆ ***Cash Deposits***

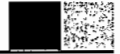
The Department is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of the day are pooled and invested by the New Mexico State Treasurer in repurchase agreements. The New Mexico State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits, categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department.

◆ ***Short-term Interfund Receivables/Payables***

During the course of operations, numerous transactions occur among individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

◆ ***Federal Grants Receivable***

Amounts listed as Federal grants receivable are reimbursements due for passthrough funds. No allowance for uncollectible amounts has been made since these are expected to be reimbursed in full.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ ***Advances to Local Education Agencies***

The Department passes through federal funding to the local school districts. The Department normally pays the school on a reimbursement basis, but the Department also advances funding to schools. Schools are required to spend the advanced funds in the school year budgeted. As the schools report their expenditures on a monthly basis, the Department relieves the receivable and records federal expenditures. Unspent funds are to be returned to the Department, which in turn are returned to the federal grantor by the Department. Because the Department has the ability to reduce funding in subsequent years to compensate for unspent funds that are not returned, the advances are considered fully collectible.

◆ ***Capital Assets***

Equipment, software and machinery purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy (i.e., the dollar value above which asset acquisitions are added to the capital accounts) is \$5,000. The Department does not capitalize any interest with regard to its capital assets.

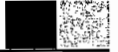
Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes Internal Revenue Service guidelines to estimate the useful lives on capital assets as follows:

- Computing equipment and software - 3 years
- Machinery and equipment - 5 to 7 years

Capital assets for the governmental funds are recorded on the government-wide financial statements.

◆ ***Compensated Absences Payable***

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, pay for sick leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Compensated Absences Payable - continued**

Vacation and sick time is reported as a liability in the government-wide financial statements, with expenses being reported during the period that leave is accrued. The fund financial statements report expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state general fund appropriations.

◆ **Reservations of Fund Balances**

Reservations of fund balances on the governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances – This reserve represents the portion of fund balance that relates to multi-year appropriations that are reserved for subsequent period expenditures.

◆ **Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued.

Expenditures are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America:

Bond proceed appropriations are recorded to revenue and expenditures when bonds are sold. Bond proceeds are allocated to the Department by the legislature and the Department is not obligated in any manner for the related indebtedness. Bond proceeds may be subject to certain use restrictions, such as reversions, of the bond statements, appropriations or both.

Prepaid expenses are reported in the period in which the prepaid items are used, rather than in the period purchased.



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

◆ **Net Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The Department did not have any related debt during the year ended June 30, 2007.

Restricted Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. The Department reported restricted net assets at June 30, 2007, all of which is restricted by enabling legislation as follows:

Special Projects	\$	5,477,790
Public Education Support		7,300,000
Other Educational Programs		<u>29,496,357</u>
Total	\$	<u>42,274,147</u>

Unrestricted Assets - represent the excess of total assets over total liabilities and net assets – invested in capital assets at June 30, 2007.

◆ **Interfund Transactions**

Interfund activity is reported as loans, services provided reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market value, are treated as revenues and expenditures. Reimbursements are when a fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted upon consolidation.

◆ **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

◆ **Deferred Revenues**

Various reimbursement procedures are used for federal awards received by the Department. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, deferred revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or deferred revenue balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

◆ **Severance Tax Bonds Proceeds**

While the Department receives severance tax bond proceeds appropriated to the capital projects funds for projects specified by the Legislature, it has no obligation for repayment of the bonds and reports no liability for severance tax bonds payable in its financial statements. These bonds are obligations of the State of New Mexico's Comprehensive Annual Financial Report, or CAFR, issued by the State Controller's Office. The CAFR can be obtained by contacting the State Controller at the Bataan Memorial Building, Santa Fe, NM 87501.

2. CASH AND INVESTMENTS

Cash balances at June 30, 2007 consisted of cash invested with the New Mexico State Treasurer, known as the State General Fund Investment Pool. In general, state statutes require that all deposits held by the New Mexico State Treasurer be collateralized at a minimum level of 50%. The New Mexico State Treasurer is in compliance with this requirement. Separate financial statements of the New Mexico State Treasurer indicate collateral, categories of risk and market value of purchased investments, which may differ from the cash deposited by the Department.

Total cash and certificate of deposit (CD), all funds	\$	<u>150,066,343</u>
Reconciliation to financial statements:		
Governmental funds, on deposit with New Mexico State Treasurer	\$	149,791,439
Trust funds, on deposit with New Mexico State Treasurer and CD		58,424
Agency funds, on deposit with New Mexico State Treasurer		<u>216,480</u>
Total cash balance	\$	<u>150,066,343</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued



2. CASH AND INVESTMENTS - continued

The cash on deposit with the New Mexico State Treasurer's State General Fund Investment Pool is monitored by the office for purposes of collateralization in compliance with Section 6-10-17, NMSA 1978.

The Eva Lou Kelly Scholarship trust fund has a certificate of deposit with a local bank. The certificate matures February 15, 2008. The interest rate is 3.21%, payable monthly. The certificate is fully insured by the FDIC and is in the name of the trust fund. Market value approximates cost.

Charter Bank, Santa Fe, NM:	
Certificate of deposit	\$ 20,000
FDIC insurance	<u>(20,000)</u>
Uninsured amount	\$ <u> -</u>

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer's State General Fund Investment Pool, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2007.

3. DUE FROM OTHER GOVERNMENTS

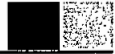
The State Board of Finance sells general obligation bonds and severance tax bonds as authorized by the State Legislature, and holds the proceeds until such time that the Department forwards the requests for such funds from the respective school districts as reimbursement for expenditures. The proceeds for each project issue are recorded in the respective fund as bond proceeds appropriations when allocated by the legislature to the Department, and the balance is recorded as "Due from State Board of Finance".

A summary of amounts follows as of June 30, 2007:

Bond proceeds appropriations due from:	
State Board of Finance:	
63400	\$ 23,304,075
63500	13,081,563
63600	611,975
81300	1,748,235
81600	28,844,967
81800	184,212
46800	186,377
54300	<u>13,843</u>
Total bond proceeds appropriations	\$ <u>67,975,247</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued



3. DUE FROM OTHER GOVERNMENTS - continued

Due from other state agencies:	
05700 – New Mexico Human Services Department	\$ 404,665
85800 – New Mexico Human Services Department	(618)
79000 – New Mexico Human Services Department	492
81800 – New Mexico Department of Finance Administration	2,814,845
50000 – New Mexico Department of Finance Administration	581,090
50100 – New Mexico Department of Finance Administration	5,515
28000 – New Mexico Department of Finance Administration	11,405
33400 – New Mexico Department of Finance Administration	33,767
51300 – New Mexico Department of Finance Administration	92,386
56200 – New Mexico Department of Finance Administration	2,506
56800 – New Mexico Department of Finance Administration	169,893
63900 – New Mexico Department of Finance Administration	2,839
66000 – New Mexico Department of Finance Administration	4,341
00500 – New Mexico Department of Finance Administration	<u>61,327</u>
 Total due from other state agencies	 4,184,453
 Due from New Mexico State General Fund	 7,502,195
Due from Federal Government	<u>75,647,673</u>
 Total due from other governments	 \$ <u>87,334,321</u>

Projects financed with the above bond proceeds are subject to the Arts in Public Places Act (Section 13-4A-1, NMSA 1978). This act requires that projects exceeding \$100,000 must set aside an amount equal to 1% of the total, up to \$200,000, to be used for the acquisition or commissioning of works of art in and around public buildings. The art works are acquired through the State of New Mexico, Office of Cultural Affairs.

Advances to local education agencies of \$18,017,617 consist of federal program advances passed through to the various schools and school districts.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued



4. INTERFUND BALANCES

The following is an analysis of amounts shown as due from and due to other funds:

Amounts Due From Other Funds		Amounts Due To Other Funds	
SHARE Fund No.	Amount	SHARE Fund No.	Amount
05700	\$ 759,089	84400	\$ 759,089
51300	34,180	05700	34,180
54000	3,189	54100	3,189
56200	1,775,000	79000	4,775,000
66900	3,000,000		
67300	51,157	67200	51,157
67400	1,904,594	67300	1,904,594
79000	61,190	34400	61,190
79000	1,176,413	56200	1,176,413
81300	237,692	81600	237,692
81600	75,763	63600	4,486
		81300	71,277
84400	389,870	05700	389,870
84400	12,500	63300	12,500
85800	626,516	88900	626,516
88900	626,516	85800	626,516
	\$ <u>10,733,669</u>		\$ <u>10,733,669</u>

The interfund balances are a result of reimbursements owed between the funds.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued



5. CAPITAL ASSETS

The restatement shown below is primarily due to a physical count of capital assets at June 30, 2006 that increased the balance by \$492,856, resulting in a June 30, 2006 balance of \$6,913,049. The accumulated depreciation for the omitted capital assets was \$111,859, resulting in a June 30, 2006 balance of \$5,657,771.

A summary of changes in capital assets is as follows:

	<u>Balance June 30, 2006</u>	<u>Prior Year Restatement</u>	<u>Restated Balance June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
PED:						
Equipment and machinery \$	3,264,950	486,559	3,751,509	-	(40,934)	3,710,575
Art acquisitions	<u>5,800</u>	<u>-</u>	<u>5,800</u>	<u>-</u>	<u>-</u>	<u>5,800</u>
Total PED	3,270,750	486,559	3,757,309	-	(40,934)	3,716,375
DVR/DDS:						
Equipment and machinery	3,149,443	6,297	3,155,740	239,959	-	3,395,699
Total Department:						
Equipment & machinery	6,414,393	492,856	6,907,249	239,959	(40,934)	7,106,274
Art acquisitions	<u>5,800</u>	<u>-</u>	<u>5,800</u>	<u>-</u>	<u>-</u>	<u>5,800</u>
Subtotal	6,420,193	492,856	6,913,049	239,959	(40,934)	7,112,074
Accumulated depreciation:						
PED - Equipment and machinery	(2,724,801)	(141,741)	(2,866,542)	(224,811)	40,934	(3,050,419)
DVR/DDS - Equipment and machinery	<u>(2,821,111)</u>	<u>29,882</u>	<u>(2,791,229)</u>	<u>(164,329)</u>	<u>-</u>	<u>(2,955,558)</u>
Subtotal	<u>(5,545,912)</u>	<u>(111,859)</u>	<u>(5,657,771)</u>	<u>(389,140)</u>	<u>40,934</u>	<u>(6,005,977)</u>
Total	\$ <u><u>874,281</u></u>	<u><u>380,997</u></u>	<u><u>1,255,278</u></u>	<u><u>(149,181)</u></u>	<u><u>-</u></u>	<u><u>1,106,097</u></u>

Depreciation expense was charged to functions in the Department as follows:

Education	\$ 224,811
Health and welfare	<u>164,329</u>
	\$ <u><u>389,140</u></u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

6. DUE TO OTHER GOVERNMENTS

Total due to other governments at June 30, 2007 is as follows:

Due to other state agencies:			
New Mexico Board of Finance	\$	27,830	
New Mexico Department of Corrections		27,957	
New Mexico Department of Health		179,546	
New Mexico Human Services Department		469,579	
New Mexico Governor's Office		12,313	
New Mexico Department of Finance and Administration		<u>461,036</u>	
Total due to state agencies			1,178,261
Due to New Mexico State General Fund			1,123,820
Due to Federal Government			20,343,186
Due to Local Education Agencies			<u>21,156</u>
Total due to other governments		\$	<u>22,666,423</u>

7. COMPENSATED ABSENCES

A summary of changes in compensated absences is as follows:

		<u>Balance</u> <u>June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Current</u> <u>Portion</u>
PED	\$	720,355	671,043	(619,966)	771,432	771,432
DVR/DDS		<u>904,393</u>	<u>682,136</u>	<u>(786,045)</u>	<u>800,484</u>	<u>800,484</u>
Total	\$	<u>1,624,748</u>	<u>1,353,179</u>	<u>(1,406,011)</u>	<u>1,571,916</u>	<u>1,571,916</u>

PED compensated absences are typically liquidated with fund 05700 and 84400 resources.

DVR/DDS compensated absences are typically liquidated with fund 50000 and 50100 resources.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

8. SPECIAL STATE APPROPRIATIONS

The Department received and administered the following special state appropriations during the year ended June 30, 2007:

Appropriation Description	Legislation	Budget Authority	Cash Basis		Accounts Payable	Outstanding Encumbrances	Unencumbered Balance
			Total Expended to Date				
Beg. Teacher Induction	Laws of 2006, CH 109, Sec 4	\$ 899,100	251,587	435,386	180,304	31,823	
Apprenticeship	Laws of 2006, CH 109, Sec 4	649,300	314,914	332,582	1,614	190	
Kindergarten Plus	Laws of 2006, CH 109, Sec 4	998,900	444,199	389,158	165,543	-	
GRADS	Laws of 2006, CH 109, Sec 4	998,900	800,000	197,744	1,156	-	
Uniform Chart of Accounts	Laws of 2006, CH 109, Sec 5, Item 124	122,500	33,046	89,438	-	16	
Three Tiered Licensure	Laws of 2006, CH 109, Sec 5, Item 118	300,000	195,162	102,074	45	2,720	
Core Curriculum Framework	Laws of 2006, CH 109, Sec 4	381,600	113,460	257,767	10,368	5	
Parental Training and Involvement	Laws of 2006, CH 109, Sec 5, Item 112	750,000	698,858	40,404	8	10,730	
Fiesta Educativa Parent Conference	Laws of 2006, CH 110, Sec 3, Item 11	7,000	-	-	7,000	-	
Multicultural Arts	Laws of 2006, CH 110, Sec 31, Item 3	40,000	20,000	20,000	-	-	
Breakfast for Elementary Students	Laws of 2006, CH 109, Sec 5, Item 105	2,000,000	1,993,169	-	-	6,831	
Elementary PE and Obesity	Laws of 2006, CH 109, Sec 5, Item 110	2,000,000	889,800	936,653	173,090	457	
Truancy Prevention	Laws of 2006, CH 109, Sec 4	998,900	483,893	298,328	210,836	5,844	
Advanced Placement	Laws of 2006, CH 109, Sec 4	1,198,700	588,158	480,167	77,220	53,155	
Assess. & Test Dev. & Exit Exams	Laws of 2006, CH 109, Sec 5, Item 109	6,600,000	5,143,636	1,045,598	-	410,766	
Student Teacher Accountability	Laws of 2006, CH 109, Sec 7, Item 29	2,000,000	1,952,434	47,566	-	-	
School Improvement Framework	Laws of 2006, CH 109, Sec 5, Item 117	5,712,000	3,136,195	1,967,144	603,159	5,502	
Cyber Academy @ Rio Rancho HS	Laws of 2006, CH 109, Sec 4	84,900	84,900	-	-	-	
Summer Reading, Math & Science Insts.	Laws of 2006, CH 109, Sec 4	699,300	50,682	635,535	13,083	-	
Software & Hardware to Teach Math.	Laws of 2006, CH 109, Sec 5, Item 106	2,500,000	1,880,000	619,158	-	843	
Summer Day Camp	Laws of 2006, CH 109, Sec 5, Item 108	300,000	283,774	5,175	11,051	-	
REC Operations	Laws of 2006, CH 109, Sec 5, Item 113	750,000	675,000	-	-	75,000	

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

8. SPECIAL STATE APPROPRIATIONS - continued

Appropriation Description	Legislation	Budget Authority	Cash Basis		Accounts Payable	Outstanding Encumbrances	Unencumbered Balance
			Total Expended to Date				
79000 REVERTING FUNDS:							
Rural Ed & Community Revitalization	Laws of 2006, CH 109, Sec 5, Item 114	\$ 105,645	74,121		17,542	5,610	8,372
Summer Reading & Math Institutes	Laws of 2006, CH 109, Sec 5, Item 116	300,000	131,189		103,917	64,893	1
Summer Reading & Math Institutes	Laws of 2006, CH 109, Sec 5, Item 116	660,235	449,188		43,501	167,546	-
Pre-K Start Up	Laws of 2006, CH 109, Sec 5, Item 121	1,500,000	953,914		286,266	131,772	128,047
Math & Science Bureau	Laws of 2006, CH 110, Sec 31, Item 1	250,000	227,880		15,154	6,642	325
Wellness Policy	Laws of 2006, CH 110, Sec 31, Item 2	150,000	104,419		45,493	-	88
Los Lunas School Reform	Laws of 2006, CH 110, Sec 31, item 15	80,000	15,443		22,409	42,148	-
Rio Rancho Cyber Academy	Laws of 2006, CH 110, Sec 31, Item 17	172,000	50,731		121,254	15	-
Computerized Learning	Laws of 2005, CH 34, Sec 13	105,600	105,600		-	-	-
Virtual High School at Rio Rancho	Laws of 2005, CH 34, Sec 13	70,664	70,664		-	-	-
Support of Literacy Plan	Laws of 2005, CH 34, Sec 9	89,296	-		89,296	-	-
Professional Development Activities	Laws of 2005, CH 34, Sec 9	20,748	-		20,748	-	-
Obesity Program	Laws of 2005, CH 34, Sec 9	627	-		627	-	-
Physical Education Classes	Laws of 2005, CH 34, Sec 9	12,839	12,838		-	-	1
Truancy Prevention	Laws of 2005, CH 34, Sec 9	49,058	49,057		-	-	1
Uniform Chart of Accounts	Laws of 2005, CH 33, Sec 5, Item 105	425,916	425,824		-	-	92
Assess. & Test Dev. & Exit Exams	Laws of 2005, CH 33, Sec 5	2,355,777	1,912,980		-	-	442,797
Student Teacher Accountability	Laws of 2005, CH 34, Sec 9	3,322,243	2,486,608		-	-	835,635
TOTAL 79000 REVERTING FUNDS		39,661,748	27,103,324		8,666,083	1,873,103	2,019,238

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

8. SPECIAL STATE APPROPRIATIONS - continued

NON-7900 REVERTING FUNDS:

Appropriation Description	Legislation		Budget Authority	Cash Basis Total Expended to Date	Accounts Payable	Outstanding Encumbrances	Unencumbered Balance
Library Fund	Laws of 2006, CH 109, Sec 5, Item 122	\$	3,000,000	1,972,508	726,124	-	301,368
Emergency Supplemental	Laws of 2006, CH 109, Sec 4		<u>1,815,900</u>	<u>1,787,396</u>	-	-	<u>28,505</u>
TOTAL NON-7900 REVERTING FUNDS			4,815,900	3,759,904	726,124	-	329,873

NON-REVERTING FUNDS:

Fund	Appropriation Description	Legislation		Budget Authority	Cash Basis Total Expended to Date	Accounts Payable	Outstanding Encumbrances	Unencumbered Balance
00500	Schools in Need of Improvement	Laws of 2006, CH 109, Sec 4		2,397,500	364,972	1,257,592	749,051	25,885
33400	Family Youth Resource	Laws of 2006, CH 109, Sec 4		1,498,400	504,313	703,833	290,254	-
33400	Family Youth Resource	Laws of 2005, CH 33, Sec 4		138,522	48,522	-	90,000	-
56200	Professional Development	Laws of 2006, CH 109, Sec 5, Item 123		2,000,000	386,486	1,258,636	180,595	174,283
56800	Incentives for School Improvement	Laws of 2006, CH 109, Sec 4		1,598,300	-	-	-	1,598,300
56800	Incentives for School Improvement	Laws of 2005, CH 33, Sec 4		4,385,284	1,647,180	2,910	-	2,735,194
58600	Reading Materials Fund	Laws of 2006, CH 110, Section 31, Item 5		100,000	-	1,290	22,969	75,741
58600	Reading Materials Fund	Laws of 2006, CH 111, Sec 4		340,000	213,475	59,269	67,256	-
66200	Educational Technology	Laws of 2006, CH 109, Sec 4		4,994,700	1,334,949	640,266	2,807,717	211,768
66200	Educational Technology	Laws of 2005, CH 33, Sec 4		3,208,813	3,177,913	-	-	30,900
47000	Charter Stimulus			394,800	91,590	-	296,000	7,210
51300	Pre-Kindergarten	Laws of 2006, CH 109, Sec 4		3,995,800	2,794,286	174,793	865,127	161,595
51300	Pre-Kindergarten	Laws of 2005, CH 33, Sec 5		686,046	207,516	-	-	478,530
63300	Indian Education-633-0400	Laws of 2006, CH 109, Sec 4		<u>6,668,400</u>	<u>1,870,327</u>	<u>541,765</u>	<u>726,760</u>	<u>3,529,548</u>
TOTAL ADDITIONAL FUNDS				<u>32,406,565</u>	<u>12,641,529</u>	<u>4,640,355</u>	<u>6,095,728</u>	<u>9,028,953</u>
TOTAL FUNDS			\$	<u>76,884,213</u>	<u>43,504,756</u>	<u>14,032,562</u>	<u>7,968,831</u>	<u>11,378,064</u>



9. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including accounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Department expects such amounts, if any, to be immaterial.

◆ **Litigation**

There are several pending and/or threatened lawsuits in which the Department is involved. Generally, these matters are insured by the Risk Management Division (RMD) of the New Mexico General Services Department. The Department's attorneys estimate that the potential claims against the Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the Department.

◆ **Lease Commitments**

The Department has commitments for office space and equipment under operating lease agreements. Lease terms for office space range from one to twenty years and generally contain renewal options. Lease terms for office equipment range from one to five years. Rental expenditures for the year ended June 30, 2007, totaled \$3,803,171. Future minimum lease payments are as follows:

Years ending June 30,		<u>PED</u>	<u>DVR/DDS</u>	<u>Total</u>
2008	\$	511,994	2,967,867	3,479,861
2009		431,636	1,521,863	1,953,499
2010		242,528	1,456,077	1,698,605
2011		53,240	1,242,721	1,295,961
2012		2,826	1,249,838	1,252,664
2013-2018		<u>-</u>	<u>7,129,841</u>	<u>7,129,841</u>
Total	\$	<u>1,242,224</u>	<u>15,568,207</u>	<u>16,810,431</u>

10. DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State of New Mexico employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. All amounts of compensation deferred under such plans, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property of the plan participants and their beneficiaries. The Department does not participate in the administration of these plans and it is the opinion of the Department's counsel that the Department has no liability for any losses that may arise as a result of participation in such plans. Neither the Department nor the State of New Mexico makes any contributions to the deferred compensation plan. All contributions withheld from participants by DFA have been paid to the appropriate compensation plan.

11. RETIREMENT PLANS (STATE PERA AND ERA)

Full-time employees of the Department must participate in either of two defined benefit contributory retirement plans. Employees who hold certificates as educators issued by the State of New Mexico must participate in the Educational Retirement Act plan. Other employees may elect to participate in the ERA plan, but if they do not so elect, they are enrolled in the Public Employees Retirement Act Plan.

PERA Pension Plan

◆ ***Plan Description***

Substantially all of the Department's full-time employees who are not covered by the Educational Retirement Act plan participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer, defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

11. **RETIREMENT PLANS (STATE PERA AND ERA) - continued**

PERA Pension Plan - continued

◆ **Funding Policy**

Plan members are required to contribute from 4.78% to 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$3,355,549, \$3,046,040 and \$2,755,842, respectively, equal to the amount of the required contribution for each year.

ERA Pension Plan

◆ **Plan Description**

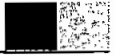
Certain full-time employees who are not covered by PERA (described above) participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The New Mexico Educational Retirement Board (ERA) is the administrator of the plan, which is a cost-sharing, multiple-employer, defined benefit retirement plan. The plan provides for retirement, disability benefits, and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, New Mexico 87502.

◆ **Funding Policy**

Plan members are required to contribute the following percentages times their gross salary. The Department is required to contribute the following percentages times the gross covered salary. The contribution requirements of plan members and the Department are established under Chapter 22, Article 11, NMSA 1978, amended by Senate Bill 181. The requirements may be amended by acts of the legislature.

Contribution requirements are as follows:

	Employer	Employee
2007	7.750%	10.15%
2008	7.825	10.90
2009	7.9	11.65
2010	7.975	12.4
2011	8.05	13.15



11. RETIREMENT PLANS (STATE PERA AND ERA) - continued

ERA Pension Plan - continued

◆ Funding Policy - continued

The Department's contributions to the New Mexico Educational Retirement Board (Educational Retirement Act) for the years ending June 30, 2007, 2006 and 2005 were \$658,597, \$623,013 and \$430,191, respectively, equal to the amount of the required contribution for each year.

12. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have been retired from certain public service in New Mexico. The New Mexico Retiree Health Care Authority (NMRHCA) is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or the out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirements Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf; unless that person retires before the employer's NMRHCA 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; or (2) retirees defined by the Act who retired prior to July 1, 1990, and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional \$5 if eligible participant retired prior to the employer's NMRHCA effective date, or is a former legislator. Participants may also enroll in optional plans of coverage.



12. POST-EMPLOYMENT BENEFITS - continued

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including terminations of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree), and net expenditures for the fiscal year. The report also included the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2007, the Department remitted approximately \$250,000 in employer contributions and approximately \$125,000 in employee contributions to the Retiree Health Care Authority.

The Department will implement GASB 45, *Accounting and Financial Reporting by Employees for Postemployment Benefits Other than Pensions*, in fiscal year 2008. The impact of the implementation of the new GASB standard is unknown.

13. RISK MANAGEMENT

The Department, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. Annual premiums are paid by the Department to the Risk Management Division for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State of New Mexico;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

At June 30, 2007, the Department had no claims that Risk Management Division returned as not covered, which would become the responsibility of the Department. To obtain the separately issued financial statements, contact General Services Department, PO Box 26110, Santa Fe, New Mexico 87502-6110.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

14. REVERSIONS

The following funds are reverting and the Department provided a liability for reversions listed in the operating statements as follows:

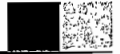
	<u>Appropriation</u>	<u>Reversion</u>
2007 Appropriations:		
Fund 84400, Federal Dept. of Education – Admin.	\$ 45,909	21,883
Fund 85800, Public School Support Flowthrough	2,232,871,100	399,686
Fund 79000, Special Projects	13,633,600	549,055
Total 2007 Appropriations	\$ 2,246,550,609	970,624

15. SPECIAL REVENUE AND CAPITAL PROJECT FUNDS

SHARE Fund

Special Revenue

- 20160 *Educational Technology Deficiencies Correction.* Money in the fund is appropriated for the purpose of implementing the provisions of the Technology for Education Act (NMSA 1978 § 22-15A-1). This is a state funded project (NMSA 1978 § 22-15A-8 and NMSA 1978 § 22-15A-11). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 28000 *Access-to-Telework Funds (ATF).* The ATF is a permanent loan guarantee fund comprised of a one-time Federal Grant that has a 10% State match. The funds are deposited in an interest-bearing account in the State Treasury depository. The purpose of the grant is to make loans available to persons with disabilities at affordable rates and/or terms to acquire devices and equipment designed to assist them with small businesses or working from remote locations. Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 33400 *Family Youth.* The purpose of this fund is to provide an intermediary for students and their families at public schools to access social and health care services (NMSA 1978, 22-2D-3). Appropriations to this fund do not revert to another fund at the end of the appropriation period.



15. *SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued*

SHARE Fund - continued

Special Revenue - continued

- 39700 *Educator Certification.* Educator Certification funds are collected from application fees for certification or for renewal of certification by the Public Education Department of New Mexico. Monies in the fund are for the purpose of funding the educator background check program (NMSA 1978, § 22-10-4.1). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 45800 *Adult Basic Education.* The Adult Basic Education fund is used to account for all financial activities of the adult basic education program. The fund was established by an act of the New Mexico State Legislature (NMSA 1978, 22-8-30.1). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 47000 *Charter School Stimulus.* To account for state general fund appropriations to be used to stimulate charter schools (NMSA 1978, 22-8B-14). Appropriations to this fund do not revert to another fund at the end of the appropriation period. Amounts were transferred to New Mexico Higher Education Department.
- 51300 *Pre-Kindergarten.* The purpose of this fund is to address the total developmental needs of preschool children, including physical, cognitive, social and emotional needs, and shall include healthcare, nutrition, safety and multicultural sensitivity (NMSA 1978, 32A-23-4). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 56200 *Professional Development.* The Teacher Professional Development Fund is to provide professional development programs and projects for public school teachers (NMSA 1978, 22-8-45). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 56800 *Incentive for School Improvement.* Incentive for School Improvement are funds from the State General Fund appropriated to the Department. The fund is used to account for financial incentives to individual schools that exceed expected academic performance (NMSA 22-2C-10). Appropriations to this fund do not revert to another fund at the end of the appropriation period.

15. *SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued*

SHARE Fund - continued

Special Revenue - continued

- 63300 *Indian Education Act.* To gain tribal involvement and to ensure the maintenance of native languages (NMSA 22-23A-8). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 63900 *Kindergarten Plus.* The purpose of the fund is to deposit grants and donations for the “Kindergarten Plus” pilot project. Money shall be expended in accordance with the terms of the grants and donations. Unless otherwise specified by the terms of the grant or donation, money in the fund at the end of the pilot project shall revert to the general fund. There have not been any grants and donations and in FY 07 appropriations have been returned to the Special Appropriations Fund 79000. 22-2-20 created a three-year study which was extended into a six-year study during the 2006 Legislative Session (HB 43).
- 66000 *Instructional Materials Adoption.* The purpose of this fund is to provide for the review and adoption of instructional materials from the collection of publishers fees (NMSA 22-15-8-1). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 66200 *Education Technology.* Education Technology are funds from the State General Fund appropriated to the Department. The fund is used to account for all financial resources of the 1994 Education Technology program. This is a state-funded project (NMSA 1978, § 22-15A-1 to 22-15A-10). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 66900 *School Library.* To account for the replacement and purchase of new library materials (NMSA 22-15C-3). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 67200 *Federal School Food Services Flowthrough.* The Federal School Food Services Flowthrough fund is used to account for federal grants to New Mexico schools for food services. The Department, as fiscal agent for the United States Department of Agriculture, is responsible for disbursing funds for such services in accordance with individual grant requirements (Title 7, Code of Federal Regulations Parts 210 and 245). Appropriations to this fund do not revert to another fund at the end of the appropriation period.



15. ***SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued***

SHARE Fund - continued

Special Revenue - continued

- 67300 *Federal Public Education Department Flowthrough.* The Federal Public Education Department Flowthrough fund is used to account for various grants from the United States Public Education Department (USDE) to New Mexico schools. The Department is responsible for the disbursement of such funds in accordance with USDE requirements (Title 34, Code of Federal Regulations). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 72500 *Public Building Energy Efficiency Act.* Public Building Energy Efficiency Act are funds from the State General Fund appropriated from the State Equalization Guarantee Fund that are distributed by the Department to participating school districts (NMSA 1978, § 6-23 and § 22-8-25). This is a reverting fund.
- 79000 *Special Projects.* The Special Projects Flowthrough fund accounts for the receipts and disbursements of state special appropriations for a variety of projects established by the Legislature (47th Legislature, 2nd Session, Chapter 109). This is a reverting fund.
- 85600 *Instructional Materials Flowthrough.* The Instructional Material Flowthrough fund accounts for monies for the purchase of textbooks and instructional materials, as appropriated by the New Mexico Legislature, and consists of monies from receipts of the Federal Mineral Lands Leasing Act. Revenues are received in this fund by the Department, as fiscal agent, and subsequently are disbursed for the benefit of the individual schools in New Mexico (NMSA 1978, § 22-15-1 to 22-15-25). Appropriations to this fund do not revert to another fund at the end of the appropriation period.
- 85700 *State Support Reserve.* The State Support Reserve fund is used to augment the appropriations for the State Equalization Guarantee distribution in order to ensure to the extent of the amount undistributed in the fund that the maximum figures for such distribution established by law shall not be reduced. ((NMSA 1978, § 22-8-31). Appropriations to this fund do not revert to another fund at the end of the appropriation period.

15. *SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued*

SHARE Fund - continued

Special Revenue - continued

- 85800 *Public School Support Flowthrough.* The Public School Support Flowthrough fund is used in the accounting of distributions to school districts for the State Equalization Guarantee, Transportation and Supplemental Distributions programs. Financing is provided through State General Fund appropriations (NMSA 1978, § 22-8-14). This is a reverting fund.
- 88900 *Transportation Emergency.* This fund is used to make distributions of state funds to districts experiencing transportation emergencies (NMSA 1978, 28-8-29.6). Appropriations to this fund do not revert to another fund at the end of the appropriation period.

Capital Projects

- 29100 *Special Capital Outlay - General Fund (1995).* The fund, established in 1995, accounts for State General Fund appropriations for special capital outlay projects (42nd Legislature, 1st Session, Chapter 222). Funds remaining after the completion of capital projects are to be reverted.
- 38700 *Special Capital Outlay - General Fund (1996).* The fund, established in 1996, accounts for general fund appropriations for special capital outlay projects (42nd Legislature, 1st Session, Chapter 4). Funds remaining after the completion of capital projects are to be reverted.
- 46800 *Special Capital Outlay - Severance Tax Bonds (1999).* The fund, established in 1999, accounts for severance tax bonds appropriated for special capital outlay projects (44th Legislature, 1st Special Session, Chapter 2). Funds remaining after the completion of capital projects are to be reverted.
- 54000 *Special Capital Outlay - Severance Tax Bonds (1998).* The fund, established in 1998, accounts for severance tax bonds appropriated for special capital outlay projects (44th Legislature, Chapter 222). Funds remaining after the completion of capital projects are to be reverted.
- 54100 *Special Capital Outlay - Severance Tax Bonds (1998).* The fund, established in 1998, accounts for severance tax bonds appropriated for special capital outlay projects (44th Legislature, Chapter 2). Funds remaining after the completion of capital projects are to be reverted.

15. *SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued*

SHARE Fund - continued

Capital Projects - continued

- 54200 *Special Capital Outlay - Severance Tax Bonds (1998)*. The fund, established in 1998, accounts for severance tax bonds appropriated for special capital outlay projects (44th Legislature, Chapter 2). Funds remaining after the completion of capital projects are to be reverted.
- 54300 *Special Capital Outlay - Severance Tax Bonds (1998)*. The fund, established in 1998, accounts for severance tax bonds appropriated for special capital outlay projects (44th Legislature, Chapter 2). Funds remaining after the completion of capital projects are to be reverted.
- 63400 *Public School Capital Improvements*. The Public School Capital Improvements fund accounts for the proceeds from bond sales issued under the provisions of the Public School Capital Improvements Act (NMSA 1978, § 22-25-1 and 22-25-10). Funds remaining after the completion of capital projects are to be reverted.
- 63500 *Public School Capital Outlay (Other)*. The Public School Capital Outlay fund accounts for the proceeds from bond sales issued under the provisions of the Public School Capital Improvements Act (NMSA 1978, § 22-24-1 and 22-254-6). Funds remaining after the completion of capital projects are to be reverted.
- 63600 *Kindergarten Capital Funding*. The fund accounts for distributions in support of kindergarten capital projects (Laws of 2001, SB 167, Chapter 338). Funds remaining after the completion of capital projects are to be reverted.
- 66100 *Special Capital Outlay – Severance Tax Bonds (1994)*. The fund, established in 1994, accounts for severance tax bonds appropriated for special capital outlay projects (41st Legislature, 2nd Session, Chapter 148). Funds remaining after the completion of capital projects are to be reverted.
- 81300 *Special Capital Outlay – Severance Tax Bonds (2000)*. The fund, established in 2000, accounts for severance tax bond proceeds appropriated for special capital outlay projects (Laws of 2000, Chapter 23, Section 16). Funds remaining after the completion of capital projects are to be reverted.



15. *SPECIAL REVENUE AND CAPITAL PROJECT FUNDS - continued*

SHARE Fund - continued

Capital Projects - continued

- 81600 *Special Capital Outlay – Severance Tax Bonds (2004)*. The fund, established in 2004, accounts for severance tax bond proceeds appropriated to the Public Education Department. Funds remaining after the completion of capital projects are to be reverted.
- 81800 *Special Capital Outlay – General Fund (2000)*. The fund, established in 2000, accounts for general fund appropriations for special capital outlay projects (Laws of 2000, Chapter 23, Section 45). Funds remaining after the completion of capital projects are to be reverted.
- 99500 *NM Government Education Fund*. The purpose of the fund is to provide appropriations to the Department to contract for annual, week-long, high school civics courses focusing on New Mexico state government for boys and girls to be held at varying post-secondary educational institutions in New Mexico. Appropriations to this fund do not revert to another fund at the end of the appropriation period (22-8-47, NMSA 1978).

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued

16. JOINT POWERS AGREEMENT DISCLOSURE

The Department was party to the following Joint Powers Agreements during the fiscal year:

Contractor	Scope of Work	Responsible Party	Total Amount of Contract	Ending Date
High Plains Regional Education Coop #3	Implementation of 3-Tier Teacher Licensure System	PED	\$200,000	09/28/07
WNMU	Professional Dev. to NM Math Teachers	PED	\$277,000	09/30/08
NMSU	Professional Dev. to NM Math Teachers	PED	\$975,000	09/30/08
UNM	Professional Dev. for 5th to 12th Grade Teachers	PED	\$320,992	09/30/08
REC IX	NM Reading First Program Support	PED	\$897,681	06/30/08
SFPS	Service Learning Programs	PED	\$120,000	06/30/09
Museum of Indian Arts & Culture	Indian History Curricula Guide	PED	\$85,000	06/30/08
Taos Municipal Schools	Provide Service Learning Program	PED	\$41,835	06/30/09
Las Vegas City School District	Provide Service Learning Program	PED	\$120,000	06/30/09
APS East Mountain	Service Learning Project	PED	\$41,835	06/30/09
Gallup McKinley	Program Development for 3 Reg. Quality Ctr.	PED	\$300,000	06/30/08
NMHU	Educational Testing Services	PED	\$90,597	12/30/07
NMSU	Professional Development for NM Teachers	PED	\$500,000	06/30/08
NMSU	Summer Institutes: Reading/Math/Science	PED	\$300,000	06/30/08
ENMU	Schools in Need of Improvement	PED	\$540,000	06/30/08
Pueblo of Santa Ana	Revitalize the Keres Language	PED	\$35,339	06/30/08
Pueblo of Isleta	Revitalize the Tiwi Language	PED	\$50,000	06/30/08
Pueblo of Isleta	Data Management System	PED	\$50,000	06/30/08
Pueblo of Nambe	Tribal Education Support Services	PED	\$50,000	06/30/08
Mescalero Apache Tribe	Tribal Education Support Services	PED	\$50,000	06/30/08
Santo Domingo Tribe	Revitalize Santo Domingo Keres Language	PED	\$50,000	06/30/08
Pueblo of San Felipe	Revitalize Santo Domingo Keres Language	PED	\$50,000	06/30/08
Pueblo of Acoma	Revitalize Acoma Language	PED	\$50,000	06/30/08
REC #3	Summer Institute for Transition Planning	PED	\$184,264.00	06/30/08
REC #9	Summer Literacy Camp	PED	\$150,000	06/30/08
Laguna Department of Education	Tribal Education Support Services	PED	\$50,000	06/30/08
REC #9	Career Technical Student Organization	PED	\$499,058	06/30/08
Pueblo of Cochiti	Revitalize Native Language	PED	\$50,000	06/30/08
Pueblo of Pojoaque	Support Service of Tribal Dept.	PED	\$49,899	06/30/08

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

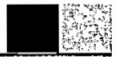
Notes to Financial Statements - continued

16. JOINT POWERS AGREEMENT DISCLOSURE - continued

Contractor	Scope of Work	Responsible Party	Total Amount of Contract	Ending Date
Santa Clara Pueblo	Identify Tewa Language Work Group	PED	\$50,000	06/30/08
Mescalero Apache Tribe	Maintain Mescalero Apache Native Language	PED	\$50,000	06/30/08
Pueblo of Tesuque	Support Tribal Department of Education	PED	\$50,000	06/30/08
ENMU	Reading, Math & Science Institute	PED	\$500,000	09/30/08
Laguna Department of Education	Implement Laguna Keres Language	PED	\$50,000	06/30/08
Pueblo of Jemez	Implement Jemez Tewa Language	PED	\$50,000	06/30/08
Pueblo of Jemez	Support Tribal Department of Education	PED	\$50,000	06/30/08
REC #9	2-Day Fall Workshop	PED	\$95,860	06/30/08
Gallup McKinley	Strengthening Quality Schools (SQS)	PED	\$540,000	06/30/08
Sandoval County	Truancy Dropout Prevention Program	PED	\$50,000	06/30/08
Mescalero Apache Tribe	Exemplary Academic Program	PED	\$50,000	06/30/08
School for the Deaf	Career Technical Education	PED	\$30,000	06/30/08
APS	Summer Science Institute	PED	\$150,000	06/30/08
NMSU	Support CeBEIL	PED	\$125,000	06/27/08
Socorro Consolidated	Implement GRADS System	PED	\$1,000,000	06/30/08
School for the Visually Impaired	Implement Program in Career Cluster of Manufacturing	PED	\$30,000	06/30/08
NMSU	Consulting & Training for CATCH Sites	PED	\$100,000	06/30/08

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Financial Statements - continued



17. INTERAGENCY TRANSFERS IN AND TRANSFERS OUT

Agency	Fund	Transfers In	Transfers Out
DFA	57300	\$ -	850,000
PED	85800	\$ 850,000	

The transfer in from New Mexico Department of Finance and Administration (DFA) was for Driver Safety Fees to PED's Public School Support Flowthrough.

18. BUDGET COMPARISONS – MODIFIED ACCRUAL DIFFERENCES TO ACTUAL EXPENSES

SHARE Fund 67200

Actual total expenditures	\$	91,090,626
Accounts payable paid out of FY08 budget		<u>(19,332)</u>
FY07 budget expenditures	\$	<u>91,071,294</u>

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2007

	28000 Access-to- Telework Funds	33400 Family Youth	39700 Educator Certification	45800 Adult Basic Education
ASSETS:				
Investment in State General Fund Investment Pool	\$ 971,150	1,490,392	1,052,884	122,564
Federal grants receivable	-	-	-	-
Bond proceeds receivable	-	-	-	-
Due from state general fund	-	-	-	25,733
Due from other state agencies	11,405	33,767	-	-
Due from local education agencies	-	42,286	-	-
Due from external miscellaneous parties	-	-	-	-
Due from State Board of Finance	-	-	-	-
Due from other funds	-	-	-	-
Prepaid expenses	-	-	818	-
TOTAL ASSETS	\$ <u>982,555</u>	<u>1,566,445</u>	<u>1,053,702</u>	<u>148,297</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
State warrants	\$ -	-	150	-
Vouchers payable	-	-	-	-
Accounts payable	(652)	703,832	60,560	-
Accrued payroll and taxes	1,382	-	10,481	-
Due to state general fund	-	-	-	-
Due to other state agencies	263	-	-	-
Due to federal government	-	-	-	148,297
Due to local education authorities	-	-	(38,439)	-
Deferred revenue	823,904	-	-	-
Due to other funds	-	61,190	-	-
Other liabilities	-	-	-	-
TOTAL LIABILITIES	824,897	765,022	32,752	148,297
FUND BALANCES:				
Reserved	-	380,254	-	-
Unreserved	<u>157,658</u>	<u>421,169</u>	<u>1,020,950</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICIT)	<u>157,658</u>	<u>801,423</u>	<u>1,020,950</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>982,555</u>	<u>1,566,445</u>	<u>1,053,702</u>	<u>148,297</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds

47000 Charter School Stimulus	51300 Pre- Kindergarten	56200 Professional Development	56800 Incentive for School Improvement	58600 Reading Materials	63300 Indian Education Act
764,483	1,764,356	866,665	4,632,798	885,425	5,037,220
-	-	-	-	-	-
-	-	-	-	-	-
250,000	-	-	-	-	-
-	92,386	2,506	169,893	-	-
-	-	101,029	-	-	-
-	-	-	-	-	1,023
-	-	-	-	-	-
-	34,180	1,775,000	-	-	-
-	(626)	-	-	-	(392)
<u>1,014,483</u>	<u>1,890,296</u>	<u>2,745,200</u>	<u>4,802,691</u>	<u>885,425</u>	<u>5,037,851</u>
-	-	-	-	-	1,384
-	-	-	-	-	-
-	252,858	1,258,636	2,910	60,559	782,576
-	35,112	-	-	-	(27,639)
-	-	3,664	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	390,800	-	-	-	(102,576)
-	-	-	-	-	104,876
-	-	1,176,413	-	-	12,501
-	-	-	-	-	-
-	678,770	2,438,713	2,910	60,559	771,122
296,000	865,127	180,595	-	90,225	726,760
<u>718,483</u>	<u>346,399</u>	<u>125,892</u>	<u>4,799,781</u>	<u>734,641</u>	<u>3,539,969</u>
<u>1,014,483</u>	<u>1,211,526</u>	<u>306,487</u>	<u>4,799,781</u>	<u>824,866</u>	<u>4,266,729</u>
<u>1,014,483</u>	<u>1,890,296</u>	<u>2,745,200</u>	<u>4,802,691</u>	<u>885,425</u>	<u>5,037,851</u>

AS OF JUNE 30, 2007

	63900	66000	66200	66900
	Kindergarten Plus	Instructional Materials Adoption	Education Technology	School Library
ASSETS:				
Investment in State General Fund Investment Pool	\$ 81,720	105,222	5,826,033	(1,870,364)
Federal grants receivable	-	-	-	-
Bond proceeds receivable	-	-	-	-
Due from state general fund	-	-	-	-
Due from other state agencies	2,839	4,341	-	-
Due from local education authorities	-	-	-	-
Due from external miscellaneous parties	-	-	-	-
Due from State Board of Finance	-	-	-	-
Due from other funds	-	-	-	3,000,000
Prepaid expenses	-	-	-	-
TOTAL ASSETS	\$ 84,559	109,563	5,826,033	1,129,636
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
State warrants	\$ -	-	-	-
Vouchers payable	-	-	-	-
Accounts payable	-	4,512	1,055,440	726,124
Accrued payroll and taxes	-	-	-	-
Due to state general fund	-	-	-	-
Due to other state agencies	-	-	-	-
Due to federal government	-	-	-	-
Due to local education authorities	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
Other liabilities	-	-	-	-
TOTAL LIABILITIES	-	4,512	1,055,440	726,124
Reserved for encumbrances				
FUND BALANCES:				
Reserved	-	-	2,807,717	-
Unreserved	84,559	105,051	1,962,876	403,512
TOTAL FUND BALANCES (DEFICIT)	84,559	105,051	4,770,593	403,512
TOTAL LIABILITIES AND FUND BALANCES	\$ 84,559	109,563	5,826,033	1,129,636

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds - continued



<u>72500</u> <u>Public Building</u> <u>Energy</u> <u>Efficiency Act</u>	<u>85600</u> <u>Instructional</u> <u>Materials</u> <u>Flowthrough</u>	<u>85700</u> <u>State</u> <u>Support</u> <u>Reserve</u>	<u>88900</u> <u>Transportation</u> <u>Emergency</u>	<u>00500</u> <u>Schools</u> <u>in Need of</u> <u>Improvement</u>	<u>20160</u> <u>Ed Tech</u> <u>Correction</u> <u>Deficiency Fund</u>	<u>29100</u> <u>Special Capital</u> <u>Outlay-General</u> <u>Fund 1995</u>
28,504	8,165,741	1,000,000	1,132,419	2,071,777	-	40,647
-	-	-	-	-	-	-
-	-	-	-	-	4,325,000	-
-	-	-	-	61,327	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	626,516	-	-	-
-	-	-	-	-	-	-
<u>28,504</u>	<u>8,165,741</u>	<u>1,000,000</u>	<u>1,758,935</u>	<u>2,133,104</u>	<u>4,325,000</u>	<u>40,647</u>
-	-	-	-	-	-	-
-	5,798,437	-	-	1,257,592	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	29,865
-	-	-	-	-	-	10,782
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	626,516	-	-	-
-	-	-	-	-	-	-
-	5,798,437	-	626,516	1,257,592	-	40,647
-	-	-	-	749,051	-	-
<u>28,504</u>	<u>2,367,304</u>	<u>1,000,000</u>	<u>1,132,419</u>	<u>126,461</u>	<u>4,325,000</u>	<u>-</u>
<u>28,504</u>	<u>2,367,304</u>	<u>1,000,000</u>	<u>1,132,419</u>	<u>875,512</u>	<u>4,325,000</u>	<u>-</u>
<u>28,504</u>	<u>8,165,741</u>	<u>1,000,000</u>	<u>1,758,935</u>	<u>2,133,104</u>	<u>4,325,000</u>	<u>40,647</u>

AS OF JUNE 30, 2007

	38700 Special Capital Outlay-General Fund 1996	46800 Special Capital Outlay-Severance Tax Bonds 1999	54000 Special Capital Outlay-Severance Tax Bonds 1998	54100 Special Capital Outlay-Severance Tax Bonds 1998
ASSETS:				
Investment in State General Fund				
Investment Pool	\$ 168,912	15,476	2,950	244,655
Federal grants receivable	-	-	-	-
Bond proceeds receivable	-	-	-	-
Due from state general fund	-	-	-	-
Due from other state agencies	-	-	-	-
Due from local education authorities	-	-	-	1,000
Due from external miscellaneous parties	-	-	-	-
Due from State Board of Finance	-	186,377	-	-
Due from other funds	-	-	3,189	-
Prepaid expenses	-	-	-	-
TOTAL ASSETS	\$ 168,912	201,853	6,139	245,655
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
State warrants	\$ -	-	-	-
Vouchers payable	-	-	-	-
Accounts payable	-	1	3,189	71,473
Accrued payroll and taxes	-	-	-	-
Due to state general fund	150,706	201,852	-	-
Due to other state agencies	-	-	-	-
Due to federal government	-	-	-	-
Due to local education authorities	18,206	-	2,950	170,993
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	3,189
Other liabilities	-	-	-	-
TOTAL LIABILITIES	168,912	201,853	6,139	245,655
Reserved for encumbrances				
FUND BALANCES:				
Reserved	-	-	-	-
Unreserved	-	-	-	-
TOTAL FUND BALANCES (DEFICIT)	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 168,912	201,853	6,139	245,655

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Balance Sheet -
Non-Major Governmental Funds - continued



54200 Special Capital Outlay-Severance Tax Bonds 1998	54300 Special Capital Outlay-Severance Tax Bonds 1998	63600 Kindergarten Capital Funding	66100 Special Capital Outlay-Severance Tax Bonds 1994	81300 Special Capital Outlay-Severance Tax Bonds 2000	Total
108	25,624	493,313	26,670	100,908	35,248,252
-	-	-	-	-	-
-	-	-	-	-	4,600,733
-	-	-	-	-	378,464
-	-	-	-	244,073	388,388
-	-	-	-	-	1,023
-	13,843	611,975	-	1,748,235	2,560,430
-	-	-	-	237,692	5,676,577
-	-	-	-	-	(200)
<u>108</u>	<u>39,467</u>	<u>1,105,288</u>	<u>26,670</u>	<u>2,330,908</u>	<u>48,853,667</u>
-	-	-	-	-	1,534
74	-	-	-	401,536	12,439,657
-	-	-	-	-	19,336
-	-	-	-	-	386,087
-	-	-	-	-	11,045
-	-	-	-	-	148,297
34	39,467	1,100,802	26,670	1,858,095	3,467,002
-	-	-	-	-	928,780
-	-	4,486	-	71,277	1,955,572
<u>108</u>	<u>39,467</u>	<u>1,105,288</u>	<u>26,670</u>	<u>2,330,908</u>	<u>19,357,310</u>
-	-	-	-	-	6,095,729
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>23,400,628</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>29,496,357</u>
<u>108</u>	<u>39,467</u>	<u>1,105,288</u>	<u>26,670</u>	<u>2,330,908</u>	<u>48,853,667</u>

AS OF JUNE 30, 2007

	28000 Access-to- Telework Funds	33400 Family Youth	39700 Educator Certification	45800 Adult Basic Education
REVENUES:				
Federal grants	\$ 33,732	-	-	-
Other revenue	<u>38,436</u>	<u>58,352</u>	<u>713,857</u>	<u>-</u>
TOTAL REVENUES	72,168	58,352	713,857	-
EXPENDITURES:				
Current:				
Education	-	1,256,668	766,180	-
Health and welfare	37,178	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	37,178	1,256,668	766,180	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,990	(1,198,316)	(52,323)	-
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	-	1,498,400	-	-
Appropriations funded with State Severance Bond Proceeds	-	-	-	-
Reversions to State General Fund	-	-	-	-
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	-	<u>1,498,400</u>	-	-
NET CHANGE IN FUND BALANCE	34,990	300,084	(52,323)	-
FUND BALANCE (DEFICIT), BEGINNING	<u>122,668</u>	<u>501,339</u>	<u>1,073,273</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	\$ <u>157,658</u>	<u>801,423</u>	<u>1,020,950</u>	<u>-</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Non-Major Governmental Funds

<u>47000</u> <u>Charter</u> <u>School</u> <u>Stimulus</u>	<u>51300</u> <u>Pre-</u> <u>Kindergarten</u>	<u>56200</u> <u>Professional</u> <u>Development</u>	<u>56800</u> <u>Incentive</u> <u>for School</u> <u>Improvement</u>	<u>58600</u> <u>Reading</u> <u>Materials</u>	<u>63300</u> <u>Indian</u> <u>Education</u> <u>Act</u>
-	-	-	-	-	-
<u>35,982</u>	<u>188,326</u>	<u>9,272</u>	<u>328,049</u>	-	<u>500,434</u>
35,982	188,326	9,272	328,049	-	500,434
91,590	3,365,713	1,818,605	1,650,090	274,034	2,685,093
-	-	-	-	-	-
<u>91,590</u>	<u>3,365,713</u>	<u>1,818,605</u>	<u>1,650,090</u>	<u>274,034</u>	<u>2,685,093</u>
(55,608)	(3,177,387)	(1,809,333)	(1,322,041)	(274,034)	(2,184,659)
250,000	4,025,800	-	1,598,300	758,900	2,497,400
-	-	-	-	-	-
-	-	-	-	-	-
<u>250,000</u>	<u>4,025,800</u>	<u>-</u>	<u>1,598,300</u>	<u>758,900</u>	<u>2,497,400</u>
194,392	848,413	(1,809,333)	276,259	484,866	312,741
<u>820,091</u>	<u>363,113</u>	<u>2,115,820</u>	<u>4,523,522</u>	<u>340,000</u>	<u>3,953,988</u>
<u>1,014,483</u>	<u>1,211,526</u>	<u>306,487</u>	<u>4,799,781</u>	<u>824,866</u>	<u>4,266,729</u>

AS OF JUNE 30, 2007

	63900	66000	66200	66900
	Kindergarten Plus	Instructional Materials Adoption	Education Technology	School Library
REVENUES:				
Federal grants	-	-	-	-
Other revenue	5,718	136,179	-	-
TOTAL REVENUES	5,718	136,179	-	-
EXPENDITURES:				
Current:				
Education	-	144,056	4,602,502	2,797,149
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	-	144,056	4,602,502	2,797,149
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,718	(7,877)	(4,602,502)	(2,797,149)
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	-	-	4,994,700	-
Appropriations funded with State Severance Bond Proceeds	-	-	-	-
Reversions to State General Fund	-	-	-	-
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	4,994,700	-
NET CHANGE IN FUND BALANCE	5,718	(7,877)	392,198	(2,797,149)
FUND BALANCE (DEFICIT), BEGINNING	78,841	112,928	4,378,395	3,200,661
FUND BALANCE (DEFICIT), ENDING	\$ 84,559	105,051	4,770,593	403,512

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Non-Major Governmental Funds - continued

72500 Public Building Energy Efficiency Act	85600 Instructional Materials Flowthrough	85700 State Support Reserve	88900 Transportation Emergency	00500 Schools in Need of Improvement	20160 Ed Tech Correction Deficiency Fund	29100 Special Capital Outlay-General Fund 1995
-	-	-	-	-	-	-
-	21,380	-	391,337	100,576	-	-
-	21,380	-	391,337	100,576	-	-
1,787,396	33,711,249	-	-	1,622,564	-	-
-	-	-	-	-	-	-
1,787,396	33,711,249	-	-	1,622,564	-	-
(1,787,396)	(33,689,869)	-	391,337	(1,521,988)	-	-
1,815,900	32,965,300	1,000,000	-	2,397,500	4,325,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,815,900	32,965,300	1,000,000	-	2,397,500	4,325,000	-
28,504	(724,569)	1,000,000	391,337	875,512	4,325,000	-
-	3,091,873	-	741,082	-	-	-
28,504	2,367,304	1,000,000	1,132,419	875,512	4,325,000	-

AS OF JUNE 30, 2007

	38700 Special Capital Outlay-General Fund 1996	46800 Special Capital Outlay-Severance Tax Bonds 1999	54000 Special Capital Outlay-Severance Tax Bonds 1998	54100 Special Capital Outlay-Severance Tax Bonds 1998
REVENUES:				
Federal grants	\$ -	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	-	-	-	-
EXPENDITURES:				
Current:				
Education	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
State general fund appropriations	-	-	-	-
Appropriations funded with State Severance Bond Proceeds	-	-	-	-
Reversions to State General Fund	-	-	-	-
Transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE (DEFICIT), BEGINNING	-	-	-	-
FUND BALANCE (DEFICIT), ENDING	\$ -	-	-	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Non-Major Governmental Funds - continued

54200 Special Capital Outlay-Severance Tax Bonds 1998	54300 Special Capital Outlay-Severance Tax Bonds 1998	63600 Kindergarten Capital Funding	66100 Special Capital Outlay-Severance Tax Bonds 1994	81300 Special Capital Outlay-Severance Tax Bonds 2000	Total
-	-	-	-	-	33,732
-	-	-	-	-	2,527,898
-	-	-	-	-	2,561,630
-	-	-	-	-	56,572,889
-	-	-	-	-	37,178
-	-	-	-	-	56,610,067
-	-	-	-	-	(54,048,437)
-	-	-	-	-	58,127,200
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	58,127,200
-	-	-	-	-	4,078,763
-	-	-	-	-	25,417,594
-	-	-	-	-	29,496,357

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)

YEAR ENDED JUNE 30, 2007

28000 - ACCESS-TO-TELEWORK FUNDS

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	-	-	33,732	33,732
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	38,436	38,436
TOTAL REVENUES	-	-	72,168	72,168
BEGINNING CASH	-	53,000	-	53,000
TOTAL REVENUES AND BEGINNING CASH	-	53,000	72,168	125,168
EXPENDITURES:				
Education:				
Personal services and benefits	-	15,000	7,914	7,086
Contractual services	-	5,000	4,996	4
Other operating costs	-	33,000	24,268	8,732
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	53,000	37,178	15,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	34,990	34,990

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

33400 - FAMILY YOUTH

	<u>Budgeted Amount</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal grants	\$ -	-	-	-
State general fund appropriations	1,498,400	1,498,400	1,498,400	-
Other state funds	-	-	-	-
Other financing sources	-	-	58,352	58,352
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	<u>1,498,400</u>	<u>1,498,400</u>	<u>1,556,752</u>	<u>58,352</u>
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ <u>1,498,400</u>	<u>1,498,400</u>	<u>1,556,752</u>	<u>58,352</u>
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	70,000	70,000	66,771	3,229
Other costs	1,428,400	1,566,922	1,189,897	377,025
Other uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>1,498,400</u>	<u>1,636,922</u>	<u>1,256,668</u>	<u>380,254</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>-</u>	<u>(138,522)</u>	<u>300,084</u>	<u>438,606</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

39700 - EDUCATOR CERTIFICATION

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	748,500	748,500	712,643	(35,857)
Miscellaneous revenue	-	-	1,214	1,214
TOTAL REVENUES	748,500	748,500	713,857	(34,643)
BEGINNING CASH	-	5,000	-	5,000
TOTAL REVENUES AND BEGINNING CASH	\$ 748,500	753,500	713,857	(29,643)
EXPENDITURES:				
Education:				
Personal services and benefits	\$ 331,100	331,100	436,685	(105,585)
Contractual services	57,200	62,200	24,395	37,805
Other operating costs	360,200	360,200	305,100	55,100
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	748,500	753,500	766,180	(12,680)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(52,323)	(52,323)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

45800 - ADULT BASIC EDUCATION

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State general fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	-	-	-	-
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ -	-	-	-
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	-	-	-	-
Other uses	-	-	-	-
Total education	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	-	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

47000 - CHARTER SCHOOL STIMULUS

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	-	-	-	-
State general fund appropriations	250,000	250,000	250,000	-
Other state funds	-	-	-	-
Other financing sources	-	-	35,982	35,982
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	250,000	250,000	285,982	35,982
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	250,000	-	285,982	35,982
EXPENDITURES:				
Education:				
Personal services	-	28,800	28,478	322
Contract services	-	-	-	-
Other costs	250,000	616,000	63,112	552,888
Other uses	-	-	-	-
Total education	<u>250,000</u>	<u>644,800</u>	<u>91,590</u>	<u>553,210</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	250,000	644,800	91,590	553,210
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-\$	(644,800)	194,392	839,192

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

51300 - PRE-KINDERGARTEN

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	\$ -	-	-	-
State General Fund appropriations	3,995,800	3,995,800	4,025,800	30,000
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	188,326	188,326
TOTAL REVENUES	3,995,800	3,995,800	4,214,126	218,326
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ 3,995,800	3,995,800	4,214,126	218,326
EXPENDITURES:				
Education:				
Personal services and benefits	\$ 195,000	265,000	191,351	73,649
Contractual services	3,765,800	4,381,846	3,148,501	1,233,345
Other operating costs	35,000	35,000	25,861	9,139
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	3,995,800	4,681,846	3,365,713	1,316,133
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	(686,046)	848,413	1,534,459

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

FUND 56200 - PROFESSIONAL DEVELOPMENT

	Budgeted Amount		Actual Amount	Variance
	Original	Final		Positive (Negative)
REVENUES:				
Federal grants	-	-	-	-
State general fund appropriations	1,775,000	1,775,000	-	(1,775,000)
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	9,272	9,272
TOTAL REVENUES	1,775,000	1,775,000	9,272	(1,765,728)
BEGINNING CASH	-	250,000	-	250,000
TOTAL REVENUES AND BEGINNING CASH	1,775,000	2,025,000	9,272	(1,515,728)
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	1,775,000	2,025,000	1,818,605	206,395
Other costs	-	-	-	-
Other uses	-	-	-	-
Total education	1,775,000	2,025,000	1,818,605	206,395
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,775,000	2,025,000	1,818,605	206,395
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(1,809,333)	(1,809,333)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

56800 - INCENTIVE FOR SCHOOL IMPROVEMENT

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal grants	\$ -	-	-	-
State General Fund appropriations	1,598,300	1,598,300	1,598,300	-
Other state funds	-	-	-	-
Other financing sources	-	-	328,049	328,049
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	\$ 1,598,300	1,598,300	1,926,349	328,049
BEGINNING CASH	<u>4,385,284</u>	<u>4,385,284</u>	-	<u>4,385,284</u>
TOTAL REVENUES AND BEGINNING CASH	\$ <u>5,983,584</u>	<u>5,983,584</u>	<u>1,926,349</u>	<u>4,713,333</u>
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	47,900	376,439	24,098	352,341
Other operating costs	1,550,400	5,607,145	1,625,992	3,981,153
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>1,598,300</u>	<u>5,983,584</u>	<u>1,650,090</u>	<u>4,333,494</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>4,385,284</u>	<u>-</u>	<u>276,259</u>	<u>276,259</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

58600 - READING MATERIALS

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State General Fund appropriations	373,900	373,900	758,900	385,000
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	\$ 373,900	373,900	758,900	385,000
BEGINNING CASH	725,000	725,000	-	725,000
TOTAL REVENUES AND BEGINNING CASH	\$ 1,098,900	1,098,900	758,900	1,110,000
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	1,098,900	1,098,900	274,034	824,866
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,098,900	1,098,900	274,034	824,866
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	484,866	484,866

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

63300 - INDIAN EDUCATION ACT

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	-	-	-	-
State General Fund appropriations	2,497,400	2,497,400	2,497,400	-
Other state funds	-	-	-	-
Other financing sources	-	500,000	-	(500,000)
Miscellaneous revenue	-	-	500,434	500,434
TOTAL REVENUES	2,497,400	2,997,400	2,997,834	434
BEGINNING CASH	-	3,671,000	-	3,671,000
TOTAL REVENUES AND BEGINNING CASH	\$ 2,497,400	6,668,400	2,997,834	3,671,434
EXPENDITURES:				
Education:				
Personal services and benefits	\$ 282,700	282,700	225,196	57,504
Contractual services	1,392,100	3,766,800	1,861,262	1,905,538
Other operating costs	822,600	2,618,900	598,635	2,020,265
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	2,497,400	6,668,400	2,685,093	3,983,307
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	312,741	312,741

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

63900 - KINDERGARTEN PLUS

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	5,718	5,718
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	-	-	5,718	5,718
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ -	-	5,718	5,718
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	5,718	5,718

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

66000 - INSTRUCTIONAL MATERIALS ADOPTION

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	64,993	64,993
Miscellaneous revenue	-	-	71,186	71,186
TOTAL REVENUES	-	-	136,179	136,179
BEGINNING CASH	-	226,277	-	226,277
TOTAL REVENUES AND BEGINNING CASH	\$ -	226,277	136,179	362,456
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	171,677	139,181	32,496
Other operating costs	-	54,600	4,875	49,725
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	226,277	144,056	82,221
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(7,877)	(7,877)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

66200 - EDUCATION TECHNOLOGY

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	\$ -	-	-	-
State General Fund appropriations	4,994,700	4,994,700	4,994,700	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	\$ 4,994,700	4,994,700	4,994,700	-
BEGINNING CASH	-	3,208,813	-	3,208,813
TOTAL REVENUES AND BEGINNING CASH	\$ <u>4,994,700</u>	<u>8,203,513</u>	<u>4,994,700</u>	<u>3,208,813</u>
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	4,994,700	8,203,513	4,602,502	3,601,011
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>4,994,700</u>	<u>8,203,513</u>	<u>4,602,502</u>	<u>3,601,011</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>-</u>	<u>-</u>	<u>392,198</u>	<u>392,198</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

66900 - SCHOOL LIBRARY

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	\$ -	-	-	-
State General Fund appropriations	3,000,000	3,000,000	-	(3,000,000)
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	3,000,000	3,000,000	-	(3,000,000)
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ 3,000,000	3,000,000	-	(3,000,000)
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	3,000,000	3,000,000	2,797,149	202,851
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	3,000,000	3,000,000	2,797,149	202,851
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	(2,797,149)	(2,797,149)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

72500 - PUBLIC BUILDING ENERGY EFFICIENCY ACT

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	\$ -	-	-	-
State General Fund appropriations	1,815,900	1,815,900	1,815,900	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	1,815,900	1,815,900	1,815,900	-
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ 1,815,900	1,815,900	1,815,900	-
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	1,815,900	1,815,900	1,787,396	28,504
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	1,815,900	1,815,900	1,787,396	28,504
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	28,504	28,504

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

		85600 - INSTRUCTIONAL MATERIALS FLOWTHROUGH		Actual	Variance From
		Budgeted Amounts		Amounts	Final Budget
		Original	Final	(Budgetary	Positive
				Basis)	(Negative)
REVENUES:					
Federal grants	\$	-	-	-	-
State General Fund					
appropriations		32,965,300	32,965,300	32,965,300	-
Other state funds		-	-	-	-
Other financing sources		-	-	-	-
Miscellaneous revenue		-	-	21,380	21,380
TOTAL REVENUES		32,965,300	32,965,300	32,986,680	21,380
BEGINNING CASH		-	-	-	-
TOTAL REVENUES AND					
 BEGINNING CASH	\$	<u>32,965,300</u>	<u>32,965,300</u>	<u>32,986,680</u>	<u>21,380</u>
EXPENDITURES:					
Education:					
Personal services and benefits	\$	-	-	-	-
Contractual services		-	-	-	-
Other operating costs		32,965,300	32,965,300	33,711,249	(745,949)
Other financing uses		-	-	-	-
TOTAL EXPENDITURES AND OTHER					
 FINANCING SOURCES (USES)		<u>32,965,300</u>	<u>32,965,300</u>	<u>33,711,249</u>	<u>(745,949)</u>
EXCESS (DEFICIENCY) OF REVENUES					
 OVER EXPENDITURES	\$	<u>-</u>	<u>-</u>	<u>(724,569)</u>	<u>(724,569)</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

85700 - STATE SUPPORT RESERVE

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	-	-	-	-
State General Fund appropriations	1,000,000	1,000,000	1,000,000	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	\$ 1,000,000	1,000,000	1,000,000	-
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ <u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
EXPENDITURES:				
Education:				
Personal services and benefits	-	-	-	-
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	<u>1,000,000</u>	<u>1,000,000</u>	-	<u>1,000,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>1,000,000</u>	<u>1,000,000</u>	-	<u>1,000,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued

YEAR ENDED JUNE 30, 2007

88900 - TRANSPORTATION EMERGENCY

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
	REVENUES:			
Federal grants	\$ -	-	-	-
State General Fund appropriations	-	-	-	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	391,337	391,337
TOTAL REVENUES	-	-	391,337	391,337
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ -	-	391,337	391,337
EXPENDITURES:				
Education:				
Personal services and benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	391,337	391,337

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

00500 - SCHOOLS IN NEED OF IMPROVEMENT FUND

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	-	-	-	-
State general fund appropriations	2,397,500	2,397,500	2,397,500	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	100,576	100,576
TOTAL REVENUES	2,397,500	2,397,500	2,498,076	-
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ 2,397,500	\$ 2,397,500	\$ 2,498,076	-
EXPENDITURES:				
Education:				
Personal services	-	71,900	71,615	285
Contract services	2,325,600	2,325,600	1,550,949	774,651
Other costs	-	-	-	-
Other uses	-	-	-	-
Total education	<u>2,325,600</u>	<u>2,397,500</u>	<u>1,622,564</u>	<u>774,936</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>2,325,600</u>	<u>2,397,500</u>	<u>1,622,564</u>	<u>774,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>71,900</u>	<u>-</u>	<u>875,512</u>	<u>875,512</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Revenue Funds - Non-Major -
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis) - continued



YEAR ENDED JUNE 30, 2007

20160 - ED TECH DEFICIENCY CORRECTION

	Budgeted Amount		Actual Amount	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Federal grants	-	-	-	-
State general fund appropriations	4,325,000	4,325,000	4,325,000	-
Other state funds	-	-	-	-
Other financing sources	-	-	-	-
Miscellaneous revenue	-	-	-	-
TOTAL REVENUES	4,325,000	4,325,000	4,325,000	-
BEGINNING CASH	-	-	-	-
TOTAL REVENUES AND BEGINNING CASH	\$ 4,325,000	\$ 4,325,000	4,325,000	-
EXPENDITURES:				
Education:				
Personal services	-	-	-	-
Contract services	-	-	-	-
Other costs	4,325,000	4,325,000	-	4,325,000
Other uses	-	-	-	-
Total education	4,325,000	4,325,000	-	4,325,000
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)	4,325,000	4,325,000	-	4,325,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	-	4,325,000	4,325,000

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - General Fund 1995 - 29100
Schedule of Multi-year Budgeted Special Capital Outlay Fund



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1995, CH 222 (General Fund)	\$ 9,244,260	9,244,260	-	9,244,260
Laws of 1995, CH 222 (Severance Tax Bonds)	250,000	239,218	-	239,218
Laws of 1995, CH 222 Reversions	-	10,782	-	10,782
Laws of 1995, CH 218 (Severance Tax Bonds)	100,000	100,000	-	100,000
TOTAL CASH RECEIPTS	9,594,260	9,594,260	-	9,594,260
CASH OUTLAYS:				
Capital projects funded in fiscal year 1995	\$ 9,594,260	9,455,268	-	9,455,268
Art in Public Places	-	35,620	-	35,620
BOF Reversions (STBs)	-	10,782	-	10,782
DFA Reversions (prior year)	-	51,943	-	51,943
TOTAL CASH OUTLAYS	\$ 9,594,260	9,553,613	-	9,553,613
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	40,647
RECEIVABLES, JUNE 30, 2007				-
PAYABLES, JUNE 30, 2007				(40,647)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - General Fund 1996 - 33700
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1996, CH 4 (Severance Tax Bonds)	\$ 3,738,000	3,701,161	-	3,701,161
Reversions - STBs 1996 CH 4	-	33,232	-	33,232
Laws of 1996, CH 4 (General Fund)	3,117,500	3,117,500	-	3,117,500
TOTAL CASH RECEIPTS	6,855,500	6,851,893	-	6,851,893
CASH OUTLAYS:				
Laws of 1996, CH 4 (Severance Tax Bonds)	\$ 3,738,000	3,603,935	-	3,603,935
Reversions - STBs 1996 CH 4	-	33,232	-	33,232
Laws of 1996, CH 4 (General Fund)	3,117,500	2,960,220	-	2,960,220
Art in Public Places	-	6,500	-	6,500
Transfers	-	-	79,020	79,020
DFA Reversions	-	74	-	74
TOTAL CASH OUTLAYS	\$ 6,855,500	6,603,961	79,020	6,682,981
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	168,912
RECEIVABLES, JUNE 30, 2007				-
PAYABLES, JUNE 30, 2007				(168,912)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1999 - 46800
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1999, CH 2 (Severance Tax Bonds)	\$ 12,617,826	11,771,674	7,466	11,779,140
Art in Public Places	-	15,360	-	15,360
Reduction in Authorization	(300,000)	-	-	-
Reduction in Authorization	(150,000)	(124,510)	-	(124,510)
Reversions-Reduction in Author.	-	311,458	-	311,458
TOTAL CASH RECEIPTS	12,167,826	11,973,982	7,466	11,981,448
CASH OUTLAYS:				
Laws of 1999, CH 2 (Severance Tax Bonds)	\$ 12,617,826	11,763,664	-	11,763,664
Art in Public Places	-	15,360	-	15,360
Reduction in Authorization	(300,000)	-	-	-
Reduction in Authorization	(150,000)	(124,510)	-	(124,510)
Reversions-Reduction in Author.	-	311,458	-	311,458
TOTAL CASH OUTLAYS	\$ 12,167,826	11,965,972	-	11,965,972
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 15,476
RECEIVABLES, JUNE 30, 2007				186,377
PAYABLES, JUNE 30, 2007				(201,853)
FUND BALANCE, JUNE 30, 2007				\$ -

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1998 - 54000
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1998, CH 7 (Severance Tax Bonds)	\$ 5,881,410	5,641,005	-	5,641,005
Art in Public Places	-	2,750	-	2,750
Transfers	-	138,245	-	138,245
Reversions	-	237,655	-	237,655
TOTAL CASH RECEIPTS	5,881,410	6,019,655	-	6,019,655
CASH OUTLAYS:				
Laws of 1998, CH 7 (Severance Tax Bonds)	\$ 5,881,410	5,638,055	-	5,638,055
Art in Public Places	-	2,750	-	2,750
Transfers	-	138,245	-	138,245
Reversions	-	237,655	-	237,655
TOTAL CASH OUTLAYS	5,881,410	6,016,705	-	6,016,705
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	2,950
RECEIVABLES, JUNE 30, 2007				3,189
PAYABLES, JUNE 30, 2007				(6,139)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1998 - 54100
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1998, CH 118 (Severance Tax Bonds)	\$ 5,957,625	5,895,737	-	5,895,737
Art in Public Places	-	12,500	-	12,500
Reversions	-	34,700	-	34,700
TOTAL CASH RECEIPTS	5,957,625	5,942,937	-	5,942,937
CASH OUTLAYS:				
Laws of 1998, CH 118 (Severance Tax Bonds)	\$ 5,957,625	5,651,082	-	5,651,082
Art in Public Places	-	12,500	-	12,500
Reversions	-	34,700	-	34,700
TOTAL CASH OUTLAYS	\$ 5,957,625	5,698,282	-	5,698,282
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	244,655
RECEIVABLES, JUNE 30, 2007				1,000
PAYABLES, JUNE 30, 2007				(245,655)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1998 - 54200
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued

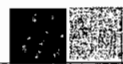


AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1998, CH 7 (Severance Tax Bonds)	\$ 5,834,300	5,705,503	-	5,705,503
Art in Public Places	-	10,500	-	10,500
Reversions	-	118,297	-	118,297
Transfer	-	19,546	-	19,546
TOTAL CASH RECEIPTS	5,834,300	5,853,846	-	5,853,846
CASH OUTLAYS:				
Laws of 1998, CH 7 (Severance Tax Bonds)	\$ 5,834,300	5,705,395	-	5,705,395
Art in Public Places	-	10,500	-	10,500
Reversions	-	118,297	-	118,297
Transfer	-	19,546	-	19,546
TOTAL CASH OUTLAYS	\$ 5,834,300	5,853,738	-	5,853,738
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	108
RECEIVABLES, JUNE 30, 2007				-
PAYABLES, JUNE 30, 2007				(108)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1998 - 54300
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 1998, CH 118 (Severance Tax Bonds)	\$ 3,268,825	3,196,911	-	3,196,911
Transfer	-	19,546	-	19,546
Reversions	-	25,775	-	25,775
Art in Public Places	-	12,750	-	12,750
TOTAL CASH RECEIPTS	<u>3,268,825</u>	<u>3,254,982</u>	<u>-</u>	<u>3,254,982</u>
CASH OUTLAYS:				
Laws of 1998, CH 118 (Severance Tax Bonds)	\$ 3,268,825	3,190,833	-	3,190,833
Transfer	-	-	-	-
Reversions	-	25,775	-	25,775
Art in Public Places	-	12,750	-	12,750
TOTAL CASH OUTLAYS	<u>\$ 3,268,825</u>	<u>3,229,358</u>	<u>-</u>	<u>3,229,358</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	25,624
RECEIVABLES, JUNE 30, 2007				13,843
PAYABLES, JUNE 30, 2007				(39,467)
FUND BALANCE, JUNE 30, 2007			\$	-

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Public School Capital Improvements - 63400
Schedule of Multi-year Budgeted Special Capital Outlay Fund

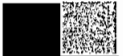


AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 2001, CH 338	\$ 18,500,000	-	6,868,245	6,868,245
STB 2005-2006	20,001,934	3,012,463	9,163,810	12,176,273
Laws of 2001, CH 338 (STB 2004-2005)	13,200,000	7,797,435	4,063,834	11,861,269
Supplemental Severance Tax Bonds 03-04	14,200,000	10,646,327	2,233,203	12,879,530
Transfers	-	-	-	-
Laws of 2001, CH 338 (STB 2002-2003)	11,300,000	10,975,077	105,653	11,080,730
Supplemental Severance Tax Bonds 01-02	8,500,000	7,298,201	132,409	7,430,610
General Fund 2000-2001	4,500,000	4,500,000	-	4,500,000
Laws of 2000, CH 15 (CF 2000-2001)	5,732,800	5,732,800	-	5,732,800
Laws of 1999, CH 3 (CF 1999-2000)	6,595,500	6,595,500	-	6,595,500
Refund	-	34,415	-	34,415
Laws of 1998, CH 116 (CF 1998-1999)	7,200,000	7,200,000	-	7,200,000
Laws of 1998, CH 3 (CF 1997-199) (9801)	6,100,000	6,100,000	-	6,100,000
Laws of 1996, CH 13 (GOB 1996-1997)	5,000,000	4,965,478	3,232	4,968,710
Refund	-	-	-	-
Laws of 1995, CH 13 (SB9 1995-1996)	7,000,000	7,000,000	-	7,000,000
Laws of 1994, CH 148 (SB 1994-1995)	9,600,000	9,600,000	-	9,600,000
Transfers	-	84,037	455,875	539,912
TOTAL CASH RECEIPTS	<u>137,430,234</u>	<u>91,541,733</u>	<u>23,026,261</u>	<u>114,567,994</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Public School Capital Improvements - 63100 - continued
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued

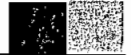


AS OF JUNE 30, 2007

	<u>Project</u>	<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
CASH OUTLAYS:					
Laws of 2001, CH 338	\$	18,500,000	-	6,868,205	6,868,205
STB 2005-2006		20,001,934	2,798,017	8,811,431	11,609,448
Laws of 2001, CH 338 (STB 2004-2005)		13,200,000	7,667,092	4,060,010	11,727,102
Supplemental STB 2003-2004		14,200,000	10,745,788	2,237,058	12,982,846
Laws of 2001, CH 338 (STB 2002-2003)		11,300,000	10,883,455	105,653	10,989,108
Supplemental STB 2001-2002		8,500,000	7,361,084	132,409	7,493,493
GF 2000-2001		4,500,000	4,500,000	-	4,500,000
Laws of 2000, CH 15 (GF 2000-2001)		5,732,800	3,613,290	-	3,613,290
Laws of 1999, CH 3 (GF 1999-2000)		6,595,500	4,953,133	365,571	5,318,704
Laws of 1998, CH 116 (GF 1998-1999)		7,200,000	5,982,858	7,459	5,990,317
Laws of 1998, CH 3 (GF 1997-1998)		6,100,000	6,063,814	18,993	6,082,807
Laws of 1996, COB 1996-1997		5,000,000	6,306,020	2,188	6,308,208
Laws of 1995, CH 13 (SB9 1995-1996)		7,000,000	7,374,812	-	7,374,812
Laws of 1994, CH 148 (SB9 1994-1995)		9,600,000	7,962,878	-	7,962,878
Transfers		-	455,876	-	455,876
Refunds		-	(97,166)	-	(97,166)
TOTAL CASH OUTLAYS	\$	<u>137,430,234</u>	<u>86,570,951</u>	<u>22,608,977</u>	<u>109,179,928</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$	5,388,066
RECEIVABLES, JUNE 30, 2007					23,304,075
PAYABLES, JUNE 30, 2007					<u>(28,692,141)</u>
FUND BALANCE, JUNE 30, 2007				\$	<u>-</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Public School Capital Outlay - 63500
Schedule of Multi-year Budgeted Special Capital Outlay Fund



AS OF JUNE 30, 2007

	Project			
	Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 2001, CH 338 (STB 04-05)	\$ 16,969,586	-	5,975,049	5,975,049
2003-2004 Severance Tax Bonds	86,087,753	80,819,230	3,054,334	83,873,564
2002-2003 Severance Tax Bonds	95,676,311	95,023,423	637,726	95,661,149
Laws of 2002, CH 44 (CF 1420)	1,000,000	1,000,000	-	1,000,000
2001-2002 Severance Tax Bonds	99,140,730	100,174,124	-	100,174,124
Lottery 2001-2002	3,859,271	423,790	-	423,790
2000-2001 General Obligation Bonds	5,000,000	4,747,563	-	4,747,563
2000-2001 Severance Tax Bonds	49,600,000	49,535,762	-	49,535,762
Refund	-	(450,707)	-	(450,707)
Lottery allocation 2000-2001	15,000,000	14,005,489	-	14,005,489
Laws of 1999 (Severance Tax Bonds 9905)	23,000,000	22,999,999	-	22,999,999
Lottery 1999-2000 allocation (9904)	10,000,000	10,000,000	-	10,000,000
Lottery 1999-2000 allocation	-	4,883,802	-	4,883,802
Laws of 1998, CH 7 & 118 (STB 9803 & 9804)	6,400,000	6,385,966	-	6,385,966
Lottery 1998-1999 allocation (9806)	13,000,000	11,908,015	-	11,908,015
Laws of 1998, CH 5 (CF 9805)	5,000,000	5,000,000	-	5,000,000
Laws of 1998, CH 87 (GOB 9807)	10,000,000	9,883,957	-	9,883,957
Laws of 1998, CH 13 (COB 9670)	21,500,000	21,499,121	-	21,499,121
Lottery 1997-1998 allocation (9802)	17,500,000	10,154,830	-	10,154,830
Laws of 1996, CH 5 (CF 9672)	2,000,000	2,000,000	-	2,000,000
Laws of 1996, CH 14 (STB 9671)	8,000,000	8,000,000	-	8,000,000
Lottery 1996-1997 allocation	7,194,579	7,194,579	-	7,194,579
Lottery 1996-1997 allocation	-	7,983,327	-	7,983,327
Laws of 1995, CH 222 (STB)	20,000,000	19,996,619	-	19,996,619
Laws of 1994, CH 147 (CF 9429)	10,000,000	10,000,000	-	10,000,000
Refund to BOF	-	(718)	-	(718)
Transfers	-	-	-	-
Reversions	-	11,388	-	11,388
TOTAL CASH RECEIPTS	<u>525,928,230</u>	<u>503,179,559</u>	<u>9,667,109</u>	<u>512,846,668</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Public School Capital Outlay - 6350 - continued
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH OUTLAYS:				
Laws of 2001, CH 338 (STB 04-05)	\$ 16,969,586	-	7,044,293	7,044,293
2003-2004 Severance Tax Bonds	86,087,753	67,630,475	8,273,741	75,904,216
2002-2003 Severance Tax Bonds	95,676,311	102,169,024	614,445	102,783,469
Laws of 2002, CH 44 (CF 1420)	1,000,000	914,800	-	914,800
2001-2002 Severance Tax Bonds	99,140,730	99,874,568	-	99,874,568
Lottery 2001-2002	3,859,271	3,495,085	490,781	3,985,866
2000-2001 General Obligation Bonds	5,000,000	4,886,461	-	4,886,461
2000-2001 Severance Tax Bonds	49,600,000	49,085,053	-	49,085,053
Lottery allocation 2000-2001	15,000,000	14,233,863	-	14,233,863
Laws of 1999 (Severance Tax Bonds 9905)	23,000,000	23,000,000	-	23,000,000
Lottery 1999-2000 allocation (9904)	10,000,000	9,997,194	-	9,997,194
Laws of 1998, CH 7 & 118 (STB 9803 & 9804)	6,400,000	6,310,488	-	6,310,488
Lottery 1998-1999 allocation (9806)	13,000,000	12,999,999	36,344	13,036,343
Laws of 1998, CH 5 (CF 9805)	5,000,000	4,999,427	48,203	5,047,630
Laws of 1998, CH 87 (COB 9807)	10,000,000	10,003,581	-	10,003,581
Laws of 1996, CH 13 (COB 9670)	21,500,000	21,499,121	-	21,499,121
Lottery 1997-1998 allocation (9802)	17,500,000	17,497,199	-	17,497,199
Laws of 1996, CH 5 (CF 9672)	2,000,000	2,000,001	-	2,000,001
Laws of 1996, CH 14 (STB 9671)	8,000,000	8,000,000	-	8,000,000
Lottery 1996-1997 allocations	7,194,579	7,145,925	-	7,145,925
Laws of 1995, CH 222 (STB)	20,000,000	19,996,618	-	19,996,618
Laws of 1994, CH 147 (CF 9429)	10,000,000	10,000,001	-	10,000,001
Transfers	-	84,037	376,855	460,892
Reversions	-	11,388	-	11,388
TOTAL CASH OUTLAYS	<u>525,928,230</u>	<u>495,834,308</u>	<u>16,884,662</u>	<u>512,718,970</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 127,698
RECEIVABLES, JUNE 30, 2007				13,105,762
PAYABLES, JUNE 30, 2007				<u>(13,233,460)</u>
FUND BALANCE, JUNE 30, 2007				\$ _____

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Kindergarten Capital Funding - 63600
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

		<u>Project</u>		
		<u>Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>
				<u>Total to Date</u>
CASH RECEIPTS:				
Laws of 2001, CH 338, SB167	\$	5,000,000	5,000,000	-
Laws of 2002, CH 93		5,000,000	3,567,408	675,701
Art in Public Places		-	31,762	-
Reversions		-	113,153	-
Transfers		-	-	4,486
TOTAL CASH RECEIPTS		<u>10,000,000</u>	<u>8,712,323</u>	<u>680,187</u>
CASH OUTLAYS:				
Laws of 2001, CH 338, SB167	\$	5,000,000	4,671,119	-
Laws of 2002, CH 93		5,000,000	3,407,462	675,701
Art in Public Places		-	31,762	-
Reversions		-	113,153	-
Transfers		-	-	-
TOTAL CASH OUTLAYS	\$	<u>10,000,000</u>	<u>8,223,496</u>	<u>675,701</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 493,313
RECEIVABLES, JUNE 30, 2007				611,975
PAYABLES, JUNE 30, 2007				<u>(1,105,288)</u>
FUND BALANCE, JUNE 30, 2007				\$ <u>-</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 1994 - 66100
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued

AS OF JUNE 30, 2007

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>
CASH RECEIPTS:				
Laws of 1994, CH 148 (STB)	\$ 11,909,000	11,833,025	-	11,833,025
Art in Public Places	-	48,850	-	48,850
Reversions	-	27,125	-	27,125
TOTAL CASH RECEIPTS	<u>11,909,000</u>	<u>11,909,000</u>	<u>-</u>	<u>11,909,000</u>
CASH OUTLAYS:				
Capital projects funded in 1994	\$ 11,909,000	11,806,355	-	11,806,355
Art in Public Places	-	48,850	-	48,850
Reversions	-	27,125	-	27,125
TOTAL CASH OUTLAYS	<u>\$ 11,909,000</u>	<u>11,882,330</u>	<u>-</u>	<u>11,882,330</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS			\$	26,670
RECEIVABLES, JUNE 30, 2007				-
PAYABLES, JUNE 30, 2007				<u>(26,670)</u>
FUND BALANCE, JUNE 30, 2007			\$	<u>-</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay - Severance Tax Bonds 2000 - 81300
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 2003, CH 429, STB	\$ 20,000	-	-	-
Laws of 2002, CH 110, Sec 23 (STB)	15,332,920	10,869,565	1,254,394	12,123,959
Laws of 2002, CH 110, Sec 23				
Reversions - Changes in Author.	(423,950)	-	-	-
Change in Authorization	(20,000)	-	-	-
Change in Authorization	(148,810)	-	-	-
Change in Authorization	(123,810)	-	-	-
Laws of 2000, CH 23, Sec 16 (STB)	10,720,080	9,526,436	729,915	10,256,351
Laws of 1999, CH 118, Sec 11 (STB)	100,000	46,638	-	46,638
Art in Public Places	-	16,950	-	16,950
Reversions	-	1,043,095	-	1,043,095
Transfers	-	38,079	71,277	109,356
TOTAL CASH RECEIPTS	25,456,430	21,540,763	2,055,586	23,596,349
CASH OUTLAYS:				
Laws of 2003, CH 429 (STB)	\$ 171,000	171,000	-	171,000
Transfer	(151,000)	(150,999)	-	(150,999)
Laws of 2002, CH 110 Sec 23 (STB)	15,332,920	10,722,424	1,415,171	12,137,595
Reversions - Change in Authorization	(423,950)	-	-	-
Change in Authorization	(20,000)	-	-	-
Change in Authorization	(148,810)	-	-	-
Change in Authorization	(123,810)	-	-	-
Laws of 2000, CH 23, Sec 16 (STB)	10,720,080	9,478,089	666,648	10,144,737
Laws of 1999, CH 118, Sec 11 (STB)	100,000	99,986	-	99,986
Art in Public Places	-	16,950	-	16,950
Reversions	-	1,043,094	-	1,043,094
Transfers	-	33,079	-	33,079
TOTAL CASH OUTLAYS	\$ 25,456,430	21,413,623	2,081,819	23,495,442
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 100,907
RECEIVABLES, JUNE 30, 2007				2,229,999
PAYABLES, JUNE 30, 2007				(2,330,907)
FUND BALANCE, JUNE 30, 2007				\$ (1)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay 2004 - 81600
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 2007, CH 42, Sec 12 (STB)	\$ 300,000	-	-	-
Laws of 2006, CH 108 (GOB)	3,000,000	-	-	-
Laws of 2006, CH 111 (STB)	18,897,200	-	2,831,351	2,831,351
Laws of 2006, CH 111 (STB)	250,000	-	-	-
Laws of 2005, CH 347 (STB)	195,000	-	-	-
Laws of 2005, CH 347 (STB)	100,000	-	-	-
Laws of 2005, CH 347 (STB)	12,333,400	6,459,886	1,507,681	7,967,567
Laws of 2004, CH 117 (GOB)	11,156,000	6,353,420	3,773,095	10,126,515
Laws of 2004, CH 126 (STB)	10,938,200	4,077,971	4,131,736	8,209,707
Laws of 2003, CH 429 (STB)	8,859,613	7,438,537	378,247	7,816,784
Laws of 2003, CH 429 (STB)	151,000	150,999	-	150,999
Laws of 2003, CH 429 (STB)	20,000	-	-	-
Laws of 2002, CH 110 (STB)	145,223	45,200	-	45,200
Change in Auth. Laws 2002, CH 110 (STB)	123,810	-	111,468	111,468
Art in Public Places	-	26,150	79,500	105,650
Reversions	-	92,915	158,407	251,322
Transfers	-	-	237,692	237,692
TOTAL CASH RECEIPTS	<u>66,469,446</u>	<u>24,645,078</u>	<u>13,209,177</u>	<u>37,854,255</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay 2004 - 81600 - continued
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH OUTLAYS:				
Laws of 2007, CH 42, Sec 12 (STB)	\$ 300,000	-	-	-
Laws of 2006, CH 108 (COB)	3,000,000	-	-	-
Laws of 2006, CH 111 (STB)	18,897,200	-	2,049,684	2,049,684
Laws of 2006, CH 111 (STB)	250,000	-	-	-
Laws of 2005, CH 347 (STB)	195,000	-	-	-
Laws of 2005, CH 347 (STB)	100,000	-	-	-
Laws of 2005, CH 347 (STB)	12,333,400	5,940,037	2,151,808	8,091,845
Laws of 2004, CH 117 (COB)	11,156,000	6,306,132	3,750,236	10,056,368
Laws of 2004, CH 126 (STB)	10,938,200	7,196,737	3,973,893	11,170,630
Laws of 2003, CH 429 (STB)	8,859,613	4,153,768	396,481	4,550,249
Laws of 2003, CH 429 (STB)	151,000	151,000	-	151,000
Laws of 2003, CH 429 (STB)	20,000	-	-	-
Laws of 2002, CH 110 (STB)	145,223	45,200	-	45,200
Change in Auth. Laws 2002, CH 110 (STB)	123,810	-	111,468	111,468
Art in Public Places	-	26,150	79,500	105,650
Reversions	-	92,915	158,407	251,322
TOTAL CASH OUTLAYS	\$ 66,469,446	23,911,939	12,671,477	36,583,416
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 1,270,839
RECEIVABLES, JUNE 30, 2007				28,920,731
PAYABLES, JUNE 30, 2007				(30,191,570)
FUND BALANCE, JUNE 30, 2007				\$ -

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay 2000 - 81800
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH RECEIPTS:				
Laws of 2001	\$ 1,200,000	1,200,000	-	1,200,000
Laws of 2002, CH 23	2,178,000	2,178,000	-	2,178,000
Reversions - Reduction in Author., Laws of 2002, CH 23	(33,162)	-	-	-
Reversions - Reduction in Author., Laws of 2002, CH 23	(593)	-	-	-
Increase in Author., Laws of 2002, CH 23	85,000	-	-	-
Laws of 2002, CH 110 (STB)	373,750	72,281	-	72,281
Laws of 2003, CH 429	3,280,800	1,700,000	-	1,700,000
Laws of 2003, CH 385	880,300	720,000	-	720,000
Laws of 2003, CH 429 (STB)	85,000	17,257	-	17,257
Laws of 2004, CH 126, Sec 145	500,000	500,000	-	500,000
Laws of 2004, CH 126, Sec 136 & 137	21,330,831	21,330,831	-	21,330,831
Laws of 2005, CH 347, Sec 48	20,060,590	19,038,090	1,000,000	20,038,090
Laws of 2005, CH 347, Sec 256	50,000	50,000	-	50,000
Laws of 2006, CH 111, Sec 39	25,826,000	2,000,000	22,126,000	24,126,000
Laws of 2007, CH 2, Sec 16	11,172,100	-	11,172,100	11,172,100
Laws of 2007, CH 42, Sec 55	52,305,034	-	52,305,034	52,305,034
Refunds/cancelled warrants	-	21,954	-	21,954
Reversions	-	6,921	-	6,921
Transfers	-	33,079	-	33,079
TOTAL CASH RECEIPTS	<u>139,293,650</u>	<u>48,868,413</u>	<u>86,603,134</u>	<u>135,471,547</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Special Capital Outlay 2000 - 81800 - continued
Schedule of Multi-year Budgeted Special Capital Outlay Fund - continued



AS OF JUNE 30, 2007

	Project Authorization	Prior Years	Current Year	Total to Date
CASH OUTLAYS:				
Laws of 2001	\$ 1,200,000	388,968	65,000	453,968
Laws of 2002, CH 23	2,229,838	2,797,460	33,162	2,830,622
Laws of 2002, CH 110 (STB)	373,750	105,443	-	105,443
Laws of 2003, CH 429	3,280,800	3,278,854	-	3,278,854
Laws of 2003, CH 429 (STB)	85,000	85,000	-	85,000
Laws of 2003, CH 385	880,300	137,396	56,020	193,416
Laws of 2004, CH 126, Sec 145	500,000	-	-	-
Laws of 2004, CH 126, Sec 136 & 137	21,330,831	11,994,056	6,634,599	18,628,655
Laws of 2005, CH 347, Sec 48	20,060,590	9,864,622	4,422,273	14,286,895
Laws of 2005, CH 347, Sec 256	50,000	-	-	-
Laws of 2006, CH 111, Sec 39	25,826,000	2,000,000	5,380,275	7,380,275
Laws of 2007, CH 2, Sec 16	11,172,100	-	-	-
Laws of 2007, CH 42, Sec 55	52,305,034	-	-	-
Reversions	(593)	6,921	-	6,921
Transfers	-	38,079	-	38,079
TOTAL CASH OUTLAYS	<u>139,293,650</u>	<u>30,696,799</u>	<u>16,591,329</u>	<u>47,288,128</u>
EXCESS OF CASH RECEIVED OVER CASH OUTLAYS				\$ 88,183,420
RECEIVABLES, JUNE 30, 2007				3,699,057
PAYABLES, JUNE 30, 2007				<u>(91,882,477)</u>
FUND BALANCE, JUNE 30, 2007				\$ <u> -</u>



Trust Funds

Private-Purpose Trust Funds are used to report arrangements under which principal or interest benefits specific individuals, private organizations or other government - but not the reporting government.

Eva Lou Kelly Scholarship Fund - The Eva Lou Kelly Scholarship fund accounts for assets held *in trust for the continuation of "deserving boys and girls"*. (Fund 61600)

Tutor-Scholars Program Fund - The Tutor-Scholars Program fund accounts for donations, primarily corporate, to fund scholarships for academically successful students who tutor at-risk high school students. Tutor-scholars may receive scholarships up to \$3,000 per year for use at any public or private post-secondary school in New Mexico. (Fund 99300)

Agency Funds

Agency Funds are used to account for assets held on behalf of individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

Driver Safety Fees - The Driver Safety Fee fund is used to accumulate the driver safety fee in the amount of \$3 for each driver's licence or duplicate driver's license issued. The fees are distributed through the State Equalization Guarantee distribution to each school district for the purpose of providing defensive driving instruction (NMSA 1978, Section 66-5-44). (SHARE Fund 57300)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Statement of Net Assets -
Fiduciary Funds

AS OF JUNE 30, 2007

	Private-Purpose Trusts			Agency Funds
	61600 Eva Lou Kelly Scholarship	99300 Tutor-Scholars Program	Total	57300 Driver Safety Fees
ASSETS:				
Cash	\$ 33,548	4,876	38,424	-
Certificate of deposit	20,000	-	20,000	216,480
Due from other state agencies	<u>757</u>	-	<u>757</u>	-
TOTAL ASSETS	\$ <u>54,305</u>	<u>4,876</u>	<u>59,181</u>	<u>216,480</u>
LIABILITIES:				
Due to external parties	-	-	-	216,480
Deposits held for local education agencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	-	-	-	216,480
NET ASSETS:				
Reserve for scholarship	<u>54,305</u>	<u>4,876</u>	<u>59,181</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>54,305</u>	<u>4,876</u>	<u>59,181</u>	<u>216,480</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Combining Statement of Changes in Net Assets -
Fiduciary Funds



AS OF JUNE 30, 2007

	Private-Purpose Trusts		
	Eva Lou Kelly Scholarship	Tutor-Scholars Program	Total
ADDITIONS:			
Interest	\$ 2,102	-	2,102
TOTAL ADDITIONS	2,102	-	2,102
DEDUCTIONS:			
Scholarship expense	-	-	-
TOTAL DEDUCTIONS	-	-	-
CHANGES IN NET ASSETS	2,102	-	2,102
NET ASSETS, BEGINNING OF YEAR	52,203	4,876	57,079
NET ASSETS, END OF YEAR	\$ 54,305	4,876	59,181

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Net Assets - Public Education Department



AS OF JUNE 30, 2007

ASSETS	<u>Governmental Activities</u>
CURRENT ASSETS:	
Investment in State General Fund	
Investment Pool	\$ 145,153,842
Due from other governments	80,075,535
Due from external parties	68,119,270
Advances to local education authorities	18,017,617
Prepaid expenses	<u>1,401</u>
TOTAL CURRENT ASSETS	311,367,665
NON-CURRENT ASSETS:	
Capital assets	3,716,375
Less: accumulated depreciation	<u>(3,050,419)</u>
TOTAL NON-CURRENT ASSETS	<u>665,956</u>
TOTAL ASSETS	\$ <u>312,033,621</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 73,698,829
Accrued payroll and taxes	2,636,968
Deferred revenue	3,339,057
Due to local authorities	168,243,748
Other liabilities	-
Due to other governments	22,294,831
Compensated absences payable	<u>771,432</u>
TOTAL CURRENT LIABILITIES	270,984,865
NET ASSETS:	
Invested in capital assets	665,956
Restricted	40,243,386
Unrestricted	<u>139,414</u>
TOTAL NET ASSETS	\$ <u>41,048,756</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Activities - Public Education Department



YEAR ENDED JUNE 30, 2007

		<u>Program Revenues</u>	
	<u>Expenses</u>	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES			
Education	\$ <u>2,757,147,676</u>	<u>337,843,518</u>	<u>(2,419,304,158)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>2,757,147,676</u>	<u>337,843,518</u>	<u>(2,419,304,158)</u>
GENERAL REVENUES:			
State appropriations			2,380,767,008
Reversions			-
Proceeds of state general obligation and severance tax bonds			<u>22,265,000</u>
TOTAL GENERAL REVENUES			<u>2,403,032,008</u>
CHANGE IN NET ASSETS			(16,272,150)
NET ASSETS, BEGINNING OF YEAR			56,976,086
RESTATEMENTS			<u>344,820</u>
NET ASSETS, BEGINNING OF YEAR, restated			<u>57,320,906</u>
NET ASSETS, END OF YEAR		\$	<u>41,048,756</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Net Assets - Division of Vocational Rehabilitation -
Disability Determination Services



AS OF JUNE 30, 2007

ASSETS	<u>Governmental Activities</u>
CURRENT ASSETS:	
Investment in State General Fund	
Investment Pool	\$ 4,637,597
Due from other governments	7,258,786
Due from external parties	575
Advances to local education authorities	-
Prepaid expenses	<u>4,764</u>
TOTAL CURRENT ASSETS	11,901,722
NON-CURRENT ASSETS:	
Capital assets	3,395,699
Less: accumulated depreciation	<u>(2,955,558)</u>
TOTAL NON-CURRENT ASSETS	<u>440,141</u>
TOTAL ASSETS	\$ <u>12,341,863</u>
CURRENT LIABILITIES:	
Accounts payable	\$ 2,167,319
Accrued payroll and taxes	1,315,469
Deferred revenue	885,842
Other liabilities	-
Due to other governments	350,436
Compensated absences payable	<u>800,484</u>
TOTAL CURRENT LIABILITIES	5,519,550
NET ASSETS:	
Invested in capital assets	440,141
Restricted	157,658
Unrestricted	<u>6,224,514</u>
TOTAL NET ASSETS	\$ <u>6,822,313</u>

See Independent Auditors' Report.

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Statement of Activities - Division of Vocational Rehabilitation -
Disability Determination Services



YEAR ENDED JUNE 30, 2007

		<u>Program Revenues</u>	
	<u>Expenses</u>	Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
GOVERNMENTAL ACTIVITIES			
Health and welfare	\$ 40,363,295	41,150,293	786,998
TOTAL GOVERNMENTAL ACTIVITIES	\$ 40,363,295	41,150,293	786,998
GENERAL REVENUES:			
State appropriations			6,176,154
TOTAL GENERAL REVENUES			6,176,154
CHANGE IN NET ASSETS			6,963,152
NET ASSETS, BEGINNING OF YEAR			(177,018)
RESTATEMENTS			36,179
NET ASSETS, BEGINNING OF YEAR, restated			(140,839)
NET ASSETS, END OF YEAR			\$ 6,822,313

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Changes in Assets and Liabilities -
Agency Fund



AS OF JUNE 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS:				
Cash and temporary investments	\$ 730,504	2,388,339	(2,902,363)	216,480
Due from other state agencies	<u>103,373</u>	<u>-</u>	<u>(103,373)</u>	<u>-</u>
TOTAL ASSETS	\$ <u>833,877</u>	<u>2,388,339</u>	<u>(3,005,736)</u>	<u>216,480</u>
LIABILITIES:				
Due to external parties	\$ <u>833,877</u>	<u>216,480</u>	<u>(833,877)</u>	<u>216,480</u>
TOTAL LIABILITIES	\$ <u>833,877</u>	<u>216,480</u>	<u>(833,877)</u>	<u>216,480</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Supplemental Schedule of Cash and Cash Equivalents

AS OF JUNE 30, 2007

Agency/Fund	Account Name	DFA Balance	Reconciling Items	General Ledger Balance
General Fund:				
924-057	PED (State Public Education Department) includes fund 924-500	\$ 4,759,086	(2,071,778)	2,687,308
924-057	PED Petty Cash	50	-	50
624-500	DVR (Division of Vocational Rehabilitation)	136,995	3,465,811	3,602,806
924-501	DDS (Disability Determination Service) includes Fund 644-519	<u>1,507,343</u>	<u>(1,443,702)</u>	<u>63,641</u>
Total General Fund		6,403,474	(49,669)	6,353,805
Special Revenue and Capital Outlay Funds:				
924-005	Schools in Need of Improvement	2,071,777	-	2,071,777
924-280	Access to Telework Funds	688,970	282,180	971,150
924-291	Special Capital Outlay - General Fund (1995)	40,647	-	40,647
924-334	Family Youth	1,490,392	-	1,490,392
924-387	Special Capital Outlay - General Fund (1996)	168,912	-	168,912
924-397	Educator Certification	1,052,884	-	1,052,884
924-458	Adult Basic Education	122,564	-	122,564
924-468	Special Capital Outlay - STB (1999)	15,476	-	15,476
924-470	Charter School Stimulus	764,483	-	764,483
924-513	Pre-Kindergarten	1,764,356	-	1,764,356
924-540	Special Capital Outlay - STB (1998)	2,950	-	2,950
924-541	Special Capital Outlay - STB (1998)	244,655	-	244,655
924-542	Special Capital Outlay - STB (1998)	108	-	108
924-543	Special Capital Outlay - STB (1998)	25,624	-	25,624
924-562	Professional Development	866,665	-	866,665
924-568	Incentive for School Improvement	4,632,798	-	4,632,798
924-586	Reading Materials	885,425	-	885,425
924-633	Indian Education Act	5,037,220	-	5,037,220
924-634	Public School Capital Improvements	5,388,066	-	5,388,066
924-635	Public School Capital Outlay (Other)	127,698	-	127,698
924-636	Kindergarten Capital Funding	493,313	-	493,313
924-639	Kindergarten Plus	81,720	-	81,720
924-660	Instructional Materials Adoption	105,222	-	105,222
924-661	Special Capital Outlay - STB (1994)	26,670	-	26,670
924-662	Education Technology	5,826,033	-	5,826,033
924-669	School Library	(1,870,364)	-	(1,870,364)
924-672	Federal School Food Services Flowthrough	(9,647,925)	-	(9,647,925)

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Supplemental Schedule of Cash and Cash Equivalents - continued



AS OF JUNE 30, 2007

Agency/Fund	Account Name	DFA Balance	Reconciling Items	General Ledger Balance
Special Revenue and Capital Outlay Funds - continued:				
924-673	Federal Public Education Dept. Flowthrough	\$ (5,801,734)	-	(5,801,734)
924-674	Federal Vocational Education Flowthrough	(266,110)	-	(266,110)
924-725	Public Building Energy Efficiency Act	28,504	-	28,504
924-790	Special Projects	18,315,617	-	18,315,617
924-813	Special Capital Outlay - STB (2000)	100,908	-	100,908
924-816	Special Capital Outlay - STB (2004)	1,270,839	-	1,270,839
924-818	Special Capital Outlay - STB (2000)	88,183,420	-	88,183,420
924-844	Federal Administrative Cost	(1,979,921)	-	(1,979,921)
924-856	Instructional Materials Flowthrough	8,165,741	-	8,165,741
924-857	State Support Reserve	1,000,000	-	1,000,000
924-858	Public School Support Flowthrough	12,599,432	-	12,599,432
924-889	Transportation Emergency	<u>1,132,419</u>	-	<u>1,132,419</u>
Total Special Revenue and Capital Outlay Funds		143,155,454	282,180	143,437,634
Trust and Agency Funds:				
924-573	Driver Safety Fees	216,480	-	216,480
924-616	Eva Lou Kelly Scholarship	33,548	-	33,548
624-616	Eva Lou Kelly Scholarship-CD with Charter Bank	20,000	-	20,000
924-993	Tutor Scholar Program	<u>4,876</u>	-	<u>4,876</u>
Total Trust and Agency Funds		<u>274,904</u>	-	<u>274,904</u>
Total cash and investments, net of overdrafts		\$ <u>149,833,832</u>	<u>232,511</u>	<u>150,066,343</u>

SINGLE AUDIT

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Expenditures of Federal Awards



AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Pass-Through	Federal CFDA Number	Federal Participating Expenditures
PUBLIC EDUCATION DEPARTMENT			
DEPARTMENT OF AGRICULTURE:			
Food and Nutrition Service:			
National School Lunch Program/School Breakfast Program	Pass-Through	10.555 / 10.553	\$ <u>91,867,700</u>
U.S. DEPARTMENT OF EDUCATION:			
Office of Elementary and Secondary Education:			
Title I Grants to Local Educational Agencies	Pass-Through	84.010A	91,492,337
Migrant Education - State Grant Program	Pass-Through	84.011A	1,124,784
Title I Program for Neglected and Delinquent Children	Pass-Through	84.013A	123,451
MEP Consort. Incentive Grants (Migrant Consortium)	Pass-Through	84.144F	229,283
Education for Homeless Children and Youth	Pass-Through	84.196A	458,519
JAVTS Gifted and Talented Students Education Grant Program	Pass-Through	84.206A	189,427
Even Start - State Educational Agencies	Pass-Through	84.213C	769,144
Twenty-first Century Community Learning Centers	Pass-Through	84.287C	7,470,822
State Grants for Innovative Programs	Pass-Through	84.298A	759,548
Education Technology State Grants	Pass-Through	84.318X	1,121,377
Comprehensive School Reform Demonstration	Pass-Through	84.332A	1,892,090
Reading First State Grants	Pass-Through	84.357A	11,634,601
Rural Education	Pass-Through	84.358B	551,299
English Language Acquisition Grants	Pass-Through	84.365A	4,497,077
Mathematics and Science Partnerships	Pass-Through	84.366B	688,757
Improving Teacher Quality State Grants	Pass-Through	84.367A	20,846,077
Grants for State Assessments and Related Activities	Pass-Through	84.369A	<u>4,394,299</u>
Total Office of Elementary and Secondary Education			148,242,892
Office of Special Education and Rehabilitative Services:			
Special Education - Grants to States	Pass-Through	84.027A	74,403,519
Special Education - Preschool Grants	Pass-Through	84.173A	2,868,404
Special Education - State Personnel Development	Pass-Through	84.323A	<u>(35,323)</u>
Total Office of Special Education and Rehabilitative Services			77,236,599
Office of Safe and Drug-Free Schools:			
Safe and Drug-Free Schools and Communities - State Grants	Pass-Through	84.186A	1,268,327

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Pass-Through	Federal CFDA Number	Federal Participating Expenditures
PUBLIC EDUCATION DEPARTMENT - continued			
U.S. DEPARTMENT OF EDUCATION - continued:			
Office of the Assistant Secretary for Post-secondary Education:			
Byrd Honors Scholarships	Pass-Through	84.185A	\$ 232,313
Office of the Asst. Secretary for Educational Research and Improvement:			
Fund for the Improvement of Education	Pass-Through	84.215V	695,368
Office of Innovation and Improvement:			
Charter Schools	Pass-Through	84.282A	2,455,498
Advance Placement Program	Pass-Through	84.330B	75,350
Transition to Teaching	Pass-Through	84.350B	<u>365,035</u>
Total Office of Innovation and Improvement			2,895,883
Office of Vocational and Adult Education:			
Voc. Educ. - Occupational and Employment Info. State Grants		84.346A	96,944
Voc. Educ. - Basic Grants to States/Adult Educ. - State Grant Program		84.048A / 84.002	9,225,458
Tech-Prep Education		84.243A	<u>1,431,556</u>
Total Office of Vocational and Adult Education			10,753,958
Hurricane Education Recovery	Pass-Through	84.938C	<u>298,308</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			241,623,649
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Centers for Disease Control and Prevention:			
Centers for Disease Control and Prev. - Investigations and Tech. Assistance	Pass-Through	93.283	649,891
CORPORATION FOR NATIONAL COMMUNITY SERVICES:			
Learn and Serve America - School and Community Based Programs		94.004	19,133
NCES			9,311
NAEP			72,310
FED FISCAL RELIEF			<u>45,909</u>
TOTAL EXPENDITURES - PUBLIC EDUCATION DEPARTMENT			\$ <u>334,287,903</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Expenditures of Federal Awards - continued



AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Pass-Through	Federal CFDA Number	Federal Participating Expenditures
DIVISION OF VOCATIONAL REHABILITATION			
U.S. DEPARTMENT OF EDUCATION:			
Office of Special Education and Rehabilitative Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States		84.126A	\$ 23,929,501
Independent Living State Grants		84.169A	158,199
Rehab. Training - State Vocational Rehabilitation Unit In-Service Training		84.265A	17,952
Supported Employment Services for Individuals with Severe Disabilities		84.187A	244,500
Rehabilitation Services - Service Projects		84.128C	145,154
Rehabilitation Services Demonstration and Training Programs		84.235H	1,436,935
Projects with Industry		84.2345H	36,053
Assistive Technology		84.224C	75,000
Rehabilitation Services Demonstration and Training Programs		84.235T	<u>33,733</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			26,077,027
SOCIAL SECURITY ADMINISTRATION:			
Social Security - Work Incentives Planning and Assistance		96.008	204,497
Social Security Incentive Payments - Program Income for Fund 500			549,988
Social Security - Disability Insurance		96.001	<u>11,952,707</u>
TOTAL SOCIAL SECURITY ADMINISTRATION			<u>12,707,192</u>
TOTAL FEDERAL FUNDS			38,784,219
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Centers for Medicare and Medicaid Services:			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities		93.768	359,983
DEPARTMENT OF LABOR:			
Employment Service/Wagner-Peyser Funded Activities		17.207	1,025,291

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Expenditures of Federal Awards - continued



AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Pass-Through	Federal CFDA Number	Federal Participating Expenditures
DIVISION OF VOCATIONAL REHABILITATION - continued			
OTHER:			
NMSU Links		93.558	\$ 90,000
NMTAP		84.244	480,036
CASA		84.133	104,490
RAISE		84.133	31,260
JPA Medical		93.XXX	<u>169,781</u>
TOTAL OTHER			<u>875,567</u>
TOTAL EXPENDITURES - DIVISION OF VOCATIONAL REHABILITATION			<u>41,045,060</u>
TOTAL FEDERAL EXPENDITURES			\$ <u>375,332,963</u>

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Notes to Schedule of Expenditures of Federal Awards



AS OF JUNE 30, 2007

NOTE 1.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Department and is presented on the modified accrual basis of accounting.

NOTE 2.

The Department did not receive any federal awards in the form of non-cash assistance during the year.

NOTE 3.

Total amounts labeled as "Pass-Through" are \$ 330,595,465



**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***

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State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, each major fund, budgetary comparisons, and the remaining aggregate fund information and the non-major government funds, fiduciary funds and the non-major budgetary comparisons presented as supplemental information of the State of New Mexico Public Education Department (the Department) as of and for the year ended June 30, 2007, and have issued our report thereon, dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting (07-1 to 07-21, 06-1, 06-3, 06-06, 04-1, 03-1, 03-3 and 01-17).

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

State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Financial Reporting - continued

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 03-3 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's basic 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Department, the New Mexico Legislature, Department of Finance and Administration, the New Mexico Office of the State Auditor, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mayners + Company, LLC
March 31, 2008

**REPORT ON COMPLIANCE WITH
 REQUIREMENTS APPLICABLE TO
 EACH MAJOR PROGRAM AND ON
 INTERNAL CONTROL OVER
 COMPLIANCE IN ACCORDANCE
 WITH OMB CIRCULAR A-133**



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State of New Mexico
 Public Education Department
 and
 Mr. Hector H. Balderas
 New Mexico State Auditor

Compliance

We have audited the compliance of the State of New Mexico Public Education Department (the Department) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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

As described in items 01-8, 03-9, 03-11, 03-12 and 06-12 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding the journal entry process, federal fund reconciliation, federal fund management and schedule of expenditures over federal awards preparation and reconciliation that are applicable to all federally funded programs. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to all programs.

State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

Compliance – continued

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 01-8, 03-9, 03-11, 03-12 and 06-12.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Department's internal control that might be significant deficiencies or material weaknesses, as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in the Department's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 03-12 and 06-12 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 01-8, 03-9 and 03-11 to be material weaknesses.

State of New Mexico
Public Education Department
and
Mr. Hector H. Balderas
New Mexico State Auditor

Internal Control Over Compliance - continued

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Department's management, federal awarding agencies and pass-through entities, the New Mexico State Legislature, Department of Finance and Administration, and the New Mexico Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Maynard + Company, LLC
March 31, 2008



YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Public Education Department (the Department).
2. Twenty-eight significant deficiencies relating to the audit of the financial statements are reported in the 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, one of which is considered to be a material weakness.
3. There was one instance of *noncompliance* material to the financial statements of the Department disclosed during the audit.
4. Five significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with the Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. Of these deficiencies, three are considered to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Department expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs are:

84.369A	State Assessment Grant
84.282A	Charter Schools
84.010A	Title I
84.027/84.173A	IDEA B, Part B
84.048A	Carl Perkins – Vocational Education
84.365A	Title III, English Language Acquisition
84.287C	After School Learning, 21 st Century
84.357A	Reading First
84.318X	Title II, Part D, Educational Technology
10.555/10.553	Student Nutrition Cluster
96.001	Disability Determination

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT

Schedule of Findings and Questioned Costs - continued



YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITORS' RESULTS - continued

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. It was determined that the Department was not a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

The State of New Mexico Public Education Department is made up of two distinct appropriated entities: the Public Education Department (PED) and the Division of Vocational Rehabilitation (DVR). The applicable department is indicated next to the title of each finding.

07-1 PERSONNEL FILES - PED

Condition: During our testwork, we noted three deviations from the correct procedure for processing insurance deduction forms. Insurance applications were either unsigned or deductions varied from those authorized by the employee.

Criteria: All personnel files should document written authorization by employees for all payroll deductions.

Cause: The causes of the deviations were: (1) one employee personnel file was missing the insurance deduction form; (2) one employee personnel file had a signed request for life and disability insurance with no payroll deductions for those coverages; and (3) the Department of Transportation did not transfer the original employee file for an employee who transferred to PED.

Effect: The effect of the deviations could have resulted in PED not being reimbursed for employee coverage or the employee being erroneously charged for unwanted insurance coverage.

Recommendation: We recommend that every personnel file contain a signed insurance request/change form and that the form be filled out completely. In the event of an employee transfer, if the personnel file is not transferred then a new form should be filled out.

Management Response: Currently, the Human Resources Bureau of PED follows the Administrative Guidance for Risk Management when completing and processing insurance requests/change forms for new hires and transfers. In August of 2007, a checklist (PED Direct Hire/Tracking Sheet) was implemented to ensure correct payroll deductions and completeness of the employee personnel file. Included in the checklist is a verification date of payroll deductions that ensures that the first pay period deductions match the employee election. The checklist is placed in the employee personnel file when completed. The checklist is used for direct hires and transfers. Procedures for completing the checklist are maintained in each Human Resource employee's Desktop Manual.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-2 TIMESHEET AUTHORIZATION - PED

Condition: During our interview and subsequent test of controls for payroll, proper authorization of timesheets and approvals for leave balances recorded, we noted that current policy and procedures allow for approval of time and leave by the Human Resource Administrator when the employee's immediate supervisor is not available.

Criteria: Each employee's time should be approved by a direct supervisor.

Cause: The cause of this exception is a result of policy and procedures put in place to avoid shorting an employee hours which would result in the DFA having to manually cut a check to ensure timely and proper payment to the employee.

Effect: The authorization of hours worked by an employee without direct knowledge of the actual hours worked by that employee could result in abuse or fraud in employee compensation.

Recommendation: We recommend that policy and procedures be amended to allow for approval of an employee's time and leave by the employee's immediate supervisor only and eliminate the ability of the Human Resource Administrator to approve time and leave.

Management Response: In the event that PED Human Resources Bureau does not approve the time sheets, the Department of Finance DoIT Team will approve them for processing. Therefore, PED Human Resources Bureau will continue to approve time sheets in the absence of the employee's immediate supervisor to ensure correct payroll processing of current employees. An employee will not be shorted service hours as the reported time will be approved at 80 regular hours. Should a time adjustment be needed, the employee is required to complete a Timesheet Change Form by the end of the next pay period and submit the form to PED Human Resources Bureau. The Timesheet Change Form is entered into SHARE for the pay period being adjusted.

PED Human Resources Bureau will revise policy and procedures to reflect current procedures for the Desktop Manual of Human Resources personnel.

07-3 MISSING SUPPORT DOCUMENTATION FOR PER DIEM - PED

Condition: During our testwork of controls for per diem, we noted 4 out of 25 disbursements were missing supporting documentation, which consist of specifics on the travel, days traveled and program funding the travel, along with all proper authorizations, as required by the Per Diem and Mileage Act (Section 2.42.2 of the New Mexico Administration Code).

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-3 MISSING SUPPORT DOCUMENTATION FOR PER DIEM - PED - continued

Criteria: The regulations governing the Per Diem and Mileage Act (Section 2.42.2 of the New Mexico Administration Code) require agencies to maintain the entire per diem voucher packet and be able to retrieve the information when needed. Included in the per diem voucher packet would be specifics on the travel, days traveled and program funding the travel, along with all proper authorizations.

Cause: Because untrained temporary employees were hired to file the voucher packet, some hard copies of the vouchers were misfiled in the system and subsequently lost.

Effect: The opportunity for unapproved travel to be reimbursed may exist. This unapproved travel is subject to Section 10-10-08 NMSA 1978, which requires subject to repay twice the amount overpaid back to the agency.

Recommendation: We recommend that all temporary employees receive proper supervision and training in their assigned duties. In addition, we recommend that PED implement procedures to double-check the completeness of voucher packets before filing.

Management Response: The temporary employee received training from the supervisor in all assigned duties. PED management will ensure that subsequent review of work performed by temporary employees is conducted to ensure completeness of the voucher packet before filing.

07-4 MISSING SUPPORT DOCUMENTATION FOR OUT-OF-STATE TRAVEL – PED

Condition: During our testwork of controls for per diem at PED, we noted that 2 out of 10 out-of-state travel vouchers tested had missing “Out-of-state requests” and “memorandum.” In addition, 2 out of 25 samples had missing “Out-of-state requests” and “memorandum” at DVR.

Criteria: According to New Mexico state travel policy per diem procedures, out-of-state travel goes through two levels of approval: employees must submit a Request Form to the CFO and the ASD Director for review and payment approval.

Cause: No second level of approval for completeness of the voucher packet was followed.

Effect: The opportunity for unapproved travel to be reimbursed exists.

Recommendation: We recommend that the additional level of approval must be received before documentation is submitted to DFA for payment.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-4 MISSING SUPPORT DOCUMENTATION FOR OUT-OF-STATE TRAVEL – PED - continued

Management Response: The second level of approval was not obtained during the transition of supervisors in the Procurement and Building Services Bureau. The current supervisor adheres to the out-of-state travel procedures for PED. Training was conducted in March 2007 and a “Travel Guide and Documents” manual was provided to PED staff to ensure compliance to the policy.

07-5 MISSING APPROVAL FOR TRAVEL VOUCHERS - DVR

Condition: During our testwork of controls for per diem at DVR, we noted that 5 out of 25 travel vouchers tested had no approval.

Criteria: Per New Mexico state travel policy, each employee’s per diem voucher should contain authorization by an immediate supervisor.

Cause: Upon their conversion to SHARE, DVR did not put in place a policy and procedure requiring the authorization of travel and meals by employees.

Effect: The opportunity for unapproved travel to be reimbursed exists.

Recommendation: The CFO is currently implementing a policy and procedure requiring an employee’s travel and reimbursement request to contain a supervisor’s written authorization. We recommend that this policy and procedure be effective immediately.

Management Response: Management concurs with the recommendation and has written a policy requiring supervisor signature approving all employee travel requests on the Itemized Statement of Travel Expenses. The policy will be presented for approval to the Policy Committee and Leadership Team and will be implemented immediately upon approval.

07-6 REIMBURSEMENT REQUEST DISCREPANCIES - PED

Condition: During the A-133 testwork of cash disbursements/cash flow-through for reimbursement, we noted that 17 out of the 90 voucher packages tested did not contain a reimbursement request which corresponded to the warrant amount and the expense documentation.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-6 REIMBURSEMENT REQUEST DISCREPANCIES – PED - continued

Criteria: The amount requested for reimbursement should correspond to the warrant amount and the backup documentation provided. If not, PED should provide documentation to explain any differences.

Cause: Management oversight and lack of a standard system for reimbursement requests.

Effect: PED could reimburse public schools more or less monies than were supported by submitted claims reports.

Recommendation: PED needs to include a section in the reimbursement request to show any reconciling items incurred for each school. This would then roll forward on each additional claim. If there is a difference between the amount requested and expenditures, there would be documentation as to why there is a difference.

Management Response: Effective July 1, 2006, PED implemented a revised Request for Reimbursement (RFR) form. The revised form includes an *outstanding claims box and additional address information* required by the Department of Finance and Administration. The new form is located on the PED website and the districts were trained at the annual Spring Budget Workshop.

When the PED receives an outdated RFR form from a district, the PED notifies the district that the RFR form has been revised. There is opportunity during the RFR review process for the form to be revised by program based on what is allowed according to the grant award and for fiscal revision of the RFR form. PED will document these changes.

PED will document the policy and procedures for RFR revisions and will provide training for staff.

07-7 REIMBURSEMENT REQUEST MISSING DOCUMENTATION - PED

Condition: During the A-133 testwork of cash disbursements for grants, we noted that 23 voucher packages out of the 90 tested did not contain a copy of the warrant requested and/or issued.

Criteria: The amount requested for reimbursement from various public schools should be approved for a specific amount, and a warrant should be issued for that amount.

Cause: Management oversight and unfamiliar procedures created these exceptions.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-7 REIMBURSEMENT REQUEST MISSING DOCUMENTATION – PED - continued

Effect: PED could be recording amounts requested by public schools as paid when the public schools never received the funds they requested.

Recommendation: We recommend that every cash disbursement package should contain a copy of the warrant in order to confirm the amount paid and to whom.

Management Response: PED will implement a written policy and procedure outlining the contents and documentation required for the voucher packet maintained in the PED files. Staff is currently trained on the content requirements that consist of:

- Payment voucher
- RFR
- Prior year bill out of current year budget payment form as required.
- System generated report from the district or spreadsheet detailing the amount to be paid as in the case of USDA and Transportation payments.
- Program checklist.

The policy and procedure will be written and implemented.

07-8 REIMBURSEMENT REQUEST MISSING DOCUMENTATION - PED

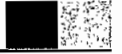
Condition: During the A-133 testwork of cash disbursements for grants, we noted that 20 voucher packages out of the 90 tested did not contain expense backup documentation from the sub-recipient.

Criteria: The amount requested for reimbursement should have supporting documentation showing the expense amount posted to the general ledger, or an invoice showing payment for the said amount requested for reimbursement.

Cause: Management oversight and lack of documented and standardized procedures created these exceptions.

Effect: PED could issue warrants for amounts more or less than the actual expenditures.

Recommendation: We recommend that every cash disbursement package be reviewed to ensure that the subrecipient has submitted the appropriate documentation to support the request for reimbursement.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-8 REIMBURSEMENT REQUEST MISSING DOCUMENTATION – PED - continued

Management Response: PED will ensure that the policy identified in finding 07-7 includes a section for review of appropriate voucher packet supporting documentation.

07-9 REIMBURSEMENT REQUEST MISSING AUTHORIZATION - PED

Condition: During the A-133 testwork of cash disbursements, we identified 27 out of the 90 voucher packages tested and 2 out of the 42 vouchers tested that did not contain both an ASD department personnel and program level authorization.

Criteria: Reimbursement requests should contain payment authorization by the appropriate Program Manager for expense allowance and ASD personnel for budget availability prior to submitting to DFA for payment.

Cause: Management oversight and lack of process enforcement for reimbursement requests.

Effect: PED could distribute funds for an un-allowed expense and/or distribute funds that exceed the budget availability.

Recommendation: PED should ensure that both authorizations have been signed prior to submission to DFA.

Management Response: Currently, the RFR form contains a signature line for Administrative Services Division personnel and Program personnel. PED will ensure that the policy identified in finding 07-7 will include a section for required signatures.

07-10 OVERPAYMENT TO DISTRICTS - PED

Condition: During our test of controls for cash disbursements, we noted an overpayment of approximately \$800,000 in relation to reimbursement of 13000 Transportation Funds to school districts.

Criteria: A formula used to allocate funds determines the amounts to fund each school district.

Cause: Oversight by management during the distribution process.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-10 OVERPAYMENT TO DISTRICTS – PED - continued

Effect: Overpayment to districts, and the resulting effort to collect the overpaid funds.

Recommendation: We recommend a review of the formula calculation and distribution prior to release to ensure accuracy. The review of the distribution should include a recalculation of the distribution amount.

Management Response: This instance occurred during the transition of supervisors in the Flowthrough Bureau of ASD. When the payment was made, the manual subsidiary ledgers were used and information was not verified in the SHARE system. PED management will ensure that fund reconciliation has occurred prior to payment.

Currently, the SHARE system processes duplicate payments if the invoice number is different. PED will implement an invoice numbering system to be used in conjunction with fund reconciliation for Transportation invoices to avoid any future duplicate payments.

07-11 INVOICE OVERPAYMENT

Condition: During our test of controls, we noted that 1 out of the 40 cash disbursements tested did not take into account a credit noted on the invoice prior to payment.

Criteria: Invoices should be paid on the net amount due.

Cause: Disbursement was not recalculated as described on the payment request form.

Effect: Overstatement of expense, and overpayment to the vendor.

Recommendation: We recommend a review of all invoices prior to payment to ensure the payment amount represents the net invoice amount.

Management Response: The current process at PED includes entering a credit memo for these adjustments. The current supervisor will ensure that all credit adjustments are processed through SHARE via a credit memo. A policy and procedure will be written and necessary staff will be trained.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-12 RECEIPTS RECORDED INCORRECTLY - PED

Condition: During our test of controls for Cash Receipts, we noted that 3 out of the 40 cash receipts tested did not balance between the amount requested for the draw and the receipt journalized.

Criteria: The recording of a receipt should exactly reflect the amount received.

Cause: Oversight by management or input error by clerical personnel.

Effect: The general ledger does not accurately reflect the actual cash receipts, resulting in differences between the accounting records and the actual events.

Recommendation: We recommend that the general ledger be reconciled to the cash receipts received and differences be investigated and resolved.

Management Response: Internal control procedures and a written cash policy and procedure were implemented February 1, 2007. The cash receipts indicated above were dated prior to February 1, 2007. There are no discrepancies noted after the implementation date of February 1, 2007.

07-13 MISSING INFORMATION FOR RECEIPT - PED

Condition: During our test of controls for Cash Receipts, we noted that 1 out of the 40 cash receipts tested did not indicate the date of receipt.

Criteria: Receipts are date stamped upon arrival at PED.

Cause: Oversight by personnel processing cash receipts.

Effect: The timeliness of the deposit cannot be tracked; thus, testing of the period the cash receipt remained undeposited could not be determined.

Recommendation: Upon acceptance by the accounting staff, we recommend that all deposit documentation is reviewed for all required notations and signatures.

Management Response: Internal control procedures and a written cash policy and procedure were implemented February 1, 2007. The cash receipts indicated above were dated prior to February 1, 2007. There are no discrepancies noted after the implementation date of February 1, 2007.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-14 DEPOSIT NOT RECORDED - PED

Condition: During our test of controls for Cash Receipts, we noted that 1 out of the 40 cash receipts tested was not recorded in the general ledger at the time of the deposit.

Criteria: The deposit must be recorded in SHARE at the time of deposit.

Cause: Lack of process follow-through, and adherence to written procedures associated with cash receipts.

Effect: A deposit was not recorded in the general ledger, causing a reconciling difference between the general ledger and actual deposits made.

Recommendation: We recommend that upon receipt of a validated deposit ticket, the general ledger entry should be completed to ensure timely completion. All cash deposits should be reconciled on a timely basis and differences should be investigated and resolved.

Management Response: PED implemented a cash policy and procedure in February 2007 and is currently adhering to the requirements set forth by the New Mexico State Treasurer's Office (STO). Cash reconciliations are completed monthly and differences are reviewed and researched. Journal entries are made when necessary to the cash accounts. Each receipt is recorded in the general ledger as stated in the policy according to SHARE and STO requirements. There are no discrepancies noted after the implementation date of February 1, 2007.

07-15 SHARE NUMBER LIMITATION - PED

Condition: SHARE has a number limitation at 999,999,999, or nine digits, in its reporting.

Criteria: PED has funds that go into the billions. Reports for these funds do not display complete numbers.

Cause: SHARE reporting is limited to one hundred million, or nine digits.

Effect: Reports from SHARE have to be added up because the system is unable to accommodate 10 digits.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-15 SHARE NUMBER LIMITATION – PED - continued

Recommendation: We recommend that this issue is one of the first to be resolved when a SHARE consultant becomes available to PED.

Management Response: PED will communicate the truncation issue to the SHARE team and complete a SHARE ticket for tracking resolution.

07-16 SHARE GRANTS MODULE – PED / DVR

Condition: During our fieldwork, we noted both PED and DVR were not utilizing the SHARE Grants module to track, bill and report on the grant activities.

Criteria: The SHARE Grant module is an asset both PED and DVR were mandated to use by the New Mexico Department of Financial Administration to track grant activity.

Cause: PED and DVR have created “work around” procedures to track grant activity. The SHARE Grant module has not worked on a consistent manner.

Effect: The SHARE Grants module at PED and DVR has remained unused. “Work around” procedures using Microsoft Excel eliminate the controls that are present in the accounting software package. The formulas and functions in the spreadsheets have to be constantly updated and tested.

Recommendation: We recommend that PED and DVR work with the New Mexico Department of Financial Administration to fully implement and use the SHARE Grants module.

Management Response: PED and DVR will continue to utilize the “work around” procedures until further funding is allocated towards the SHARE Grant module.

07-17 TRANSFERRED EMPLOYEES - DVR

Condition: During payroll discussions, we noted that five employees transferred to DVR, and their final pay at their former agencies was paid out of DVR’s budget. DVR had changed their business unit to DVR (644).

Criteria: Employees’ time is to be paid out of the agency budget where they worked.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-17 TRANSFERRED EMPLOYEES – DVR - continued

Cause: Employees were transferred prior to the payroll run.

Effect: The employees were paid out of the DVR budget, but were not working for DVR during that pay period.

Recommendation: We recommend that employees are transferred into DVR only after the payroll for that period has been run in Human Capital Management software, in order to avoid paying for their time in the previous pay period out of the DVR budget.

Management Response: This was corrected immediately upon discovery that employees transferring from another state agency to our agency were paid from our budget for their last pay period, during which time they were employed at the other state agency. The SHARE help unit advised our Human Resource staff on the proper procedure, which was implemented immediately in FY 07.

07-18 RECORDING OF CASH DISBURSEMENTS IN SHARE - DVR

Condition: During cash disbursement testwork, we noted four cash disbursement amounts were not recorded in the SHARE system within 30 days of the receipt of invoice from the vendor.

Criteria: The internal policy requires invoices to be processed and sent to DFA for payment within 30 days.

Cause: The process of submitting invoices to DFA is not adequately supervised.

Effect: Disbursement is not recorded in the proper period, violating the matching principle.

Recommendation: We recommend more supervision regarding invoice processing; for example, have personnel responsible for processing invoices write a memo each time an invoice is late for payment to DFA explaining the reason for the delay.

Management Response: Management concurs with the recommendation. The CFO is requiring Program Managers or designated staff to submit a memo of justification as to why the invoice was not submitted within the required time limits, as well as how it will be prevented in the future.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-19 CAPITAL ASSET RECORDING AND RECONCILIATION - DVR

Condition: The subsidiary ledger for capital assets did not agree to the prior year audited financial statements as disclosed in the financial statement notes.

Criteria: Subsidiary ledgers should agree to the general ledger and thus the financial statements.

Cause: Capital asset schedules provided to the auditors were adjusted and notification was not given to the Procurement Manager. Therefore, his beginning balances did not agree to the audited financial statements. This caused a prior period adjustment to be made on the Statement of Activities.

Effect: This miscommunication caused additional work on behalf of the Procurement Manager and a restatement of the prior period net assets.

Recommendation: Audit adjustments should be reviewed and communicated to all departments to ensure beginning balances roll-forward correctly.

Management Response: Management concurs with the recommendation and will review all audit adjustments and communicate with all departments to ensure beginning balances roll-forward correctly.

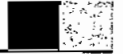
07-20 RECORDING OF SUBRECIPIENT REFUNDS - PED

Condition: During our review of miscellaneous revenue, we noted that subrecipient refunds were recorded as miscellaneous revenue.

Criteria: Refunds create reductions of grant expenses and grant revenue. Per GAAP, these transactions should be recorded in contra-expense accounts and in contra-revenue accounts, rather than as direct debits to expense and revenue accounts. This reduces the possibility of commingling prior period and current period revenues and expenses.

Cause: Appropriate management oversight and the lack of a procedure outlining the process of recording subrecipient refunds associated with prior year transactions.

Effect: Recording the subrecipient refunds in miscellaneous income results in overstated revenue for the current period. In addition, an understatement of liabilities occurs as the refund must be reverted to the issuing governmental authority.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-20 RECORDING OF SUBRECIPIENT REFUNDS – PED - continued

Recommendation: We recommend the implementation of a policy and procedure requiring the recordation of subrecipient refunds into a contra-revenue (prior period revenue) account and a contra-expense (prior period expense) account. The entry allows for the identification and reconciliation of the reverted funds. In addition, an entry to cash and state or federal funds due would be required to record the cash receipt.

Management Response: PED will work with the Department of Finance and Administration to develop a policy and procedure requiring the recordation of subrecipient refunds into appropriate accounts. Necessary journal entries to cash and state or federal funds due will be included in the policy and procedure.

07-21 OVER-EXPENDED APPROPRIATION UNITS

Reportable Condition: The Department over-expended the appropriation unit on the following funds:

- SHARE fund 05700 - Contractual Services appropriation unit by \$12,904.
- SHARE fund 39700 - Personal Services and Benefits appropriation unit by \$105,858.
- SHARE fund 85600 – Other Operating Costs appropriation unit by \$745,949.

Criteria: The Department's financial system should detect over-expenditures before they occur.

Cause: Non-budgeted expenditures being applied against the final budget and not submitting Budget Adjustment Requests on time.

Effect: The appropriation units described above for funds 05700, 39700 and 85600 were over-expended.

Recommendation: The Department must track all expenditures and submit Budget Adjustment Requests to ensure compliance with the final budget.

Management Response: Fund 05700 includes an accrual for a service contract that is shared by two other State Agencies (Children, Youth and Families Department and New Mexico Department of Human Services). PED estimated the amount owed based upon the contract terms. The accrual was not budgeted for in FY07.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

07-21 OVER-EXPENDED APPROPRIATION UNITS – continued

Management Response - continued:

With regard to Fund 39700, PED was aware of the over-expended amounts in the Personal Services and Benefits line item. The overage is due to the fact that the time had lapsed for submission of Budget Adjustment Request Forms. The appropriation is not over-expended in total.

PRIOR YEAR FINDINGS

01-17 AUDIT REPORT NOT SUBMITTED TIMELY

Condition: The audit report for the year ending June 30, 2007 was not submitted by the deadline of December 15, 2007. The State Auditor's Office received the report on April 30, 2008.

Criteria: 2.2.2 NMAC, *Audit Rule 2007* specifies the deadline for submission of audit reports. Section 2.2.2.9 A (1)(f) stipulates that state agency reports are due no later than 60 days of the Department of Finance Administration Financial Control Division notifying the State Auditor that the Department's books and records are ready and available for audit, but never later than December 15, 2007. (Section 12-6-3 C, NMSA 1978 as amended by House Bill 219). Further, Section 2.2.2.9 A (3) requires that submission of a late audit report shall be reported as a current year audit finding in the audit report.

Cause: The Department's records were not ready for the timely completion of the audit. Critical schedules were not provided to the auditors until mid November. Additionally, significant entries to correct the books were not provided to the auditors until late in the audit.

Effect: The Department is not in compliance with *Audit Rule 2007*. The Department has not enabled management to make decisions using relevant and reliable data that an audit report provides. Other users relying on and not receiving the Department's financial statements on a timely basis are other New Mexico State agencies, Legislators and U.S Department of Education and similar federal agencies.

Recommendation: Based on the size and complexity of the audit, the auditors require at least 60 days to complete the audit. Trial balances and critical supporting schedules should be provided to the auditors no later than mid-October in order to meet the December 15th State Auditor's Office deadline.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

01-17 AUDIT REPORT NOT SUBMITTED TIMELY - continued

Management Response: The FY 07 audit report will be submitted on or before April 15, 2008. It is anticipated that the FY08 audit will be completed by the due date set.

03-2 RELIABLE ACCOUNTING SYSTEMS – PED (Updated)

Condition: In prior years, we noted that the Department did not utilize an automated and integrated subsidiary ledger system to track Federal grants, bond activity and indirect costs, and to reconcile general ledger accounts to DFA. Although the Department has made progress, the tracking of federal funds and capital projects is still maintained on individual spreadsheets outside the general ledger system. The processes are inconsistent between programs, and subject to an increased risk of error.

In the past year, DFA implemented the SHARE Grants Module. This module was not used during the year due to the difficulties encountered with the module.

Criteria: Information used should be generated through reliable sources, such as automated and integrated subsidiary and general ledger systems.

Cause: The current accounting systems utilized are not able to support the pooling of financial information for the items listed above. The SHARE Grants Module did not function as expected.

Effect: The formulas within the various and numerous Excel spreadsheets could easily be manipulated and human error can result in misstating pertinent financial information. Also, duplication of general ledger data creates inefficiencies in accounting functions.

Recommendation: The Department should reconsider implementing the SHARE Grants Module once the software has been updated.

Management Response: The Grant Module System in SHARE was not implemented during FY 07. PED is relying upon the Excel spreadsheets maintained by the Flowthrough staff. These manual subsidiary ledgers were updated and standardized to ensure proper accounting of the grants. PED will continue to utilize the “work around” procedures, using Microsoft Excel, until funding is allocated to the SHARE Grants Module.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

03-3 CORRECTING ENTRIES - PED (Material Weakness)

Condition: Although the Department has made tremendous progress in the timeliness of closing its general ledger, there are still delays. This increases the likelihood of uncorrected errors in account balances at fiscal year closing. The Department made its final adjustment to the general ledger on January 10, 2008.

Criteria: General ledger systems and supporting schedules and reconciliations should reflect correct balances through the posting of correcting journal entries. In addition, the general ledger should be closed timely with respect to year end.

Cause: The reconciliation process and the posting of the entries resulting increases the amount of time needed to close the general ledger.

Effect: General ledger systems do not reflect correct balances. Inefficiencies will occur throughout the year and during year-end closing of the books of record.

Recommendation: The Department should limit the number of personnel that can make adjusting journal entries. Additionally, all journal entries should be reviewed and approved by a knowledgeable accounting supervisor before being posted.

Management Response: PED has a formal policy in place to accommodate SHARE journal entries. This policy was implemented by March 31, 2007.

04-1 INFORMATION SYSTEMS - SERVERS NOT SUPPORTED BY VENDOR

Condition: PED is still utilizing several servers with NT 4.0. This software is no longer supported by the vendor and needs to be replaced.

Criteria: Good internal controls over information systems suggest that software should have vendor support to reduce the risk of loss.

Cause: PED has plans to upgrade the servers to Windows 2003, but must go through General Services Department (GSD) in order to do the upgrade. Upgrading and phasing out several servers is being held up by the inability to switch from NT 4.0.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

04-1 INFORMATION SYSTEMS - SERVERS NOT SUPPORTED BY VENDOR - continued

Effect: Remaining on NT 4.0 leaves PED vulnerable to possible problems since no more updates for security flaws will be released and/or there is no support available from the vendor for other issues that may arise.

Recommendation: PED should work with GSD to allow them to plan and carry out this upgrade before the end of the year.

Management Response: The Application migration from NT 4.0 on Windows 2003 is complete. One server remains as a backup until December 2007. This server will be taken completely off line by mid-February 2008. PED continues to work with DoIT (GSD) on the implementation of a blade server system and keeping servers and application software at acceptable support levels.

06-1 RECONCILIATION OF CASH ACCOUNTS - PED

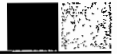
Condition: During our audit of cash balances, we noted that reconciliations between STO, DFA and PED were not performed in a timely manner throughout the year. PED received the reconciled STO balances from DFA at the beginning of December 2007.

Criteria: Timely preparation of complete and accurate cash reconciliations is a key to maintaining adequate control over all cash transactions. In addition, this process can identify irregularities and aid in discovering errors. Monthly reconciliations of cash accounts allow for errors or other problems to be investigated and corrected in a timely manner.

Cause: Information pertaining to cash balances was not received during the year. PED prepared cash reports but had no balance to reconcile to.

Effect: The effect of not reconciling the accounts on a monthly basis is an increased likelihood that errors or other problems might not be recognized and resolved on a timely basis. Additionally, the cash accounts may require adjusting journal entries to correct the year-end balances.

Recommendation: We recommend that all cash accounts be reconciled each month. The SHARE system should provide an accurate cash balance in fiscal year 2008.



B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

06-1 RECONCILIATION OF CASH ACCOUNTS – PED - continued

Management Response: Internal control procedures and a written cash policy and procedure were implemented February 1, 2007. The cash receipts indicated above were dated prior to February 1, 2007. There are no discrepancies noted after the implementation date of February 1, 2007.

06-3 INFORMATION SYSTEMS - PED AND DVR - Disaster Recovery Plan

Condition: While a disaster recovery plan has been drafted, the Department has not yet created a formal disaster recovery plan.

Criteria: In today's financial information environment, it is critical that a disaster recovery plan be in place and documented to help ensure there is minimal loss of data and minimal interruption to operations in the event of a disaster.

Cause: While a disaster recovery plan has been drafted, a finalized version was not available during the year being audited.

Effect: A lack of a complete disaster recovery plan puts the Department at risk for failure of critical business functions.

Recommendation: We recommend that the Department finalize its disaster recovery plan which should include the following:

- a. Identification of critical technology functions and an impact analysis to determine what functions can tolerate extended services outages.
- b. Special consideration should be given to recovery of critical systems, connectivity to the Internet, telecommunications, and e-mail service.
- c. After final development, the plan should be tested annually using a structured walkthrough to ensure its viability.

Management Response: The DVR Information Systems Disaster Recovery Plan has been revised to include changes in business processes brought upon by the SHARE System, as well as the inclusion of the documentation for reinstatement of critical systems. Later this fiscal year, a BIA is planned to further detail the elements of the plan.

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

06-3 INFORMATION SYSTEMS - PED AND DVR - Disaster Recovery Plan - continued

Management Response - continued:

PED has identified critical applications and file server required to maintain a function operation. With the installation of the Blade Server System at DoIT, PED will use a set of servers to create a backup system at PED. These servers will have the critical applications replicated to create a redundant system should DoIT not be able to recover on a timely basis.

06-6 BASIS OF ACCOUNTING - DVR

Condition: DVR did not maintain its books on a consistent basis during the year. In fund 50100 (DDS), some accruals were recorded, while others were not. Funds 50000 (DVR) and 28000 (Teleworks) were maintained on a cash basis. Additionally, the Schedule of Federal Expenditures did not properly reflect accruals.

Criteria: According to the General Appropriation Act of 2004, State agencies are to use the modified accrual basis as their budgetary basis.

Cause: In 2005, State agencies changed their budgetary basis from the cash to the modified accrual basis. DVR's personnel were not trained in the modified accrual basis of accounting.

Effect: The general ledger required numerous audit entries at year-end.

Recommendation: We recommend that the Department train accounting personnel in how to maintain the general ledger in the modified accrual basis.

Management Response: With the implementation of the new accounting system, training DVR staff on principles of accounting in GAAP has not been provided. However, staff has been diligent in recording to the best of their ability and knowledge on the accrual basis of accounting. In addition, steps have been taken in reclassifying a position to a Financial Coordinator Advanced. The incumbent hired will have the credentials needed to ensure the agency's budgetary basis of accounting is applied to the modified accrual basis of accounting.

C. **FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**01-8 (FEDERAL) RECONCILIATION TO THE U.S. DEPARTMENT OF EDUCATION
"GAPS" SYSTEM, ALL U.S. DEPARTMENT OF EDUCATION 84.XXX - PED
(Material Weakness)**

Federal Programs:

Title I – U.S. Department of Education, CFDA 84.010
IDEA B Cluster – U.S. Department of Education, CFDA 84.027/84.173
Title II Part D – U.S. Department of Education, CFDA 84.318
Charter Schools – U.S. Department of Education, CFDA 84.282
Title III – U.S. Department of Education, CFDA 84.365
Title II Part A – U.S. Department of Education, CFDA 84.367
After School Learning – U.S. Department of Education, CFDA 84.287
Reading First – U.S. Department of Education, CFDA 84.357
State Assessment – U.S. Department of Education, CFDA 84.369
Carl Perkins Cluster – U.S. Department of Education, CFDA 84.048/84.002

Condition: In the prior year, it was noted that a formal reconciliation of grant balances to the amount reported by the U.S. Department of Education electronic reporting system (GAPS) was not being done on a quarterly basis. Management began formally reconciling to the GAPS system during 2005. Tremendous progress has been noted during the audit. However, we noted that there still are unlocated differences between draws and expenditures that PED has not resolved.

Criteria: The U.S. Department of Education requires grantees to reconcile their records of remaining grant balances to the GAPS system as part of control over cash management on a quarterly basis.

Questioned Costs: None.

Cause: The U.S. Department of Education grants usually remain open for 27 months after the beginning of the grant year. Since PED was not properly reconciling expenditures and receipts prior to fiscal year 2005, PED is still receiving receipts for prior period expenditures that were not recorded as revenue in the period incurred.

Effect: PED is recognizing prior year revenues in the current period. There is an unresolved variance in Fund 84400 – Federal Administration Fund, resulting in a deficit fund balance of \$1,052,000.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**01-8 (FEDERAL) RECONCILIATION TO THE U.S. DEPARTMENT OF EDUCATION
"GAPS" SYSTEM, ALL US DEPARTMENT OF EDUCATION 84.XXX - PED
(Material Weakness) - continued**

Recommendation: PED should continue reconciling ending grant balances by program, by grant year, on a quarterly basis to the remaining grant balances from the GAPS system. Unreconciled differences should be identified and resolved.

Management Response: PED has reviewed the 84400 deficit fund balance and has been unable to determine the nature of the deficit. PED will continue to investigate the deficit fund balance.

03-9 FEDERAL FUNDS MANAGEMENT - PED (Material Weakness)**Federal Programs:**

Title I – U.S. Department of Education, CFDA 84.010
IDEA B Cluster – U.S. Department of Education, CFDA 84.027/84.173
Title II Part D – U.S. Department of Education, CFDA 84.318
Charter Schools – U.S. Department of Education, CFDA 84.282
Title III – U.S. Department of Education, CFDA 84.365
Title II Part A – U.S. Department of Education, CFDA 84.367
After School Learning – U.S. Department of Education, CFDA 84.287
Reading First – U.S. Department of Education, CFDA 84.357
State Assessment – U.S. Department of Education, CFDA 84.369
Carl Perkins Cluster – U.S. Department of Education, CFDA 84.048/84.002

Condition: PED has continued to track flowthrough transactions using manual spreadsheets, which must be constantly monitored and tested to ensure the outcome is correct. These spreadsheets are also subject to human and formula error. The design is not consistent among the spreadsheets and/or users alter them to work with their flowthrough area. This makes review and testing of the various versions of these spreadsheets time consuming and difficult.

Criteria: The system used to track federal grant budgets should be designed so as to minimize human error.

Questioned Costs: None.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**03-9 FEDERAL FUNDS MANAGEMENT - PED (Material Weakness) - continued**

Cause: A grant tracking system necessary to identify and monitor federal funds efficiently and effectively has not been available at PED.

Effect: There is an increased risk that federal expenditures flowed-through to districts will be incorrectly tracked, which will result in expenditures and/or cash draws being applied to the wrong grant year or district.

Recommendation: We recommend that PED develop a uniform, automated tracking system to monitor federal awards to districts.

Management Response: Manual subsidiary ledgers have been standardized and are still part of the current process. SHARE Grants Management Module system is not fully operational and has not eliminated the need for the manual subsidiary ledgers. PED will continue to utilize the "work around" procedures, using Microsoft Excel, until further funding is appropriated to the SHARE Grants Module.

03-11 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PED (Material Weakness) - Updated**Federal Programs:**

Title I – U.S. Department of Education, CFDA 84.010

IDEA B Cluster – U.S. Department of Education, CFDA 84.027/84.173

Title II Part D – U.S. Department of Education, CFDA 84.318

Charter Schools – U.S. Department of Education, CFDA 84.282

Title III – U.S. Department of Education, CFDA 84.365

Title II Part A – U.S. Department of Education, CFDA 84.367

After School Learning – U.S. Department of Education, CFDA 84.287

Reading First – U.S. Department of Education, CFDA 84.357

State Assessment – U.S. Department of Education, CFDA 84.369

Carl Perkins Cluster – U.S. Department of Education, CFDA 84.048/84.002

School Lunch Program Cluster – U.S. Department of Agriculture, CFDA 10.555/10.553/10.560

Condition: The Department's procedures in compiling the information necessary to prepare the Schedule of Expenditures of Federal Awards (SEFA) have greatly improved. However, adjustments may still be necessary in future years to properly record federal revenue. It was noted in PED's prior year reconciliation of federal receivables in Funds 05700 and 84400 that there is an unreconciled difference of approximately \$1 million. This difference is still unresolved, which has resulted in a deficit fund balance in Fund 84400 of approximately \$1 million.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**03-11 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PED (Material Weakness) – Updated - continued**

Criteria: Pursuant to OMB Circular No. A-133, the Department is required to:

- Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- Prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards, in accordance with the regulation.
- Prepare a Schedule of Expenditures of Federal Awards for the period covered by the auditee's financial statements. At a minimum, the schedule shall:
 - (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs.
 - (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
 - (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
 - (4) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

Questioned Costs: None.

Cause: Fund 84400 was created to track the Federal administrative funds. These funds were originally tracked in Fund 05700. When the 84400 fund was created, the federal funds were not properly reconciled and the error was left in 05700. Unreconciled differences remain from those prior years and have not been resolved.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**03-11 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - PED (Material Weakness) - continued**

Effect: There is a possible misstatement of federal revenues in SHARE Funds 84400, 67200, 67300 and 67400.

Recommendation: We recommend that PED continue to identify prior period differences, develop policies and procedures, and train personnel to complete the Schedule of Expenditures of Federal Awards and identify all federal awards in a timely manner.

Management Response: PED plans to work towards adjusting the general ledger by either requesting a supplemental appropriation or identifying other funding sources to eliminate the fund deficit.

03-12 SUBRECIPIENT MONITORING AND REIMBURSEMENT POLICIES AND PROCEDURES - PED**Federal Programs:**

Charter Schools – U.S. Department of Education, CFDA 84.282A

Carl Perkins – U.S. Department of Education, CFDA 84.048A

Condition: In our test work of subrecipient monitoring, we noted the following:

84.282A – Charter Schools – There were no site visits or desk reviews performed.

84.048A – Carl Perkins – There were no site visits or desk reviews performed.

Criteria: According to OMB Circular A-133 and A-102 Common Rule, a pass-through entity is required to monitor the subrecipient's use of Federal funds through site visits to assure that the subrecipient administers the Federal awards in compliance with laws, regulations and the provisions of the grant agreement, and that performance goals are achieved.

Questioned Costs: None.

Cause: There are no procedures in place that require either fiscal or program personnel to review support for program expenditures.

Effect: Schools could be spending funds on non-allowable costs. In addition, subrecipients may not be correcting findings noted in the audit reports.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

03-12 SUBRECIPIENT MONITORING AND REIMBURSEMENT POLICIES AND PROCEDURES - PED - continued

Recommendation: Schools should be required to send documentation supporting program expenditures. Fiscal or program personnel should review to ensure that the schools are spending the funds as budgeted. Audit reports should also be reviewed to ensure any problems with Federal programs are known and can then be addressed from PED's perspective. PED should then require corrective action plans from those schools in which there are program findings.

Management Response:

Charter Programs - Expenditures of federal Public Charter School Program grant funds by awarded Charter Schools are subject to review at three points within the grant application and management process. (1) Proposed budgets submitted with the grant applications are reviewed for allowable expenditures. Proposed expenditures that are not allowable under federal and state requirements are deducted from the approved budget. (2) Grantees submit copies of itemized invoices and/or purchase orders with claims for payment. Items that are not allowable or which do not appear on the approved budget for the grant are not approved for payment. (3) All grantees are required to submit quarterly expenditure reports to NM PED Fiscal Division. These reports serve as an additional verification that expenses were allowable and approved. Further grant payments are not approved if these reports are not up-to-date. This more stringent system of approvals for Public Charter School Program grantees was instituted due to errors in past grant management practices as well as the fact that new Charter School operators may not be familiar with the requirements and responsibilities of direct federal grant recipients. This method serves to ensure that federal funds are used appropriately, as well as to train new charter school operators in their responsibilities as direct federal grantees. It is our intention to transition grantees to a reimbursement basis requiring only summary expenditure information as described in the prior response, once a record of appropriate expenditures is established for the individual grantee.

Carl Perkins Program (CTWEB) - The monitoring instrument for Carl Perkins was finalized in October 2007. The Federal Monitors reviewed the instrument during a site visit and determined that the monitoring instrument is sufficient to implement into the school districts. The monitoring instrument was tested at Gadsden Schools and Central New Mexico to ensure completeness of the tool. A sub-recipient monitoring schedule continues to be finalized, and CTWEB anticipates that official monitoring will begin in Spring 2008.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**06-12 PERIODIC PAYROLL CERTIFICATIONS - ALLOWABLE COSTS****Federal Programs:**

Title I – U.S. Department of Education, CFDA 84.010
IDEA B Cluster – U.S. Department of Education, CFDA 84.027/84.173
Title II Part D – U.S. Department of Education, CFDA 84.318
Charter Schools – U.S. Department of Education, CFDA 84.282
Title III – U.S. Department of Education, CFDA 84.365
Title II Part A – U.S. Department of Education, CFDA 84.367
After School Learning – U.S. Department of Education, CFDA 84.287
Reading First – U.S. Department of Education, CFDA 84.357
State Assessment – U.S. Department of Education, CFDA 84.369
Carl Perkins Cluster – U.S. Department of Education, CFDA 84.048/84.002
School Lunch Program Cluster – U.S. Department of Agriculture, CFDA 10.555/10.553/10.560

Condition:

1. In our sample of payroll disbursements, we noted that employees whose time is charged solely to federal grants (Fund 84400) did not have an accompanying periodic certification to support charges for their salaries and wages.
2. Our sample of payroll disbursements also included employees whose time was charged to more than one grant or to federal and non-federal activities. We noted that there is no documentation supporting the allocation of charges to federal grants in accordance with OMB Circular A-87 Attach B, Para 8.h(4).

Criteria:

1. Pursuant to OMB Circular A-87 Attach B, Para 8.h(3): Support of salaries and wages:
“Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employer or supervisory official having first-hand knowledge of the work performed by the employee.”

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued**06-12 PERIODIC PAYROLL CERTIFICATIONS – ALLOWABLE COSTS - continued***Criteria - continued:*

2. This requirement applies to employees that have work assignments on:
 - a) More than one Federal award,
 - b) a Federal award and a non-Federal award,
 - c) an indirect cost activity and a direct cost activity,
 - d) two or more indirect activities which are allocated using different allocation bases, or
 - e) an unallowable activity and a direct or indirect cost activity.

Pursuant to OMB Circular A-87 Attach B, Para 8.h(5), personnel activity reports or equivalent documentation must meet the following standards (in part):

- a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- b) they must account for the total activity for which each employee is compensated,
- c) they must be prepared at least monthly and must coincide with one or more pay periods, and
- d) they must be signed by the employee.

Questioned Costs: Unknown.

Cause:

1. It appears that a formal process for certifying time and effort for employees does not exist. In addition, due to a lack of approved certifications by supervisory staff, there does not appear to be adequate review of time and effort on Federal awards.
2. Time sheets are not signed by employees or retained. In addition, it does not appear they are prepared with a break-out of the distribution of salaries and wages across activities or cost objectives. While personnel action forms show the initial distribution, there does not appear to be a system in place to account for an "after-the-fact" distribution. We further noted that there do not appear to be any substitute systems for allocating salaries per the guidelines established in OMB Circular A-87.

Effect: The result is non-compliance with federal requirements for documentation of Employee Time and Effort.

C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

06-12 PERIODIC PAYROLL CERTIFICATIONS - ALLOWABLE COSTS - continued

Recommendation:

1. We recommend that a careful review be made of time record retention requirements and that a department-wide policy for time record retention be adopted that maintains records for specified periods and provides for their destruction only after the specified period.
2. We recommend that the Department implement the use of "after-the-fact" reporting of the distribution of salaries and wages across activities or cost objectives.

Management Response: PED conducted training for the LEAs, Charter Schools and RECs during the spring budget workshop. PED has written a policy and procedure addressing Time and Effort, and is currently incorporating a mechanism to ensure records are maintained at the PED. Policy and procedures were implemented in January 2008.

Summary Schedule of Prior Year Audit Findings



B. FINDINGS - FINANCIAL STATEMENT AUDIT

- 01-17 Audit Report Not Submitted Timely -- Repeated and updated for FY 07
- 03-2 Reliable Accounting Systems - PED -- Updated as 07-16
- 03-3 Correcting Entries - PED (Material Weakness) -- Repeated
- 03-5 Reversions - PED -- Resolved
- 04-1 Information Systems - Servers Not Supported by Vendor -- Repeated
- 04-6 Procurement Code - Approval of Contracts -- Resolved
- 05-1 Audit of School Counts - PED -- Resolved
- 06-1 Reconciliation of Cash Accounts - PED -- Repeated
- 06-2 Payroll - Timesheets -- Resolved
- 06-3 Information Systems - PED and DVR - Disaster Recovery Plan -- Repeated
- 06-4 Journal Vouchers Internal Controls (Material Weakness) -- Resolved
- 06-5 Cash Disbursements Internal Controls - PED -- Resolved
- 06-6 Basis of Accounting - DVR -- Repeated
- 06-7 Tracking and Recording Appropriations (Material Weakness) -- Resolved
- 06-8 Budget Overages - PED -- Resolved
- 06-14 Capital Assets Disposals -- Resolved

Summary Schedule of Prior Year Audit Findings - continued



C. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS

- 01-8 (Federal) Reconciliation to the U.S. Department of Education "CAPS" System, All U.S. Department of Education 84.xxx (Material Weakness) - PED -- Repeated
- 03-6 Federal Program Reports Not Filed Timely, CFDA #10.555, 10.556, 10.553 and 10.560 U.S. Department of Agriculture, School Lunch Program Cluster - PED -- Resolved
- 03-9 Federal Funds Management - PED (Material Weakness) -- Updated
- 03-11 Schedule of Expenditures of Federal Awards - PED (Material Weakness) -- Updated
- 03-12 Subrecipient Monitoring and Reimbursement Policies and Procedures - PED -- Repeated
- 04-11 School Renovation, IDEA and Technology - CFDA #84.352A - Allowable Activities/Costs, Subrecipient Monitoring, U.S. Department of Education -- Resolved
- 04-13 Cash Advances of Federal Awards - All U.S. Department of Education 84.XXX -- Resolved
- 06-10 Procurement - Lack of Documentation -- Resolved
- 06-11 Maintenance of Effort -- Resolved
- 06-12 Periodic Payroll Certifications - Allowable Costs -- Repeated
- 06-13 Monitoring Statewide Independent Living Council Contractor - Subrecipient Monitoring - DVR -- Resolved



An exit conference was held with the Department on January 10, 2008, at Public Education Department's conference room. In attendance were:

PUBLIC EDUCATION DEPARTMENT

Veronica C. García	Secretary
Don D. Moya	Deputy Secretary
Cynthia A. Marietta	ASD Director
Denise A. Irion	Assistant ASD Director
Karen Hubbard	Financial Coordinator
Gilbert Kometa	Financial Coordinator
Eustacio Roybal	Financial Auditor
Sheridan Bamman	Inspector General

DIVISION OF VOCATIONAL REHABILITATION

Sherry Garcia	ASD Director
Gloria Gonzales	Chief Financial Officer
Sandra Alva	Grants Management Supervisor

MEYNNERS + COMPANY, LLC

Georgie Ortiz	Assurance Principal
Javier Machuca	Assurance Manager

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor.