

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
JUNE 30, 2009**

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HIGHER EDUCATION DEPARTMENT
JUNE 30, 2009**

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**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
OFFICIAL ROSTER
AS OF JUNE 30, 2009**

ADMINISTRATIVE OFFICIALS

<u>Name</u>	<u>Title</u>
Dr. Viola Florez.	Cabinet Secretary
M. Tino Pestalozzi, CPA.	Deputy Cabinet Secretary
Dr. David Hadwiger	Director of Administrative Services and Chief Financial Officer
Dr. Pam Etre-Perez	Director of Adult Basic Education Program
Amparo Juarez	Human Resources Director
Karen Kennedy.	Financial Aid Director
Dr. Rick Scott.	Director of P20 Policy and Programs
Dr. Mathew Martinez.	American Indian Education Director
Dr. Chandler Barrett.	Director of GEAR-UP Program
Len Malry.	Director of Workforce Education

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Dr. Viola Florez, Cabinet Secretary
State of New Mexico
Higher Education Department
Santa Fe, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparison statements for the general fund and major special revenue funds, and the aggregate remaining fund information of the State of New Mexico, Higher Education Department (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the Department's non-major governmental funds presented as supplemental information in the accompanying combining and individual fund financial statements and the budgetary comparison statements as of and for the year ended June 30, 2009, 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 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2. A, 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, each major fund, the budgetary comparison statements and the 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 New Mexico as of June 30, 2009, and the changes in its financial position thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

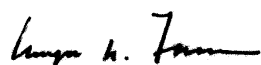
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and the special revenue funds 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 of the non-major governmental funds of the Department, as of June 30, 2009, and the respective changes in financial position, thereof, and the respective budgetary comparisons for the major capital funds and all non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2. D, the financial statements of the Department do not include the New Mexico Prepaid Tuition Program Fund – Section 529 Trust Plan of the New Mexico Education Trust Board. The Prepaid Tuition Program Fund is administered by the New Mexico Education Trust Board, and the Department does not have any direct financial affairs related to the Prepaid Tuition Program; therefore, the financial statements of the Prepaid Tuition Program Fund are not included in this audit, but are included in financial statements of the New Mexico Education Trust Board.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 10, 2009, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages viii through xiv, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund statements and budgetary comparison statements. The accompanying schedule of capital projects as supplemental information in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. Additionally, 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 schedule of capital projects and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to basic financial statements taken as a whole.



Gwen K. Farner, CPA

December 10, 2009

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Introduction

The New Mexico Higher Education Department (Department) herewith presents its financial statements and required supplementary information for the year ended June 30, 2009. The Department is required to conform with the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis outlines financial highlights and provides a brief economic outlook. A summary of the Department's financial statements is shown and discussed, including the prior year's amounts for comparison purposes.

A requirement under GASB 34 is the presentation of the Department's year-end assets, liabilities, and net assets in one column, as well as the presentation of expenses, revenues, and the resulting change in net assets in a condensed format. The purpose of these two reports is to show the Department's financial position and the annual activities in summary format, whereby all funds and cost centers are combined. Applying the required full accrual basis of accounting, offsetting amounts owed by one fund to another and inter-fund transfers have been eliminated. Furthermore, full accrual accounting basically means that the fiscal year's revenues are recorded regardless of when the corresponding cash is received, and expenses are recorded regardless of when corresponding bills are paid.

The two Department-wide financial statements, the **Statement of Net Assets** and the **Statement of Activities**, are followed by traditional fund financial statements, which are prepared using the modified accrual basis of accounting: a **Balance Sheet** and a reconciliation that shows how the latter differs from the Statement of Net Assets; a **Statement of Revenues, Expenditures, and Changes in Fund Balance** and a reconciliation that shows how the latter differs from the Statement of Activities; and various reports comparing actual results to budget.

Although the Department manages a dozen funds with multiple revenue sources, it is a relatively simple state agency, since it does not engage in business-type activities and does not have any component units. One of the Department's major financial roles is to manage state appropriations, federal funds, and bond issues by disbursing them to institutions of higher education and students, according to statutory and regulatory criteria. This "flow-through" money constitutes a vast majority of the resources reported in this document; the Department's discretionary money of about \$3.4 million is used for its basic operations.

The New Mexico Education Trust Board (ETB), created by the Laws 1997, Chapter 259, (Section 21-21K-1 through 21-21-K-7, NMSA 1978) is administratively attached to the Department; however, management has determined that the ETB is not a component unit, by applying the criteria set forth in GASB 39. Therefore, the ETB's financial statements are not incorporated into this report. The purpose of the Education Trust is to expend funds for payments to institutions of higher education on behalf of beneficiaries in accordance with the Education Trust Act. Investors enter into a college investment agreement with the Board to provide for higher education tuition and required fees for a beneficiary.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Government-wide Statements

The government-wide statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenue and expense are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Department's net assets and how they have changed. Net assets, the difference between the Department's assets and liabilities, are one way to measure the Department's financial health, or position.

The government-wide financial statement of the Department only contains governmental activities. Most of the Department's basic services are included here, such as financial aid for higher education, student loans, lottery tuition assistance and administered higher education projects and capital projects.

Discussion of Statement of Net Assets:

The Department's combined net assets hardly changed from a year ago, decreasing from \$104 million to \$99 million, which represented (-4.8%) change from prior year. For fiscal year 2009, Faculty Endowment Fund expenditures exceeded revenues by \$6.3 million, \$5.8 million was for scholarship funding and \$0.6 million was reverted to State General Fund. This money was appropriated from FY08 and carried over to FY09 to fund educational grants. The table below illustrates the net assets changes in detail for each individual fund:

Detail of Net Assets as of June 30, 2009 and 2008 (thousands)

Fund #	Fund Description	2009	2008	Change
91000	General Fund - Operation	\$ (125)	\$ (140)	\$ 15
21600	Financial Aid	27,166.6	24,191.2	2,975.4
63700	Lottery Tuition	66,202.8	67,919.8	(1,717.0)
21700	College Affordability Scholarship	795.6	792.5	3.1
29200	Che - 1994 Capital Projects	8.4	0.8	7.6
34400	Post-Secondary Education	242.5	231.9	10.6
27900	Faculty Endowment	986.0	7,313.7	(6,327.7)
54500	Performance Fund	2,848.7	2,827.6	21.1
78200	Development Enhancement	171.3	152.3	19.0
88100	Endowed Merit Scholarships	698.5	789.0	(90.5)
	Net assets	\$ 98,995	\$ 104,079	\$ (5,083)

Current liabilities also increased \$16.3 million (25.5%) to \$81.7 million. Most of this increase was due to bond proceeds which will be disbursed to project recipients.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

The Department condensed statement of net Assets:

**Statement of Net Assets
(Dollars in thousands)**

Net Assets as of June 30, 2009 and 2008 (thousands)

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Assets:			
Current assets	\$ 180,528	\$ 169,075	\$ 11,453
Capital assets, net of accum. depr.	195	107	88
Total assets	<u>180,723</u>	<u>169,182</u>	<u>11,541</u>
Liabilities:			
Current liabilities	<u>81,727</u>	<u>65,103</u>	<u>16,624</u>
Total liabilities	<u>81,727</u>	<u>65,103</u>	<u>16,624</u>
Net Assets:			
Invested in capital assets, net of debt	195	107	88
Restricted	99,200	104,219	(5,019)
Unrestricted	<u>(400)</u>	<u>(247)</u>	<u>(153)</u>
Total net assets	<u>\$ 98,995</u>	<u>\$ 104,079</u>	<u>\$ (5,084)</u>

Discussion of Statement of Activities

Current accounting standards require that "functional" expenses (\$7.6 million) and "program" revenues (\$50.2 million) be segregated from "general" revenues and expenses. It should be noted that state General Fund appropriations consisted \$17.3 million for program operations, \$25.8 million for Student Financial Aid programs; \$23.2 million for institutional compensation increases; and \$3.5 million for performance development enhancement. Total program revenues decreased from the previous year by \$4.7 million, and functional expenses decreased by \$4.4 million, primarily due to decreased state lottery proceeds.

Total program revenues decreased from the previous year by \$4.7 million, primarily due to decrease in state lottery proceeds; and general operation expenses and other financing uses were increased by \$22 million, net change due to increase in capital projects draw down.

General (Operating) Fund:

State General Fund appropriations to NMHED increased \$3.75 million in FY09 from the FY08 level, reflecting increased costs for additional staff and rent due to relocation of the agency office as well as increased funding for the Innovative Digital Education and Learning (IDEAL) and Engaging Latino Communities for Education (ENLACE) programs. It should be noted that the New Mexico legislature reduced the NMHED FY09 budget by 2.5 percent.

Capital Projects Fund:

At this fiscal year end, the Department held \$2.93 million in cash or cash equivalent and \$73.96 million in accounts receivable, due from the State Board of Finance in the Capital Projects Fund. Total of those assets support encumbrances for incoming capital project expenditures. Total capital project expenditures of \$51.2 million and 5.98 million for fiscal years of 2009 and 2008, respectively.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Financial Aid Fund:

Combined financial aid contributed in grants and other financing expenditures to the statewide institutions were \$24.6 million and \$24.2million for fiscal years 2009 and 2008, respectively. There was no significant change in financing used.

Loan bad debt and loans forgiven expenditures were \$92 thousand and \$3.07 million for fiscal years 2009 and 2008, respectively. Loans are forgiven when students complete their service according to the loan contract term.

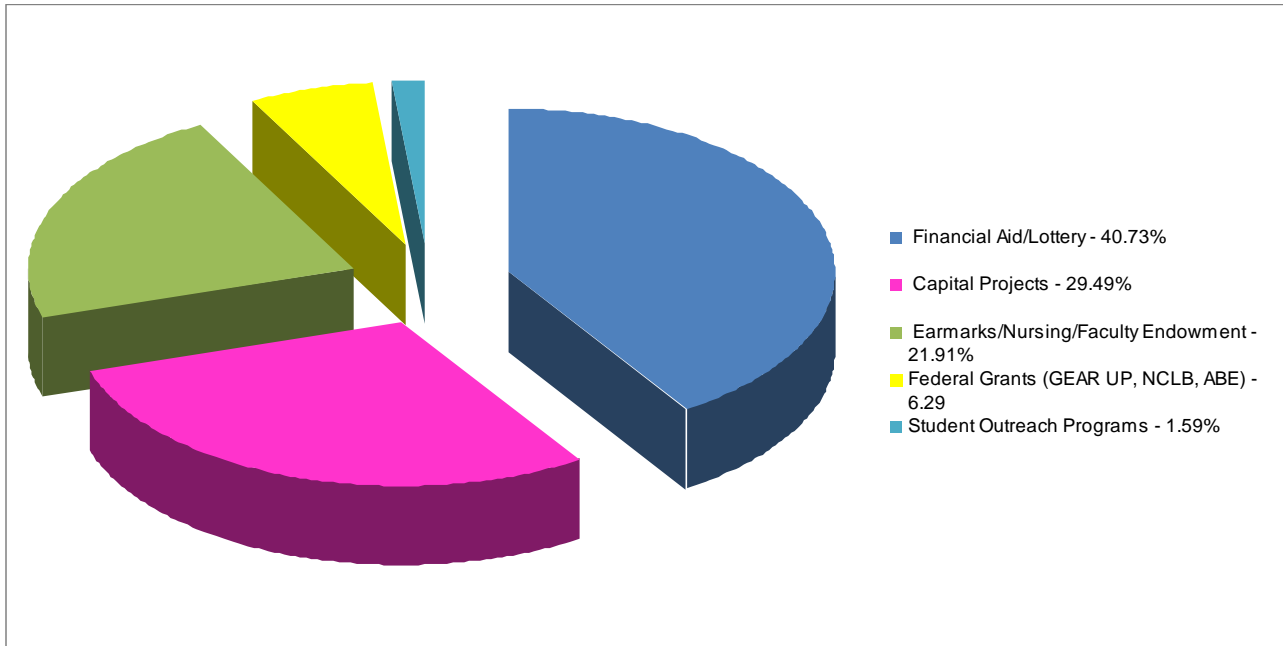
Lottery Tuition Fund:

Lottery proceeds transferred by the state into this fund were \$41 million and \$43.6 for fiscal years 2009 and 2008, respectively. Interest earnings on investments were \$542 thousand and \$3.5 million for fiscal years 2009 and 2008, respectively. The Lottery Tuition pays 100% tuition for qualified New Mexico high school graduates or GED recipients who want to attend a New Mexico public college or university. The eligibility is determined in the student's first semester. The Scholarship is a renewable full-tuition award, which may be received for up to eight consecutive semesters, beginning in the student's second semester in college. For fiscal year 2009 and 2008, the Lottery scholarship award expenditures were \$43.3 million and \$38.7 million, respectively.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

State-wide Institutional Distributions:

For fiscal year 2009, the Department distributed grants, financial aid, and capital projects disbursed total funds of \$173 million which consisted of "Other financing uses" for \$122 million and \$51 million in "Capital projects."



**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

**Statement of Activities
(Dollars in thousands)**

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Functional expenses:			
General operations	\$ 3,409	\$ 8,253	\$ (4,844)
Adult Basic Education	804	515	289
IDEAL NM	662	-	662
GEAR-UP	1,185	1,100	85
Financial Aid	230	16	214
Wallace Foundation	73	-	73
Achieving the Dream	79	59	20
Post-Secondary Education	353	-	353
Cyber-Academy	828	-	828
Total functional expenses	<u>7,623</u>	<u>9,943</u>	<u>(2,320)</u>
Program revenues:			
Federal sources	8,074	6,872	1,202
State lottery proceeds	41,019	43,634	(2,615)
Interest income	748	4,461	(3,713)
Other (incl. licenses & fees)	373	12	361
Total program revenues	<u>50,214</u>	<u>54,979</u>	<u>(4,765)</u>
Net (expense) revenue	<u>42,591</u>	<u>45,036</u>	<u>(2,445)</u>
General revenues (expenses):			
State General Fund appropriations	69,971	155,662	(85,691)
Bond proceeds	50,750	4,952	45,798
Capital projects	(51,011)	(5,975)	(45,036)
Other sources	5,082	7,325	(2,243)
Other financing uses	(121,995)	(189,349)	67,354
Interest from Financial Aids (loan)	459	817	(358)
Bad debt provision	-	(121)	121
Loans forgiven-principle	(92)	(1,642)	1,550
Loans forgiven-interest	-	(306)	306
Reversion	(839)	(2,613)	1,774
Total general revenues/(expenses)	<u>(47,675)</u>	<u>(31,250)</u>	<u>(16,425)</u>
Change in net assets	<u>(5,084)</u>	<u>13,786</u>	<u>(18,870)</u>
Net assets, beginning	<u>104,079</u>	<u>90,293</u>	<u>13,786</u>
Net assets, ending	<u>\$ 98,995</u>	<u>\$ 104,079</u>	<u>\$ (5,084)</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

Discussion of Significant Capital Assets

The Department does not own significant capital assets; it leases office space and some of the office equipment. At the end of fiscal year 2009, the Department's capital assets, consisting of equipment, furniture, fixtures, and vehicles, had a net book value of \$94,940 (\$546,169 cost less \$351,229 accumulated depreciation). Depreciation expense for the year was \$28,268.

Discussion of Budget Comparison

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 Appropriation Act. These budget adjustments fall into three categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Budget adjustment requests made during the fiscal year allowed the Office to use funds where needed.
- Budget adjustment requests that increase or decrease other State funds based on actual revenues

There were budget adjustments which transferred funds between line items to reflect the line items expenditures. Actual revenues were \$1.8 million less than budgeted, primarily reflecting reduced federal funds. The general fund appropriation on a modified accrual basis is \$857.6 thousand higher than the final budget, primarily reflecting a multiyear appropriation for the cyber academy. It should be noted that at midyear FY09, the Governor of New Mexico and New Mexico legislature reduced most state agency budgets by 2.5%; therefore, the Department adjusted its budget expenditures accordingly. The unexpended balance remaining at the end of fiscal year is required revert to the State General Fund.

Economic Outlook

For fiscal year 2010, New Mexico revenues will be affected by the same forces that affect the national economy and tax revenues of most other states – a prolonged recession caused by mortgage defaults and home foreclosures that triggered a series of financial reactions including the decline of stock prices and tightening of the credit market. Global Insight (GI), the state's national forecaster, anticipates the national economy may have turned upward, marking the end of the recession, in June 2009. GI expects nationwide job losses to continue through the end of the first quarter of CY 2010. Within New Mexico, state economic forecasters predict job losses to continue through the second quarter. Oil and gas revenues have rebounded and are no longer the primary source of declining state general fund revenues. Weak performance of the general economy has led to falling collections from broad-based taxes. State economic forecasters predict a 3.1 percent decline in private wages and salaries in FY10, but anticipate this will reverse to 3.8 percent growth in FY11. As stock prices rebounded in the second half of CY 2010, the value of NMHED investments for the College Affordability Fund increased substantially after a steep decline in the first half of the year.

Contact Information

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BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
<u>Assets</u>	
Interest in SGFIP	\$ 79,105,111
Due from other state agencies	74,119,018
Due from federal government	7,997,444
Loans and interest receivable (net of allowance for doubtful accounts)	19,291,243
Prepaid expenses	14,928
Total current assets	180,527,744
Noncurrent assets:	
Capital Assets	546,169
Less: accumulated depreciation	(351,229)
Total noncurrent assets	194,940
Total assets	\$ 180,722,684
<u>Liabilities</u>	
Account payables	\$ 5,668,657
Payroll payables	102,593
Accrued payroll liabilities	107,794
Due to other state agencies	82,529
Due to project recipient	74,065,382
Deferred revenue	1,365,422
Compensated absences:	
Due within one year	334,921
Total liabilities	81,727,298
<u>Net assets</u>	
Investment in capital assets	194,940
Restricted	99,200,439
Unrestricted	(399,993)
Total net assets	\$ 98,995,386

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and changes in Net Assets
		Fees and Charges for Services	Operating grants and Contributions	
Primary government:				
Governmental activities:				
General governmental	\$ 3,391,723	\$ 88,184	\$ -	\$ (3,303,539)
Depreciation	17,213	-	-	(17,213)
Programs activities:				
Financial Aid	230,398	-	1,188,087	957,689
Adult Basic Education	803,721	-	3,491,334	2,687,613
IDEAL NM	661,631	-	-	(661,631)
Wallace Foundation program	72,594	-	187,247	114,653
Achieving the Dream	79,106	-	-	(79,106)
Cyber Academy	827,967	-	-	(827,967)
Post-secondary Education	352,820	-	-	(352,820)
Behavioral Health	-	-	654,731	654,731
NCLB	-	-	765,594	765,594
GEAR-UP	1,174,486	-	2,071,135	896,649
Depreciation	11,055	-	-	(11,055)
Total primary government	\$ 7,622,714	\$ 88,184	\$ 8,358,128	823,598
General revenues and transfers:				
State General Fund appropriations				69,971,600
Lottery grants				41,019,126
Bond proceeds				50,750,000
Other financing sources (note 12)				5,081,791
Other financing (uses) (note 12)				(173,006,198)
Total general revenues and transfers				<u>(6,183,681)</u>
Other investment incomes/expenses:				
Investment earnings				747,808
Interest on loans				459,325
Loans forgiven - Principal				(91,789)
Total other investment incomes/expenses				<u>1,115,344</u>
Transfers - reversion				
Change in net assets				(839,147)
Net assets, beginning				(5,083,886)
Net assets, ending				<u>104,079,272</u>
				<u>\$ 98,995,386</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Financial Aid	CHE Institution Compensation	Lottery Tuition	Capital Projects	Other Funds	Total Governmental Funds
<u>Assets</u>							
Interest in SGFIP	\$ -	8,103,647	\$ -	\$ 66,177,870	\$ 2,939,243	\$ 5,803,286	\$ 83,024,046
Due from other state agencies	115,433	12,358	-	24,910	73,964,934	1,383	74,119,018
Due from federal government	7,791,438	206,006	-	-	-	-	7,997,444
Loans and interest receivable (net of allowance for doubtful accounts)	-	19,291,243	-	-	-	-	19,291,243
Prepaid expenses	14,928	-	-	-	-	-	14,928
Total current assets	\$ 7,921,799	\$ 27,613,254	\$ -	\$ 66,202,780	\$ 76,904,177	\$ 5,804,669	\$ 184,446,679
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Account payables	\$ 2,706,247	\$ 79,207	\$ -	\$ -	\$ 2,838,795	\$ 44,408	\$ 5,668,657
Cash overdraft	3,918,935	-	-	-	-	-	3,918,935
Payroll payables	102,593	-	-	-	-	-	102,593
Accrued payroll liabilities	107,794	-	-	-	-	-	107,794
Due to other state agencies	82,529	-	-	-	-	-	82,529
Due to project recipient	-	-	-	-	74,065,382	-	74,065,382
Deferred revenue	988,773	367,457	-	-	-	9,192	1,365,422
Total liabilities	7,906,871	446,664	-	-	76,904,177	53,600	85,311,312
Fund Balance:							
Unreserved	-	-	-	-	-	-	-
Reserved for:							
Prepaid expenses	14,928	-	-	-	-	-	14,928
Financial Aid	-	27,166,590	-	66,202,780	-	5,751,069	99,120,439
Total fund balance	14,928	27,166,590	-	66,202,780	-	5,751,069	99,135,367
Total fund balance							
Total liabilities and fund balance	\$ 7,921,799	\$ 27,613,254	\$ -	\$ 66,202,780	\$ 76,904,177	\$ 5,804,669	\$ 184,446,679

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

Total fund balance for the governmental funds (Balance Sheet) \$ 99,135,367

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.

Those assets consist of:

Capital assets	\$	546,169
Accumulated depreciation		<u>(351,229)</u>

Total net capital asserts		194,940
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Compensated absences accrued in the government-wide financial statements and not budgeted in the current period, therefore, excluded from the government funds

Current portion of compensated absences		<u>(334,921)</u>
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Total net assets - government-wide activities (Statement of Net Assets)		<u><u>\$ 98,995,386</u></u>
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**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Financial Aid	CHE Institution Compensation	Lottery Tuition	Capital Projects	Other Funds	Total Governmental Funds
Revenues:							
Federal sources	\$ 6,982,794	\$ 1,091,412	\$ -	\$ -	\$ -	\$ -	\$ 8,074,206
Licenses, permits and fees	550	-	-	-	-	87,634	88,184
Lottery proceeds	-	-	-	41,019,126	-	-	41,019,126
Interest on investments	-	96,956	-	541,777	-	109,075	747,808
Interest on loans	-	459,325	-	-	-	-	459,325
Other grants	187,247	96,675	-	-	-	-	283,922
Total revenues	7,170,591	1,744,368	-	41,560,903	-	196,709	50,672,571
Expenditures:							
Current:							
Personal services and employee benefits	4,270,022	-	-	-	-	-	4,270,022
Contractual services	2,024,538	-	-	-	-	-	2,024,538
Other	1,102,824	230,398	-	-	-	-	1,333,222
Total expenditures	7,397,384	230,398	-	-	-	-	7,627,782
Excess (deficiency) of revenues over expenditures	(226,793)	1,513,970	-	41,560,903	-	196,709	43,044,789
Other financing sources (uses):							
State General Fund appropriations	17,304,600	25,882,200	23,284,800	-	-	3,500,000	69,971,600
Bond proceeds appropriations	-	-	-	-	50,750,000	-	50,750,000
Other financing sources (note 12)	1,822,765	750,000	-	-	496,197	2,012,829	5,081,791
Other financing (uses) (note 12)	(18,966,990)	(25,191,781)	(23,284,800)	(43,277,948)	(51,011,411)	(11,273,268)	(173,006,198)
Loans forgiven - principal	-	(91,789)	-	-	-	-	(91,789)
Interfund transfers in (out)	80,000	112,800	-	-	-	(192,800)	-
Transfers - Reversion	(4,361)	-	-	-	(234,786)	(600,000)	(839,147)
Total other financing sources (uses)	236,014	1,461,430	-	(43,277,948)	-	(6,553,239)	(48,133,743)
Net change in fund balances	9,221	2,975,400	-	(1,717,045)	-	(6,356,530)	(5,088,954)
Fund balance, beginning of period	5,707	24,191,190	-	67,919,825	-	12,107,599	104,224,321
Fund balance, end of period	\$ 14,928	\$ 27,166,590	\$ -	\$ 66,202,780	\$ -	\$ 5,751,069	\$ 99,135,367

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

Net change in fund balances - Total Governmental Funds \$ (5,088,954)
(Statement of Revenues, Expenditures and Changes in Fund Balance)

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

Capital outlays are reported as expenditures in governmental funds.

However, in the Statement of Activities, the cost of capital assets is
allocated over their estimated useful lives as depreciation expenses.
In the current period, there amount are:

Addition capital assets (Note 5)	\$ 115,715	
Depreciation expense for governmental activities	(17,213)	
Depreciation expense for program activities	(11,055)	
Total excess of capital assets over depreciation (Note 5)	87,447	87,447

Some items reported in the statement of activities do not require the
use of current financial resources and therefore are not reported as
expenditures in governmental funds. These activities consist of:

Change in compensated absences	(82,379)	(82,379)
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Change in net assets of Government Activities (Statement of Activities) \$ (5,083,886)

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND (FUND 91000)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 8,687,142	\$ 8,687,142	\$ 6,982,794	\$ (1,704,348)
Other gift and grants	274,563	274,563	187,797	(86,766)
 Total revenues	 <u>8,961,705</u>	 <u>8,961,705</u>	 <u>7,170,591</u>	 <u>(1,791,114)</u>
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	4,502,281	4,502,281	4,270,022	232,259
Contractual services	1,778,688	1,778,688	2,024,538	(245,850)
Other costs	11,181,558	11,181,558	1,102,824	10,078,734
 Total expenditures	 <u>17,462,527</u>	 <u>17,462,527</u>	 <u>7,397,384</u>	 <u>10,065,143</u>
 Excess (deficiency) revenues over expenditures	 (8,500,822)	 (8,500,822)	 (226,793)	 8,274,029
 Other financing sources (uses):				
General Fund appropriations	16,447,000	16,447,000	17,304,600	857,600
Other financing sources	1,294,100	1,294,100	1,822,765	528,665
Other financing (uses)	(10,534,222)	(10,534,222)	(18,966,990)	(8,432,768)
Operating transfer in	-	-	80,000	80,000
Cash re-budgeted	1,293,944	1,293,944	-	(1,293,944)
Reversion	-	-	(4,361)	(4,361)
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 9,221</u>	 <u>\$ 9,221</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
ALL FINANCIAL AID PROGRAMS (FUND 21600)
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Federal Sources	\$ 1,126,698	\$ 1,126,698	\$ 1,091,412	\$ (35,286)
Other revenues	-	-	96,675	96,675
Interest on investment	-	-	96,956	96,956
Interest on loan			459,325	459,325
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,126,698	1,126,698	1,744,368	617,670
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	97,500	97,500	-	(97,500)
Contractual services	335,000	335,000	-	(335,000)
Other costs	12,624,199	12,624,199	322,187	12,302,012
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	13,056,699	13,056,699	322,187	11,869,512
Excess (deficiency) revenues over expenditures	(11,930,001)	(11,930,001)	1,422,181	13,352,182
Other financing sources (uses):				
State General Fund appropriations	26,132,200	26,132,200	25,882,200	(250,000)
Other financing sources	612,800	612,800	862,800	250,000
Other financing (uses)	(14,986,299)	(14,986,299)	(25,191,781)	(10,205,482)
Prior year cash re-budgeted	171,300	171,300	-	(171,300)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	\$ -	\$ -	\$ 2,975,400	\$ 2,975,400

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
CHE INSTITUTION COMPENSATION FUND (FUND 27100)
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Other financing sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	-	-
Other financing sources (uses):				
State General Fund appropriations	23,284,800	23,284,800	23,284,800	-
Other financing (uses)	(23,284,800)	(23,284,800)	(23,284,800)	-
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
LOTTERY TUITION FUND (FUND 63700)
FOR THE YEAR ENDED JUNE 30, 2009**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 541,777	\$ -
Total revenues	-	-	541,777	-
Expenditures:				
General government:				
Current:				
Other costs	(11,733,318)	(11,733,318)	-	(11,733,318)
Total expenditures	(11,733,318)	(11,733,318)	-	(11,733,318)
Excess (deficiency) revenues over expenditures	11,733,318	11,733,318	541,777	(11,733,318)
Other financing sources (uses):				
Other financing sources	43,630,400	43,630,400	41,019,126	(2,611,274)
Other financing (uses)	(97,405,601)	(97,405,601)	(43,277,948)	54,127,653
Prior year cash re-budgeted	42,041,883	42,041,883	-	(42,041,883)
Net change in fund balance	\$ -	\$ -	\$ (1,717,045)	\$ 39,783,061

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUND (FUND 64400)
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Bond proceeds appropriations	\$ -	\$ -	\$ 50,750,000	\$ 50,750,000
Other revenues	-	-	26,197	26,197
Total revenues	-	-	50,776,197	50,776,197
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	50,776,197	50,776,197
Other financing sources (uses):				
Other financing (uses)	(71,649,476)	(71,644,475)	(51,011,411)	20,633,064
Other financing sources	71,649,476	71,644,475	470,000	(71,174,475)
Reversion			(234,786)	(234,786)
Net change in fund balance	\$ -	\$ -	\$ -	\$ -

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009
(Audited)**

<u>Assets</u>	Endowed Merit Scholars Private-Purpose Trust Fund	College Affordability Endowment Trust Fund	Total Trust Fund
Interest in State Investment Pool	\$ 2,179,222	\$ 414,671	\$ 2,593,893
Long-term Investments (net)	-	74,680,776	74,680,776
Due from other Agencies	-	368	368
Total assets	<u>2,179,222</u>	<u>75,095,815</u>	<u>77,275,037</u>
<u>Liabilities and Net Assets</u>			
Due to other Agencies	-	14,500,000	14,500,000
Total liabilities	<u>-</u>	<u>14,500,000</u>	<u>14,500,000</u>
Net Assets:			
In-trust for scholarships	<u>\$ 2,179,222</u>	<u>\$ 60,595,815</u>	<u>\$ 62,775,037</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2009
(Audited)**

	Endowed Merit Scholars Private-Purpose Trust Fund	College Affordability Endowment Trust Fund	Total Trust Fund
Balance, June 30, 2008	\$ 2,179,222	\$ 94,251,765	\$ 96,430,987
Additions			
Interest from investments	-	2,822,555	2,822,555
Fees from License and permits	-	17,855	17,855
Total additions	-	2,840,410	2,840,410
Deductions			
Professional investment fees	-	100,620	100,620
Unrealized loss on investment	-	19,895,740	19,895,740
Distributions in accordance with trust agreements	-	2,000,000	2,000,000
Reversion	-	14,500,000	14,500,000
Total deductions	-	36,496,360	21,996,360
Balance, June 30, 2009	\$ 2,179,222	\$ 60,595,815	\$ 77,275,037

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. History and Function

The State of New Mexico, Higher Education Department (Department) was created by Chapter 289, Laws 2005, Higher Education Department Act (Section 9-25-1 through 9-25-13, NMSA 1978). The effective date of the Act was April 7, 2005. Its purpose was to establish a cabinet-level department to administer laws and exercise functions formerly administered and exercised by the Commission on Higher Education (CHE). The Higher Education Department Act repealed the statutes enabling the CHE.

The Department's primary duties are to (1) collaborate with colleges and universities to create a statewide public agenda to meet higher education needs and goals; (2) annually study and report to the Governor and the Legislative Finance Committee on enrollment capacity needs over a ten-year period, based on state demographic models, academic program demands, institutional competencies and infrastructure, state workforce needs, economic development goals and other factors; (3) by November 1st of each year, present to the Legislature a comprehensive funding request and a legislative priorities list for all higher education; the funding request, and priorities must encompass the needs of all public post-secondary educational institutions and programs; and (4) be concerned with the adequate and equitable financing of each of the institutions. Budgets of the educational institutions must be submitted to the Department for adjustment and approval before they are submitted to the State Budget Division, New Mexico Department of Finance and Administration. The Department evaluates and approves proposals for new graduate degree programs and major capital projects.

2. Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The more significant of the Department's accounting policies are described below:

A. Reporting Entity and Component Units

The Department is not included in any other government "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The Department has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The chief executive officer of the Department is the Cabinet Secretary, who is appointed by the Governor and confirmed by the State Senate. The Department is an agency of the primary government in the State of New Mexico. These financial statements include all funds, programs, and activities over which the cabinet secretary has direct oversight responsibility.

The Department has determined that it has no component units, as defined by GASB 39. In evaluating how to define the Department for financial reporting purposes, management considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying criteria set forth in GASB 39. The basic, but not only, criterion for including a potential component unit within the reporting entity is the primary government's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the Department is able to exercise oversight responsibility.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

B. Basic Financial Statements – Government-Wide Statements (Measurement Focus)

GOVERNMENT-WIDE, PROPRIETARY, AND FIDUCIARY FUNDS FINANCIAL STATEMENTS:

Government-Wide, Proprietary, and Fiduciary Funds Financial Statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues from federal sources, licenses, permits and fees are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, includes grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from federal grants, entitlements, donations, lottery proceeds, licenses, permits and fees are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Department's basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements which provide information about the reporting government as a whole. Those statements include primary government activities, noting that neither fiduciary funds nor component units that are fiduciary in nature are included. Both the government-wide and fund financial statements (within the basic statement) categorized primary activities as either governmental or business type. 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 the full accrual basis, economic resource measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Department's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. In addition, revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transaction are recognized in accordance with the requirements of GASB Statement 33, *Accounting and Financial Reporting for Non-exchange Transactions*, which was adopted by the Department on July 1, 2001. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

Generally, the effect of inter-fund activity has been removed from the government-wide financial statements.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government) which is otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues from financial aid, Adult Basic Education, and GEAR-UP grants. Those program revenues must be directly associated with the function. The Statement of Activities presents a comparison between direct expenses and program revenues, such as Adult Basic Education program and GEAR-UP program, for the general government function of the Department's governmental activities. Direct expenses are those that are specifically associated with a programs or functions and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges for services paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. State General Fund appropriations are not classified as program revenues, including State General Fund appropriation bond proceeds and investment earnings, are presented as other financing sources. Provision for bad debt, principle and interest of forgiven student loans, and reversions are presented as other financing uses.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The net cost by function is normally covered by general revenue. Since the Department pursues only one major objective—education—for its programs, it does not employ indirect cost allocation.

The government-wide focus is on the sustainability of the Department as an entity and the change in the Department's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The fund financial statements' emphasis is on the major funds of governmental category. Non-major funds are summarized into a single column. The Department has five major funds, one general fund and four special revenue funds:

1. General Fund, SHARE #91000
2. Financial Aid Fund, SHARE #21600
3. CHE Institution Compensation Fund, SHARE #27100
4. Lottery Tuition Fund, SHARE #63700
5. Capital Projects, SHARE #64400

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the basis on which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate (a) legal and covenant compliance, (b) the source and use of liquid resources, and (c) how the Department's actual results 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, the reconciliation is represented on the page following each statement. This explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The Department's fiduciary funds are presented in the fund financial statements by type. 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 in the government-wide statements.

The financial transactions of the Department are recorded in individual 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/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 invested or spent and the means by which spending activities are controlled.

Current accounting standards set forth the minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The following fund types are used by the Department:

GOVERNMENTAL FUNDS TYPES

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures of fund liabilities.

General Fund – 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 made up of the following SHARE Fund numbers:

91000 General Operating – The operating account for the Department. This is a reverting fund pursuant to the annual State General Appropriation Act.

The Adult Basic Education Fund is accounted for within the General Operating Fund for the purpose of funding adult basic education programs. Any unexpended or unencumbered balance remaining in the fund at the end of each fiscal year shall revert to State General Fund per Section 21-1-27.5 NMSA 1978.

Special Revenue Funds – The Special Revenue Funds are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes; therefore any unexpended or unencumbered balance remaining in the fund at the year end shall not revert to State General Fund.

21600 Financial Aid Fund – Most financial aid type programs are combined into the Financial Aid Fund and comprise the following programs:

Merit Based Scholarships Fund (SHARE Fund 21600, Dept #0000)
Allied Health Services Student Loan Fund (SHARE Fund 21600, Dept #3100)
Medical Student Loan Fund (SHARE Fund 21600, Dept #3200)
Minority Doctoral Assistance Loan Program (SHARE Fund 21600, Dept #3300)
Nursing Student Loan Fund (SHARE Fund 216, Dept #3400)
Osteopathic Student Loan Fund (SHARE Fund 21600, Dept #3500)
Southeastern New Mexico/Teachers/Teachers Quality Loan Fund (SHARE Fund 21600, Dept #3600)
Health Professional Loan Repayment Program (SHARE Fund 21600, Dept.'s #3700 and #3800)
Graduate Fellowship Fund (SHARE Fund 21600, Dept #3900)
Endowed Merit Scholars (SHARE Fund 21600, Dept #4000)
Work Study Program Fund (SHARE Fund 21600, Dept #4100)
New Mexico Scholars (SHARE Fund 21600, Dept #4200)
Student Choice Grants Fund (SHARE Fund 21600, Dept #4400)
State Student Incentive Grants Fund (SHARE Fund 21600, Dept #4500)

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New Mexico Student Incentive Federal Grants Fund (SHARE Fund 21600, Dept #4600)
Vietnam Veterans' Scholarship Fund (SHARE Fund 21600, Dept # 4700)
Lottery Tuition (SHARE Fund 21600, Dept #4800)
WICHE (Western Interstate Commission of Higher Education) (SHARE Fund 21600, Dept #4900)
Dentistry (SHARE Fund 21600, Dept #5000)
College Access Challenge Fund (SHARE Fund 21600, Dept #6000)
Pathways Scholarship (SHARE Fund 21600, Dept #6100)
PSL Loan Repayment (Public Service Law Loan Repayment) (SHARE Fund 21600, Dept #7000)

21700 College Affordability Scholarship Fund
23900 College Affordability Endowment Fund
27100 CHE Institution Compensation Distribution
29200 Che - 1994 Capital Projects
34400 Post-Secondary Educational Institution Fund
47900 Faculty Endowment Fund
54500 Higher Education Performance Fund
63700 Lottery Tuition Fund
64400 Capital Projects
78200 Program Development & Enhancement Fund
88100 Legislative Endowment Scholarship Fund

FIDUCIARY FUND TYPES

Endowed Merit Scholars Private-Purpose Trust Fund and College Affordability Endowment Trust Fund was created pursuant to the Legislative Endowment Scholarship Act and College Affordability Endowment Act. The funds are presented in the statement of Fiduciary Net Assets. The original endowment corpus cannot be expended. Since the original amount of the fund does not change from year to year, income earned from investments shall be expended for scholarships to students at two-year public post-secondary educational institutions. Investment income is transferred to the Endowed Merit Scholars special revenue fund and College Affordability Endowment special revenue fund for disbursement of scholarships on an annual basis, as needed. Per Section 21-21J-8 and Section 21-21L-8, NMSA 1978, money in the fund shall not revert to the State General Fund.

D. New Mexico Prepaid Tuition Program Fund

The New Mexico Prepaid Tuition Program Fund is a Section 529 Plan, established within the Education Trust Fund. The Education Trust Fund was created within the state treasury pursuant to Section 21-21K-3, NMSA 1978, and is administered by the Education Trust Board (Board). The Board was created pursuant to Section 21-21K-4, NMSA 1978 and it is administratively attached to the Higher Education Department.

The Board deposits all money received pursuant to college investment agreements and prepaid tuition contracts into the fund. Money in the fund consists of appropriations, investment, payments, gifts, bequests and donations. Per Section 21-21K3, all money in the fund is appropriated to the Board. Expenditures from the fund shall be for payments to institutions of higher education on behalf of beneficiaries, for refunds, and for costs of administering the Education Trust Act according to Section 21-21K3(B).

The Education Trust Board is administratively attached to the Department because the Department provides administrative services to the Education Trust Board when requested by the Board. The New Mexico Prepaid Tuition Program – Section 529 Trust Plan is not included with the financial statement of

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the Department because the Department does not have any direct financial affairs related to the Prepaid Tuition Program.

E. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities are incorporated into the governmental column in the government-wide Statement of Net Assets.

F. Basis of Accounting

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

The **government-wide financial statements** are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Internal activities of transactions are eliminated. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, which was adopted by the Department as of July 1, 2001. Capital assets are reported at historical costs and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

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

G. Budget and Budgetary Accounting

The State Legislature makes annual appropriations to the Department which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (budgetary basis) and a financial control system which permits a budget-to-actual revenue and expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. The budgetary comparison is prepared on the modified accrual basis of accounting. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico, Department of Finance and Administration within the limitations specified in the annual General Appropriation Act. Budget amounts identified as "final" in the financial statements (budget comparison statements) are the final authorized expenditure levels, including any approved revisions (budget adjustment requests).

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and number of positions, and the means of financing them.
2. Budget hearings are scheduled before the LFC, House Appropriations and Finance Committee, and Senate Finance Committee. The final outcome of those hearings and the legislative process is incorporated into the state's annual General Appropriation Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriations made by the legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division.
5. Legal budgetary control for expenditures is at the appropriation department level.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds.
7. Per the General Appropriation Act of 2008, Chapter 28, Section 3, item O, "For the purpose of administering the General Appropriation act of 2008 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." 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. The actual expenditures in the budgetary comparison exclude any accounts payable that were not paid timely and therefore required a "Request to Pay Prior Year Bills" out of current year budget. They will be paid out of the budget of the following fiscal year. An agency's reversions should be calculated using the budget basis expenditures because the agency does not have the legal right to keep the cash related to accounts payable that were not paid timely. This result in a negative fund balance in the modified accrual basis financial statements of a reverting fund. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed.

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

H. Interest In State Investment Pool

The Department's funds are held by the State Treasure as an interest in the State Investment Pool for purposes of cash flows. The Department considers all highly liquid investments, which are on deposit with the State Treasurer, as interest in the state investment pool.

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I. Inventories

Office supply inventory items are expensed when purchased. Therefore, the financial statements do not reflect inventory of office supplies on hand at June 30, 2009.

J. Accounts and Vouchers Payable

Accounts payable represent expenditures for goods and services for the current fiscal year, but voucher for payment with the DFA is subsequent to fiscal year ending June 30, 2009.

Vouchers payable represent expenditures which have been processed for payment with the DFA, but a warrant has not been issued for payment at June 30, 2009.

K. Interfund Receivables and Payables – (Due from/to other funds)

Department interfund receivables and payables are eliminated in the statement of net assets to minimize the “grossing-up” effect on assets and liabilities within the governmental activities of the primary government.

L. Accrued Payroll and Benefits Payable

A portion of payroll expenditures (twelve working days) pertaining to year end June 30, 2009. The pay period ending June 26, 2009 was paid on July 3, 2009, for ten (10) working days from June 13 through 26, 2009. The period ending June 30, 2009 was paid on July 17, 2009 for two (2) working days. Since the disbursements did not occur until after fiscal year ended, accrued salaries, payroll taxes and benefit payables totaling \$201387 were reflected in the balance sheet statements as of June 30, 2009.

M. Capital Assets

Property, plant and equipment purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value 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, per Section 12-6-10 NMSA 1978. There is no software included in Department capital assets.

Depreciation on all capital assets is provided on the straight-line basis over the following estimated useful life with no salvage value: Furniture and Fixtures – 10 years, Equipment and Machinery – 5 years, and Software and Licenses – 3 years.

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

The Department utilizes facilities and buildings that are leased and not owned by the Department. These assets and the related depreciation expenses are not included in the accompanying financial statements.

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N. Accrual Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if (a) the employees' right to receive compensation as attributable to services already rendered, and (b) it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement. Where applicable, the compensated absence liability is presented in two parts in the government-wide financial statements as current portion and long-term portion. The current portion is the amount expected to be expended during the following fiscal year. It is an estimate management determined by applying a percentage to the prior year's ending liability. The percentage used was determined by comparing the amount actually paid out during the fiscal year with the prior year's liability balance.

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

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

The Fair Labor Standards Act (FLSA) requires that nonexempt employees accumulate compensatory or overtime at a rate of 1.5 times the number of hours worked in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensatory time at the same rate as the number of hours worked. No employee, regardless of FLSA classification, can carry forward unused compensatory time at the end of the last pay period beginning in December. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

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

O. Federal Grants Receivable (Deferred Revenue)

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 draws 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.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in this estimate are recorded in the period that the estimate is changed.

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P. Restrictions, Reservations and Designations

Reservations of fund balance in governmental fund statements are created to either (1) satisfy legal covenants that require 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 restrictions and reservations of fund balance accounts are summarized below:

Restricted/Reserved for:	
Financial Aid programs	\$ 27,166,590
Lottery Tuition	66,202,780
College Affordability Scholarship	795,551
College Goal Sunday Grant	8,443
Post-secondary Educational Institution	242,470
Faculty Endowment	986,027
Performance Fund	2,848,729
Program Development Enhancement	171,337
Endowed Merit Scholarships	698,512
Total restricted net assets	<u><u>\$ 99,120,439</u></u>
Reserved for special revenue funds	\$ 99,120,439
Unreserved	14,928
Total fund balance	<u><u>\$ 99,135,367</u></u>

Q. Net Assets

The government-wide and business types fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted. The Department has no business type activities.

Investment in Capital Assets (net of related debt) – reflect the portion of net assets associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Department does not have any debt related to capital assets.

Restricted Assets – Net assets are reported restricted when constraints placed on net asset use are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Assets – consist of net assets that do not meet the definition of “restricted” or invested in capital assets, net of related debt.

The Department allocates expenses to restricted or unrestricted resources based on the budgeted source of funds.

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R. 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.

S. Short-Term Debt

The Department had no short-term debt during the year.

3. Interest in SGFIP -- State Treasurer's Local Government Investment Pool

GASB statement 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of governmental entities. The Statement is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. Governments need to report deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk.

The Office maintains all funds with the New Mexico State Treasurer General Fund Investment Pool (STGFIP). The Office does not have an investment policy that limits investment interest rate risk.

The STGFIP is not SEC registered. The State Treasurer is authorized to invest the short-term investment fund, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through Section 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

In respect to credit risk, the New Mexico STGFIP, a government investment pool, is rated AAAM by Standard & Poor's, or rated at AAA for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools; therefore, the Office's investment in New Mexico STGFIP is exempt from this requirement.

Concentration of credit risk is defined as investments of more than 5% in any one issuer. External investment pools, such as the New Mexico STGFIP, are excluded from the requirement of disclosing concentration of credit risk; therefore, investments in the New Mexico STGFIP are exempt from this disclosure.

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The following is the disclosure of the STGFIP investment rates:

June 30, 2009		Fair market value	
New Mexico STGFIP	AAAM rated	\$79,105,111	43 day WAM

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According to GASB Statement 40, an acceptable method for reporting interest rate risk is WAM, which is the method used for reporting purposes for the New Mexico STGFIP investment report. The annual financial audit report may be obtained by writing to the State Treasurer Office P.O. Box 608 Santa Fe, New Mexico 87504-0608, and it also available on the State Treasurer's website: www.stonm.org.

The New Mexico STGFIP has no foreign currency risk as all investments in the Investment Pool and is not rated for credit risk as of June 30, 2009. The Office's investment pool as of June 30, 2009 as follows:

SHARE Fund No.	Fund Name	State Treasurer Balance	Outstanding Warrants	Reconciled Balance	Interest Bearing
91000	General Fund	\$ (3,918,935)	\$ -	\$ (3,918,935)	No
21600	Student Financial Aid	8,103,647	-	8,103,647	Yes*
21700	College Affordability Scholarship	839,788	-	839,788	No
23900	College Affordability Endowment Fund	414,671	-	414,671	Yes
27100	CHE Institution Compensation	-	-	-	No
29200	College Goal Sunday Grant	8,442	-	8,442	Yes
34400	Post-Secondary Education Institution Fund	251,662	-	251,662	No
47900	Faculty Endowment Fund	985,851	-	985,851	Yes
54500	Performance Fund	2,848,240	-	2,848,240	Yes
63700	Lottery Tuition Fund	66,177,870	-	66,177,870	Yes*
64400	ADA Capital Projects	2,939,243	-	2,939,243	No
78200	Performance Development Fund	171,308	-	171,308	Yes*
88100	Endowed Merit Scholarship Fund	2,877,217	-	2,877,217	Yes*
		<u>\$ 81,699,004</u>	<u>\$ -</u>	<u>81,699,004</u>	
	Less:				
88100	Endowed Merit Scholars Non-expendable Trust Fund included above			(2,179,222)	
23900	College Affordability Endowment Trust			(414,671)	
	Total expendable cash			<u>\$ 79,105,111</u>	
	Non-expendable Trust Fund:				
88100	Endowed Merit Scholars			\$ 2,179,222	
23900	College Affordability Endowment Trust			414,671	Yes*
	Total non-expendable cash			<u>\$ 2,593,893</u>	
	Reconciliation to Balance Sheet Governmental Funds:				
	Investment			\$ 83,024,046	
	Cash overdraft			(3,918,935)	
	Total expendable cash			<u>\$ 79,105,111</u>	

* Investment earnings are classified as program revenues because its use is restricted to programs for financial aid and scholarship funding.

Amounts for all programs are deposited into the respective fund or sub-fund. The Legislative Endowment Scholarship fund includes both restricted and unrestricted amounts. The restricted portion of \$2,179,222 is shown as a Fiduciary Fund. The unrestricted portion of \$697,995 is shown as a non-major governmental fund – "Endowed Merit Scholars Fund."

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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Department does not have any funds held by an outside party; therefore, the Department's investment pool balance as of June 30, 2009 is not exposed to custodial credit risk.

4. Receivables

A. Due from Other State Agencies

Total amounts that are due from other state agencies are as follows:

SHARE #	Name	Description	Amount	Due From
91000	General Fund	Reimbursement expenses	\$ 28,507	Wallance Foundation
91000	General Fund	Reimbursement services	30,000	Board of Education
91000	General Fund	Refund employee benefit	1,179	New Mexico Board of Finance
91000	General Fund	Over reversion for FY09	25,439	State General Fund
91000	General Fund	Reimbursement expenses for IDEAL program	30,308	Public Education Department
21600	Financial Aid	Accrual investment interest	1,463	Office of the NM State Treasurer
21600	Financial Aid	Reimbursement expenses	10,895	Santa Fe Community College
64400	Capital Project	Bond proceeds	73,964,934	New Mexico Board of Finance
63700	Lottery Tuition	Accrual investment interest	12,910	Office of the NM State Treasurer
63700	Lottery Tuition	Refund unuses scholarship	12,000	Eastern New Mexico University
21700	College Affordability Scholarship	Accrual investment interest	171	Office of the NM State Treasurer
29200	College Goal	Accrual investment interest	1	Office of the NM State Treasurer
47900	Faculty Endowment	Accrual investment interest	176	Office of the NM State Treasurer
54500	Performance Fund	Accrual investment interest	489	Office of the NM State Treasurer
78200	Development Enhancement	Accrual investment interest	29	Office of the NM State Treasurer
88100	Endowed Merit Scholarships	Accrual investment interest	517	Office of the NM State Treasurer
Due from Other State Agencies			<u>\$ 74,119,018</u>	

The State Board of Finance sells severance tax bonds and general obligation bonds as authorized by the State Legislature, and holds the proceeds until such time that the Department requests such funds as reimbursement for expenditures.

The proceeds of each project are recorded in the respective Capital Projects Fund as bond proceeds when sold and the balances are recorded as "Due from Other State Agencies."

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A summary of amounts held by project, as reported by the Administrative Services Division of the Department of Finance and Administration, as of June 30, 2009 follows:

Project	Group	Approp. ID	Amount Sold	Amount Draw	Amount AIPP	Balance Held	SHARE #
						by State Board of Finance June 30, 2009	Capital Project Fund
NMHU Dorms/UNM Health Lab Impr	GOB05	04-0113	\$ 10,500,000	\$ (8,073,588)	\$ (105,000)	\$ 2,321,412	64400
Academic Library Acquisitions Statewide	GOB07	06-2284	25,045,000	(6,368,967)	(220,450)	18,455,583	64400
Building Acquisitions	GOB09	08-4932	50,700,000	-	(477,000)	50,223,000	64400
SJC Learning Commons Plaza Construct	STB06SA	06-0652	1,200,000	(594,886)	-	605,114	64400
09 Las Vegas Rifle/Luna CC Early Childh	STB05SA	04-1626	50,000	-	-	50,000	64400
Science/Trades and Tech Buildings	STB07SD	07-3786	2,339,660	(1,326,259.54)	(23,400)	990,000	64400
Plant/Satellite Upgrades	STB08A-1	08-3314	1,750,000	(412,675.65)	(17,500)	1,319,824	64400
		Total	<u>\$ 91,584,660</u>	<u>\$ (16,776,376)</u>	<u>\$ (843,350)</u>	<u>\$ 73,964,934</u>	

B. Due From Federal Government

Amounts shown as "Due from Federal Government" represent expenditures to be reimbursed under various cost-sharing agreements. The amounts recorded were received subsequent to the balance sheet date; therefore, no allowance for bad debt has been recorded.

C. Loans and Interest Receivable

Under the Department's loan for service programs, i.e. Medical, Osteopathic, Nursing, Allied Health Services, Minority Doctoral, Teachers, Dentistry, and WICHE, payments for principle and interest are deferred while the individual is enrolled in a qualified educational curriculum. Both principal and interest obligations can be forgiven if the recipient performs service in a designated shortage area or accepts a teaching position at a sponsoring university (for Minority Doctoral program).

The balances of loans and interest receivable are recorded at net of allowances for doubtful accounts. Allowance for doubtful accounts has been established for individual principal and interest balances that will not be collected. These amounts are as follows.

Loan for Service Program	Total Loans Receivable	Allowance for Doubtful Accounts	Net Loans Receivable
Allied Health Services			
Student Loan	\$ 603,550	\$ (7,453)	\$ 596,097
Medical Student Loan	3,175,936	(625,381)	2,550,555
Minority Doctoral Loan	1,170,893	(169,799)	1,001,094
Nursing Student Loan	2,981,656	(986,156)	1,995,500
Osteopathic Student Loan	821,421	(161,960)	659,461
Southeastern NM Teachers	1,065,692	(300,926)	764,766
WICHE	11,763,081	(245,478)	11,517,603
Dentistry	213,751	(7,584)	206,167
	<u>\$ 21,795,980</u>	<u>\$ (2,504,737)</u>	<u>\$ 19,291,243</u>

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5. Capital Assets

The capital assets activity for the year ended June 30, 2009, is as follows:

	Balance 6/30/2008	Additions FY09	Deletions FY09	Balance 6/30/2009
Capital assets:				
Equipment & Machinery	\$ 318,612	\$ 20,286	\$ -	\$ 338,898
Furniture & Fixtures	34,662	95,429	-	130,091
Vehicles	77,180	-	-	77,180
Total at historical cost	<u>\$ 430,454</u>	<u>\$ 115,715</u>	<u>\$ -</u>	<u>\$ 546,169</u>
Less accumulated depreciation:				
Equipment & Machinery	\$ 285,306	\$ 18,222	\$ -	\$ 303,528
Furniture & Fixtures	29,326	2,328	-	31,654
Vehicles	8,329	7,718	-	16,047
Total accumulated depreciation	<u>\$ 322,961</u>	<u>\$ 28,268</u>	<u>\$ -</u>	<u>\$ 351,229</u>
Net capital assets:				
Equipment & Machinery	\$ 33,306	\$ 2,064	\$ -	\$ 35,370
Furniture & Fixtures	5,336	93,101	-	98,437
Vehicles	68,851	(7,718)	-	61,133
Total net capital assets	<u>\$ 107,493</u>	<u>\$ 87,447</u>	<u>\$ -</u>	<u>\$ 194,940</u>

Depreciation expenses was charged to function as follow:

GEAR-UP program	\$ 11,055
General government	17,213
Total depreciation	<u>\$ 28,268</u>

The Department does not have any debt related to capital assets at June 30, 2009. Depreciation expense for the current year was \$28,268 and is included in the "General Government" expenditures function in statement of Activities.

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JUNE 30, 2009**

6. Compensated Absences Payable

Employees are entitled to accumulate annual leave at a graduated rate based on the years of service. A maximum of 240 hours can be carried forward at calendar year end. The Department has recognized a liability of \$334,921 in the Statement of Net Assets for annual and sick leave based on current pay rates and hours accumulated at June 30, 2009.

A summary of changes in the compensated absences payable for the year ended June 30, 2009, is as follows:

	<u>Balance 7/1/2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2009</u>	<u>Amount Due within One Year</u>
Compensated absences payable:					
General Fund	\$ 252,542	\$ 381,785	\$ (299,406)	\$ 334,921	\$ 334,921

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7. Reversion/Due to State General Fund

With the exception of State General Fund appropriations subject to reversion, the Department was a non-reverting agency in the year ended June 30, 2009. The following shows the computation of the amount due to the State General Fund at June 30, 2009:

(a) Due to/(from) State General Fund

	#91000	#64400	#47900 Faculty Endowment	Total
	<u>General Fund</u>	<u>Capital Project</u>	<u>Endowment</u>	<u>Total</u>
Due to State General Fund, 7/1/08	\$ 114,255	\$ -	\$ -	\$ 114,255
Add:				
Current year reversions	4,361	234,786	600,000	839,147
Less:				
Fund transferred to State General Fund in FY09	834,786	(234,786)	(600,000)	-
Balance as of 6/30/2009	<u>\$ 953,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,402</u>

(b) Reversion

Reversion from Governmental Fund:

<u>SHARE#</u>	<u>Fund Description</u>	<u>Reversion amount</u>
#910000	General Fund	\$ 4,361
#644000	Capital Project	234,786
#479000	Faculty Endowment	600,000
	Total reversion from governmental fund	<u>839,147</u>

Reversion from Trust Fund:

#239000	College Affordability Endowment Trust	<u>14,500,000</u>
	Total reversion from Trust fund	<u>14,500,000</u>
	Total reversion	<u>\$ 15,339,147</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
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8. Deferred revenue

As of June 30, 2009, Department has an amount of \$1,365,422 deferred revenue. The balances are caused by the timing differences of cash receipts and expenditures stated as follows:

<u>SHARE #</u>	<u>Fund Name</u>	<u>Amount</u>	<u>Explanation</u>
91000	General fund	\$ 80,000	Fund was received for Federal Fiscal Relief Award
91000	General fund	23,644	Fund was received for Achieving the Dream Grants
91000	General fund	80,113	Fund was received for Achieving the Dream Grants
91000	General fund	300,000	Fund was received for developing statewide leadership institute
91000	General fund	42,039	Fund was received in private grants from Wallance Foundation
91000	General fund	462,977	Fund was received for statewide cyber Academy funding
21600	Financial Aid	367,457	Fund was received for Federal College Access Challenge Grant
	Secondary		
	Educational		
34400	Institution	9,192	For secondary education grant distribution
		\$ 1,365,422	

9. Operating Leases

The Department leases certain office space and equipment under lease agreements with terms ranging from one year to five years with options to renew for additional one to five year terms. Expenditures for operating leases and other rentals for the year ended June 30, 2009, were \$199,744. Future minimum payments under these operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 285,417
2011	287,865
2012	290,386
2013	282,571
2014	276,990
2015	279,745
Total	\$ 1,702,974

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10. Deferred Compensation Plan – State of New Mexico

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 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 salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or beneficiary) solely the property and rights of the State of New Mexico (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account of each participant.

Neither the Department nor the State of New Mexico makes any contributions to the deferred compensation plan. All contributions withheld from participants by the Department have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

11. Operating Transfers

Internal fund transfer within the Department's fund structure as of June 30,2009:

SHARE #	Fund Name	Internal fund transfer		Explanation
		In	(out)	
91000	General Fund	\$ 80,000	\$ -	To cover the financial aid administration cost
34400	Post-Secondary Educational Institution	-	(80,000)	
21600	Financial Aid	112,800	-	Per Legislative Endowment Fund for financial aid scholarship
88100		-	(112,800)	
	Total amount	<u>\$ 192,800</u>	<u>\$ (192,800)</u>	

**STATE OF NEW MEXICO
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12. Other Financing Source

<u>Fund No.</u>	<u>Fund Name/Description</u>	<u>Financing Sources</u>	<u>Financing Uses</u>
<u>91000</u>	General Fund		
	Compensation allocation for fiscal year 2009	\$ 822,765	\$ -
	For computer systems enhancement	1,000,000	
	Statewide cyber academy and distance learning		
	Grant distribution for GEAR-UP program		1,007,393
	No Child Left Behind		438,815
	Various Statewide grants		2,554,083
	Operating - Dental Hygiene Program		750,000
	Supplemental Nursing Camp		499,200
	Expansion		886,000
	High Skills		599,400
	Engaging Latino Communities for Education (ENLACE)		1,055,900
	Behavioral Health Purchase		654,731
	ABE programs		9,429,468
	New Mexico Mathematics, Engineering, Science Achievement		1,092,000
<u>21600</u>	Financial Aid		
	Medical Student Loan	250,000	
	Pathway Scholarship	500,000	
	Statewide financial aid scholarships and student loans		25,191,781
<u>21700</u>	College Affordable		
	Awarded for scholarship	2,002,245	2,000,000
<u>27100</u>	CHE Institution Compensation		
	To provide increase in employer contribution the education retirement fund		23,284,800
<u>29200</u>	College Goal Sunday Grant	7,574	
<u>34400</u>	Post-Secondary Educational Institution	3,010	
<u>47900</u>	Faculty Endowment		
	Statewide institutions faculty financing		5,773,268
<u>78200</u>	Development enhancement		
	Supplemental statewide programs for enhancement		3,500,000
<u>63700</u>	Lottery Tuition		
	Grant distribution to other college and institutions		43,277,948
<u>64400</u>	Capital Project		
	Refunded from other institutions of unused funds	496,197	
	Used for institutions capital projects draw-sown		51,011,411
		<u>\$ 5,081,791</u>	<u>\$ 173,006,198</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
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13. PERA Pension Plan

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

Funding Policy – Plan members are required to contribute 7.42 percent of their gross salary. The Department is required to contribute 16.59 percent of the gross covered salary. The contribution requirements of plan members and the Department are established in state statute 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 ended June 30, 2009, 2008, and 2007 were \$492,336, \$380,953, and \$336,503, respectively, which equal the amount of the required contributions for each year.

14. Post-Employment Benefits – State Retiree Health Plan

Plan Description. Higher Education Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as participant in the RHCA plan on the person’s behalf unless that person retires on or before the employer’s RHCA effective date, in which event the time period 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; 3) former legislators who serve at least two years; and 4) former governing authority members who served at least four years.

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

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

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

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

The Higher Education Department's contributions to the RHCA for the years ended June 30, 2009, 2008, 2007, were \$38,089, \$29,710, and \$26,335, respectively, which equal the required contributions for each year.

15. Risk Management and Litigation

The Department is exposed to various risk of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. Section 15-7-2, NMSA 1978 requires the General Service Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure, or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Department are accounted for in the General Fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Department is a party.

16. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claim, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, but management does not expect disallowed amounts, if any, to be material to the financial statements.

Various loans are included in loans and interest receivable (net of allowance for doubtful accounts) where the students have filed for bankruptcy. At this time, it cannot be determined whether the loans will be discharged by the bankruptcy court. Therefore, no adjustments have been made to the financial statements regarding these loans.

MAJOR GOVERNMENT FUNDS

General Fund

The Department's General Fund (SHARE #91000) 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.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specific purpose.

Financial Aid Fund (SHARE Fund #21600) – All financial aid type programs are combined into the Financial Aid Programs' Combined Statements of Revenue and Expenditures – Budget and Actual (Non-GAAP budgetary basis). Budget comparison by individual programs is presented as Additional Information – Supporting Schedules. This fund includes a roll up of the following special revenue funds:

Allied Health Services Student Loan Fund (SHARE Fund #21600 Dept. #3100) – The purpose of this program is to meet the emergency currently existing from the shortage of allied health professionals in under-served areas of the state by increasing the number of practitioners in rural areas through a program of loans for allied health students. Each applicant declares his intent to practice his allied health profession within one of the areas of the state designated as an under-served area by the Health Professions Advisory Committee, which was established and organized by the Department (21-22C, NMSA 1978). Per Section 21-22C-8, money appropriated to the fund is non-reverting to the State General Fund.

Medical Student Loan Fund (SHARE Fund #21600 Dept. #3200) – The Medical Student Loan Fund was created to increase the number of medical doctors in under-served areas of the state which have experienced shortages of medical doctors, by granting loans to medical students (21-22, NMSA 1978). Per Section 21-22-8, money appropriated to the fund is non-reverting to the State General Fund.

The Department is authorized to grant loans to defray the expenses of the medical education of students deemed qualified by the Department. The student must declare his intent that, after licensing, he will commence his practice in a designated shortage area. The act also provides for the forgiveness of a portion of the loan principal and interest for each year that a loan recipient practices his profession as a licensed physician in areas approved by the Health Professions Advisory Committee as not being adequately served by medical practitioners.

Minority Doctoral Assistance Loan Program (SHARE Fund #21600 Dept. #3300) – The purpose of the act is to increase the number of students from minority groups and women available to teach engineering, physical or life sciences, and mathematics in New Mexico colleges and universities. The act also provides for the state to forgive certain amounts of the principal and interest for each year that the student teaches as a faculty at a New Mexico four year institution (21-21I, NMSA 1978). Per Section 21-21I-8, money appropriated to the fund is non-reverting to the State General Fund.

Nursing Student Loan Fund (SHARE Fund #21600 Dept. #3400) – The Nursing Student Loan Fund was created to increase the supply of qualified nurses in certain rural areas of the State (21-22B, NMSA 1978). Per Section 21-22B-8, money appropriated to the fund is non-reverting to the State General Fund.

Loans are provided to students, upon such terms and conditions as may be imposed by regulations of the Department, to defray the expenses of nursing education programs. The act provides for the forgiveness of a portion of the principal and interest for each year that a loan recipient practices nursing in areas approved by the Health Professions Advisory Committee.

MAJOR GOVERNMENT FUNDS

Osteopathic Student Loan Fund (SHARE Fund #21600 Dept. #3500) – The Osteopathic Student Loan Fund was created to meet the existing emergency resulting from the shortage of osteopathic medical doctors in the less populated areas of the State by increasing the number of practitioners in rural areas through a program of loans for osteopathic medical students (21-22A, NMSA 1978). Per Section 21-22A-8, money appropriated to the fund is non-reverting to the State General Fund.

The Department is authorized to grant loans to defray expenses of the osteopathic medical education of students deemed qualified by the Department to receive the same, upon such terms and conditions as may be imposed by regulations of the Department. The act also provides for the forgiveness of one year of the principal amount of the loan together with interest for each year that the student practices his profession as a licensed osteopathic physician in areas designated by the Health Professions Advisory Committee as not being adequately served by osteopathic medical practitioners.

Teacher Loan for Service Program (SHARE Fund #21600 Dept. #3600) – The purpose of the New Mexico Teacher Loan for Service Act is to proactively address New Mexico's looming teacher shortage by providing students with the financial means to complete or enhance their post-secondary teacher preparation education.

The program provides for the state to forgive a portion of the principle and interest for each year that a student serves in a designated shortage area. (Section 21-22E through 21-22E-10) (NMSA 1978) Money appropriated to the fund is non-reverting to the State General Fund.

Health Profession Loan Repayment Program (SHARE Fund #21600 Dept. #3700 and #3800) – The State and Federal Health Professional Education Loan Repayment Programs are incentive programs designed to improve the recruitment and retention of primary medical care providers in under-served portions of New Mexico. Awards will be made to primary medical care providers serving in designated under-served areas, with priority given to providers located at community-based primary care centers. Awards must be used to pay for an individual's medical student loans. Medical care personnel eligible for loan repayment awards include physicians (both MD and DO), nurse practitioners, nurse midwives, physician's assistants, and allied health service professionals. (21-22D, NMSA 1978). Per Section 21-22D-8, money appropriated to the fund is non-reverting to the State General Fund.

Graduate Fellowship Fund (SHARE Fund #21600 Dept. #3900) – This fellowship program was established by the Legislature to increase enrollment in graduate education. Fellows receive an award of \$600 per month up to 12 months per year (21-21G, NMSA 1978). Per Section 21-21G-9, money appropriated to the fund is non-reverting to the State General Fund.

Endowed Merit Scholars (SHARE Fund #21600 Dept. #4000) – The amount earned on the investment of the Legislative Endowment Scholarship Fund (SHARE Fund #88100) is expended from this sub-fund to provide legislative endowment scholarships to students at public post-secondary educational institutions pursuant to the Legislative Endowment Scholarship Act. The monies to cover these expenditures are transferred from the Endowed Merit Scholars Fund (SHARE Fund #88). Per Section 21-21J-8, money appropriated to the fund is non-reverting to the State General Fund.

Work Study Program Fund (SHARE Fund #21600 Dept. #4100) – The Work Study Program Fund was created to provide a work study program for students at post-secondary educational institutions. Appropriations have been provided to the Department for the purpose of carrying out the provisions of the Work Study Act. At least one-third of the awards are to be made to needy resident students, and the Work Study Act provides that the employer pay at least 20% of the wages (21-21B, NMSA 1978). Per Section 21-21B-4, money appropriated to the fund is non-reverting to the State General Fund.

New Mexico Scholars (SHARE Fund #21600 Dept. #4200) – The purposes of this act is to encourage New Mexico students to attend college in New Mexico. The scholarships shall be in an amount sufficient to pay for tuitions, fees, and books for an academic year, for a period not to exceed four years (21-21H, NMSA 1978). Per Section 21-21H-9, money appropriated to the fund is non-reverting to the State General Fund.

MAJOR GOVERNMENT FUNDS

Student Choice Grants Fund (SHARE Fund #21600 Dept. #4400) – The Student Choice Fund was created to account for transactions related to the “Student Choice Act” which is to broaden student choice and make available state funds to students attending not-for-profit independent institutions of higher education (21-21C, NMSA 1978). Per Section 21-21C-9, money appropriated to the fund is non-reverting to the State General Fund.

State Student Incentive Grants Fund (SHARE Fund #21600 Dept. #4500) – The State Student Incentive Program Fund accounts for the transactions of the State Student Incentive Grant Program. Federal matching monies are provided through the United States Department of Health, Education and Welfare under the authority of Title IV, Part A, Subpart 3 of the Higher Education Act of 1965, as amended. Monies in this fund are used to provide initial and continuation student grants to undergraduates with substantial financial need for attendance at public and private post-secondary education institutions based upon criteria adopted by the Department. The Department is required to report this program as a separate fund by federal contract. Money in the fund shall not revert to the State General Fund.

Vietnam Veteran's Scholarship Fund (SHARE Fund #21600 Dept. #4700) – The Vietnam Veteran's Scholarship Fund was established to reimburse educational institutions for tuition payments for Vietnam Veteran undergraduates and master degree post-secondary students for tuition and fee costs on a “first come, first served” basis (21-21E, NMSA 1978). Per Section 21-21E-1, money appropriated to the fund is non-reverting to the State General Fund.

Lottery Tuition (SHARE Fund #21600 Dept. #4800) – The amount transferred from the Lottery Tuition Fund (SHARE Fund #637) is expended for tuition assistance for qualifying New Mexico resident undergraduate students pursuant to Sections 21-1-4.3 and 21-1-4.4 NMSA 1978). Per Section 21-1-4.4, money appropriated to the fund is non-reverting to the State General Fund.

WICHE (SHARE Fund #21600 Dept. #4900) – The purpose of this fund is to provide monies for loans to students participating in the student exchange program of the Western Interstate Commission of Higher Education (21-29-1 to 21-29-6 NMSA 1978). Per Section 21-29-5, money appropriated to the fund is non-reverting to the State General Fund.

Dentistry (SHARE Fund #21600 Dept. #5000) – The purpose of this fund is to provide monies for loans. The Baylor School of Medicine holds a contract with the State of New Mexico to educate not more than six students in the field of dentistry. This contract is managed by the WICHE program and is subject to the same contract specifications as the WICHE exchange schools. Per Section 21-29-5, money appropriated to the fund is non-reverting to the State General Fund.

PSL Loan Repayment (SHARE Fund #21600 Dept #7000) – The purpose of the Public Service Law Loan Repayment Act [21-22F-1 NMSA 1978] is to improve access to the justice system in New Mexico by increasing the number of attorneys in public service employment through a legal education loan repayment program.

Merit Based Scholarships Fund (SHARE Fund 21600 Dept #0000) – This fund accounts for Merit Scholarships which are funded by the Endowed Merit Scholars Private Trust Fund.

CHE Institution Compensation Distribution (SHARE Fund #27100) – The purpose of this fund is to record the monies appropriated to the Higher Education Department per Laws of 2007, Section 8 Item 1 and 2 for expenditure in fiscal year 2008 to provided faculty and other staff of four-year post secondary educational institutions with a salary increase effective the first full pay period after July 1, 2007. Any unexpended balance remaining at the end of fiscal year 2008 shall revert to the State General Fund.

Lottery Tuition Fund (SHARE Fund # 63700) – The purpose of this fund is to provide monies for distribution to New Mexico's public college educational institutions to provide tuition assistance for New Mexico's resident undergraduates (6-24-23 NMSA 1978) Net receipts from the New Mexico Lottery Authority are deposited in this fund and then transferred to the Lottery Tuition (SHARE Fund #216, Dept. #4800) for expenditure

MAJOR GOVERNMENT FUNDS

pursuant to Sections 21-1-4.4 NMSA 1978. Money appropriated to the fund is non-reverting to the State General Fund.

Capital Projects (SHARE Fund #64400) – The purpose of this fund is to account for capital project appropriations made to the Department for post-secondary educational institutions and special schools. Monies include General Fund appropriations, general obligation bonds, and severance tax bonds. This fund has a multiple-year budget and is not included in the Combined Statement of Revenues and Expenditures – Budget and Actual – General and Single-Year Budget Special Revenue Funds. Multiple year appropriation budgetary comparison for this fund is presented as Additional Information – Supporting Schedules. Funds not utilized are adjusted from the original budget.

**STATE OF NEW MEXICO
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COMBINING BALANCE SHEET
MAJOR GOVERNMENT FUNDS
ALL FINANCIAL AID PROGRAMS – GOVERNMENT FUNDS
JUNE 30, 2009
(AUDITED)**

	Allied Health Services Student Loan	Medical Student Loan	Minority Doctoral Assistance Loan	Nursing Student Loan	Osteopathic Student Loan
Assets:					
Interest in SGFIP	\$ 120,568	\$ 1,036,832	\$ 541,879	\$ 597,081	\$ 507,282
Due from other agencies	-	-	-	-	-
Due from federal government	-	-	-	-	-
Loan & Interest receivable, (net of allowance for doubtful accounts)	596,097	2,550,555	1,001,094	1,995,500	659,461
	-	-	-	-	-
Total assets	<u>\$ 716,665</u>	<u>\$ 3,587,387</u>	<u>\$ 1,542,973</u>	<u>\$ 2,592,581</u>	<u>\$ 1,166,743</u>
Liabilities and Fund balance:					
Account Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Fund balance	716,665	3,587,387	1,542,973	2,592,581	1,166,743
	-	-	-	-	-
Total Liabilities and Fund balance	<u>\$ 716,665</u>	<u>\$ 3,587,387</u>	<u>\$ 1,542,973</u>	<u>\$ 2,592,581</u>	<u>\$ 1,166,743</u>

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

Southeastern NM/Teachers/ Teacher Quality Loan	Professional Loan Repayment Program	Graduate Fellowship	Legislative Endowment	Work Study Program	New Mexico Scholars
\$ 753,689	\$ 380,742	\$ 545,419	\$ 162,979	\$ 227,994	\$ 225,803
-	-	-	-	-	-
-	206,006	-	-	-	-
764,766	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,518,455</u>	<u>\$ 586,748</u>	<u>\$ 545,419</u>	<u>\$ 162,979</u>	<u>\$ 227,994</u>	<u>\$ 225,803</u>
\$ -	\$ 11,750	\$ -	\$ 1,000	\$ -	\$ -
-	-	-	-	-	-
1,518,455	574,998	545,419	161,979	227,994	225,803
-	-	-	-	-	-
<u>\$ 1,518,455</u>	<u>\$ 586,748</u>	<u>\$ 545,419</u>	<u>\$ 162,979</u>	<u>\$ 227,994</u>	<u>\$ 225,803</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
COMBINING BALANCE SHEET
MAJOR GOVERNMENT FUNDS
ALL FINANCIAL AID PROGRAMS – GOVERNMENT FUNDS
JUNE 30, 2009
(AUDITED)**

	Student Choice Grants	Student Incentive Grants	NM Student Incentive Federal Grants	Vietnam Veteran's Scholarship	Lottery Tuition
Assets:					
Interest in SGFIP	\$ 1,871	\$ 208,470	\$ -	\$ (19,624)	\$ 9,010
Due from other agencies	-	12,358	-	-	-
Due from federal government	-	-	-	-	-
Loan & Interest receivable, (net of allowance for doubtful accounts)	-	-	-	-	-
Total assets	\$ 1,871	\$ 220,828	\$ -	\$ (19,624)	\$ 9,010
Liabilities and Fund balance:					
Account Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Fund balance	1,871	220,828	-	(19,624)	9,010
Total Liabilities and Fund balance	\$ 1,871	\$ 220,828	\$ -	\$ (19,624)	\$ 9,010

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

WICHE	Dentistry	College Access Challenge	Pathways Scholarship	PSL Repayment Loan	Merit Based Scholarships	Total Financial Aids Programs
\$ 1,627,713	\$ 46,527	\$ 426,189	\$ 242,130	\$ 264,818	\$ 196,275	\$ 8,103,647
-	-	-	-	-	-	12,358
-	-	-	-	-	-	206,006
-	-	-	-	-	-	-
11,517,603	206,167	-	-	-	-	19,291,243
<u>\$ 13,145,316</u>	<u>\$ 252,694</u>	<u>\$ 426,189</u>	<u>\$ 242,130</u>	<u>\$ 264,818</u>	<u>\$ 196,275</u>	<u>\$ 27,613,254</u>
\$ -	\$ -	\$ 58,732	\$ -	\$ 4,700	\$ 3,025	\$ 79,207
-	-	367,457	-	-	-	367,457
13,145,316	252,694	-	242,130	260,118	193,250	27,166,590
<u>\$ 13,145,316</u>	<u>\$ 252,694</u>	<u>\$ 426,189</u>	<u>\$ 242,130</u>	<u>\$ 264,818</u>	<u>\$ 196,275</u>	<u>\$ 27,613,254</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MAJOR GOVERNMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL FINANCIAL AID PROGRAMS – GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Allied Health Services Student Loan	Medical Student Loan	Minority Doctoral Assistance Loan	Nursing Student Loan	Osteopathic Student Loan
Revenues:					
Federal sources	\$ -	\$ -	\$ -	\$ -	\$ -
Grant and Donations	-	-	24,000	302	-
Interest on investment	-	-	-	52	-
Interest on loans	21,787	-	535	377,982	55,335
Total revenues	21,787	-	24,535	378,336	55,335
Expenditures:	-	-	-	-	-
General government:	-	-	-	-	-
Other costs	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	21,787	-	24,535	378,336	55,335
Total other financing sources (uses):					
Other financing sources	-	250,000	-	-	-
State General Fund appropriation	108,000	83,000	132,000	350,000	-
Operating transfer in (out)	-	-	-	-	-
Other financing (uses)	(32,976)	(141,510)	-	-	-
Loans forgiven - principle	-	-	(91,789)	-	-
Loans forgiven - interest	-	-	-	-	-
Grant to Organizations	-	-	(127,500)	(146,000)	-
Total other financing sources (uses)	75,024	191,490	(87,289)	204,000	-
Increase (decrease) in fund bal	96,811	191,490	(62,754)	582,336	55,335
Fund balance, beginning of year	619,854	3,395,897	1,605,727	2,010,245	1,111,408
Fund balance, end of year	\$ 716,665	\$ 3,587,387	\$ 1,542,973	\$ 2,592,581	\$ 1,166,743

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

Southeastern NM/Teachers/ Teacher Quality Loan	Health Professional Loan Repayment Program	Graduate Fellowship	Legislative Endowment	Work Study Program	New Mexico Scholars
\$ -	\$ 131,563	\$ -	\$ -	\$ -	\$ -
2,000	7,101	-	-	60,536	-
-	-	-	-	-	-
705	-	-	-	-	-
2,705	138,664	-	-	60,536	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,705	138,664	-	-	60,536	-
-	-	-	-	-	-
250,400	666,700	619,200	-	5,989,600	1,000,000
-	-	-	112,800	-	-
(52,358)	(134,688)	(594,700)	(43,000)	(3,879,975)	(920,576)
-	-	-	-	-	-
-	-	-	-	-	-
(36,000)	(369,187)	-	(69,800)	(2,124,021)	(8,770)
162,042	162,825	24,500	-	(14,396)	70,654
-	-	-	-	-	-
164,747	301,489	24,500	-	46,140	70,654
-	-	-	-	-	-
1,353,708	273,509	520,919	161,979	181,854	155,149
-	-	-	-	-	-
\$ 1,518,455	\$ 574,998	\$ 545,419	\$ 161,979	\$ 227,994	\$ 225,803

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
MAJOR GOVERNMENT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL FINANCIAL AID PROGRAMS – GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Student Choice Grants	State Student Incentive Grants	NM Student Incentive Federal Grants	Vietnam Veteran's Scholarship	Lottery Tuition
Revenues:					
Federal sources	\$ -	\$ 421,544	\$ 348,964	\$ -	\$ -
Grant and Donations	-	-	-	-	-
Interest on investment	-	88,027	-	-	-
Interest on loans	-	-	-	-	-
Total revenues	-	509,571	348,964	-	-
Expenditures:					
General government:	-	-	-	-	-
Other costs	-	-	-	257	-
Total expenditures	-	-	-	257	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
	-	509,571	348,964	(257)	-
Total other financing sources (uses):					
Other financing sources	-	-	-	-	-
State General Fund appropriation	1,004,700	11,430,400	-	113,600	-
Operating transfer in (out)	-	-	-	-	-
Other financing (uses)	-	(7,872,955)	(227,954)	(111,351)	-
Loans forgiven - principle	-	-	-	-	-
Loans forgiven - interest	-	-	-	-	-
Grant to Organizations	(1,004,700)	(4,162,994)	(121,010)	(33,868)	-
Total other financing sources (uses)	-	(605,549)	(348,964)	(31,619)	-
Increase (decrease) in fund bal	-	(95,978)	-	(31,876)	-
Fund balance, beginning of year	1,871	316,806	-	12,252	9,010
Fund balance, end of year	\$ 1,871	\$ 220,828	\$ -	\$ (19,624)	\$ 9,010

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

WICHE	Dentistry	College Access Challenge	Pathways Scholarship	PSL Repayment Loan	Merit Based Scholarships	Total Financial Aid Programs
\$ -	\$ -	\$ 189,341	\$ -	\$ -	\$ -	\$ 1,091,412
-	-	-	-	2,736	-	96,675
8,877	-	-	-	-	-	96,956
-	2,981	-	-	-	-	459,325
8,877	2,981	189,341	-	2,736	-	1,744,368
-	-	-	-	-	-	-
-	-	180,541	-	2,600	47,000	230,398
-	-	180,541	-	2,600	47,000	230,398
-	-	-	-	-	-	-
8,877	2,981	8,800	-	136	(47,000)	1,513,970
-	-	-	500,000	-	-	750,000
2,153,900	54,000	-	-	299,700	1,627,000	25,882,200
-	-	-	-	-	-	112,800
-	-	-	(249,370)	-	(1,436,750)	(15,698,163)
-	-	-	-	-	-	(91,789)
-	-	-	-	-	-	-
(1,116,813)	-	(8,800)	(8,500)	(155,655)	-	(9,493,618)
1,037,087	54,000	(8,800)	242,130	144,045	190,250	1,461,430
1,045,964	56,981	-	242,130	144,181	143,250	2,975,400
12,099,352	195,713	-	-	115,937	50,000	24,191,190
\$ 13,145,316	\$ 252,694	\$ -	\$ 242,130	\$ 260,118	\$ 193,250	\$ 27,166,590

NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

College Affordability Scholarship (SHARE Fund #21700) – The purpose of this fund is created in the state treasury. The fund consists of appropriations, gifts, grants, donations and income from investment of its fund. The fund shall be administered by the Department for distributions to public, post-secondary educational institutions that meet or exceed performance targets for freshmen enrollment and persistence and graduation rates, including minority student. Per Section 21-1-27-3, money appropriated to the fund is non-reverting to the State General Fund.

Che – 1994 Capital Projects (SHARE Fund #29200) – The purpose of this fund is to provide capital to the Navajo Community College at Crownpoint and also to provide post-secondary education institutions with capital for ADA facilities improvements, instructional equipment and handicap access. The funds are provided by general obligation and severance tax bonds. This fund has a multiple year budget and is not included in the Combined Statement of Revenues and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) – General and Single-Year Budget Special Revenue Funds. Multiple year appropriation comparison for this fund is presented as Additional Information – Supporting Schedules. Funds not utilized are adjusted from the original budget.

Post-Secondary Education Institution Fund (SHARE Fund #34400) – The Post-Secondary Education Institution Fund was created to improve the quality of post-secondary education and to prevent misrepresentation, fraud and collusion in offering educational programs to persons over the compulsory school attendance age. The Department certifies applicable institutions upon evidence of compliance with the rules and regulations of the Act (21-23, NMSA 1978). Per Section 21-23-8, money appropriated to the fund is non-reverting to the State General Fund.

Endowed Faculty Fund (SHARE Fund #47900) – The purpose of this fund is to account for monies received from appropriations, income from investment of the fund, gifts, grants, donations and bequests. Money in the fund shall not revert at the end of any fiscal year per Section 21-1-27.1, NMSA 1978. The funds shall be disbursed only to established endowments for chairs, professorships, and faculty development programs at four-year public post-secondary educational institutions.

Higher Education Performance Fund (SHARE Fund # 54500) – This fund is created in the state treasury per Section 21-1-27.3, NMSA 2006 HB, Section 5. The fund consists of appropriation, gifts, grants, donations and income from investment. Money in the fund shall not revert to any other fund. The fund shall be administered by the Department and money in the fund is appropriated to the Department for distributions to public post-secondary education institutions that met its performance standards in the preceding year.

Program Development Enhancement Fund (SHARE Fund #78200) – The purpose of this fund is to distribute appropriations to various institutions to expand nursing and other high priority programs. Per Section 21-1-27.4, NMSA 1978, money appropriated to the fund is non-reverting to the State General Fund.

Endowed Merit Scholars (SHARE Fund #88100) – The purpose of this fund is to record monies earned on the investment of the Legislative Endowment Scholarship Fund. This amount is for the purpose of providing legislative endowment scholarships to students at public post-secondary educational institutions pursuant to the Legislative Endowment Scholarship Act. The monies earned and recorded in this fund are transferred to the Endowed Merit Scholars (SHARE Fund #21600, Dept. 4000) for expenditures pursuant to the Legislative Endowment Scholarship Act. Interest earned on the State Student Incentive Grant Account is also deposited to this fund to be used to cover any shortfall in financial aid programs (21-215-1 to 21-215-8, NMSA 1978). Money appropriated to the fund is non-reverting to the State General Fund.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
COMBINING BALANCE SHEET – NON-MAJOR FUNDS
JUNE 30, 2009
(AUDITED)**

	College Affordability Scholarship	Che -1994 Capital Projects	Post-Secondary Educational Institution	Faculty Endowment	Performance Fund	Development Enhancement	Endowed Merit Scholarships	Total Other Funds
Assets								
Interes in SGFIP	\$ 839,788	\$ 8,442	\$ 251,662	\$ 985,851	\$ 2,848,240	\$ 171,308	\$ 697,995	\$ 5,803,286
Due From Other Agencies	171	1	-	176	489	29	517	1,383
Total assets	\$ 839,959	\$ 8,443	\$ 251,662	\$ 986,027	\$ 2,848,729	\$ 171,337	\$ 698,512	\$ 5,804,669
Liabilities and Fund Balances								
Liabilities:								
Account Payable	\$ 44,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,408
Deferred revenue	-	-	9,192	-	-	-	-	9,192
Total liabilities	44,408	-	9,192	-	-	-	-	53,600
Fund Balance:								
Reserved for:								
Secondary Educational	795,551	8,443	242,470	-	-	-	-	1,046,464
Faculty Endowment	-	-	-	986,027	-	-	-	986,027
Performance Development	-	-	-	-	2,848,729	171,337	-	3,020,066
Scholarships	-	-	-	-	-	-	698,512	698,512
Total fund balance	795,551	8,443	242,470	986,027	2,848,729	171,337	698,512	5,751,069
Total liabilities and fund balance	\$ 839,959	\$ 8,443	\$ 251,662	\$ 986,027	\$ 2,848,729	\$ 171,337	\$ 698,512	\$ 5,804,669

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

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –
NON-MAJOR FUNDS
JUNE 30, 2009
(AUDITED)**

	College Affordability Scholarship	Che -1994 Capital Projects	Post-Secondary Educational Institution	Faculty Endowment	Performance Fund	Development Enhancement	Endowed Merit Scholarships	Total Other Funds
Revenues:								
Licenses, permits and fees	\$ -	\$ -	\$ 87,634	\$ -	\$ -	\$ -	\$ -	\$ 87,634
Interest on investments	859	111	-	45,610	21,115	19,044	22,336	109,075
Other	-	-	-	-	-	-	-	-
Total revenues	<u>859</u>	<u>111</u>	<u>87,634</u>	<u>45,610</u>	<u>21,115</u>	<u>19,044</u>	<u>22,336</u>	<u>196,709</u>
Expenditures:								
Current:								
Other	-	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>859</u>	<u>111</u>	<u>87,634</u>	<u>45,610</u>	<u>21,115</u>	<u>19,044</u>	<u>22,336</u>	<u>196,709</u>
Other financing sources (uses):								
State General Fund appropriations	-	-	-	-	-	3,500,000	-	3,500,000
Operating transfer in (out)	-	-	(80,000)	-	-	-	(112,800)	(192,800)
Other financing sources	2,002,245	7,574	3,010	-	-	-	-	2,012,829
Other financing (uses)	(2,000,000)	-	-	(5,773,268)	-	(3,500,000)	-	(11,273,268)
Transfers - Reversion	-	-	-	(600,000)	-	-	-	(600,000)
Total other financing sources (uses)	<u>2,245</u>	<u>7,574</u>	<u>(76,990)</u>	<u>(6,373,268)</u>	<u>-</u>	<u>-</u>	<u>(112,800)</u>	<u>(6,553,239)</u>
Net change in fund balances	3,104	7,685	10,644	(6,327,658)	21,115	19,044	(90,464)	(6,356,530)
Fund balance, beginning of period	<u>792,447</u>	<u>758</u>	<u>231,826</u>	<u>7,313,685</u>	<u>2,827,614</u>	<u>152,293</u>	<u>788,976</u>	<u>12,107,599</u>
Fund balance, end of period	<u>\$ 795,551</u>	<u>\$ 8,443</u>	<u>\$ 242,470</u>	<u>\$ 986,027</u>	<u>\$ 2,848,729</u>	<u>\$ 171,337</u>	<u>\$ 698,512</u>	<u>\$ 5,751,069</u>

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

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
COLLEGE AFFORDABILITY SCHOLARSHIP (FUND 21700)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 859	\$ 859
			-	
Total revenues	-	-	859	859
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	859	859
Other financing sources (uses):				
Other financing sources	2,000,000	2,000,000	2,002,245	2,245
Other financing (uses)	(2,000,000)	(2,000,000)	(2,000,000)	-
			-	
Net change in fund balance	\$ -	\$ -	\$ 3,104	\$ 3,104

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
CHE – 1994 CAPITAL PROJECTS (FUND 29200)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 111	\$ 111
Total revenues	-	-	111	111
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	111	111
Other financing sources (uses):				
Other financing sources	-	-	7,573	7,573
State General Fund appropriations	-	-	-	-
Other financing uses	-	-	-	-
Net change in fund balance	\$ -	\$ -	\$ 7,684	\$ 7,684

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

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
POST-SECONDARY EDUCATIONAL INSTITUTIONAL FUND (FUND 34400)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Other licenses	\$ -	\$ -	\$ 87,634	\$ 87,634
Total revenues	-	-	87,634	87,634
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures				
Excess (deficiency) revenues over expenditures	-	-	87,634	87,634
Other financing sources (uses):				
Other financing sources	240,000	240,000	3,010	(236,990)
Other financing uses	(240,000)	(240,000)	(80,000)	160,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,644</u>	<u>\$ 10,644</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
FACULTY ENDOWMENT FUND (FUND 47900)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest on investments	\$ -	\$ -	\$ 45,610	\$ 45,610
Total revenues	-	-	45,610	45,610
Expenditures:				
General government:				
Current:				
Other costs	12,010,000	1,435,000	-	1,435,000
Total expenditures	12,010,000	1,435,000	-	1,435,000
Excess (deficiency) revenues over expenditures	(12,010,000)	(1,435,000)	45,610	1,480,610
Other financing sources (uses):				
Prior year cash re-budgeted	17,600,000	18,252,387	-	(18,252,387)
Other financing uses	(5,590,000)	(16,817,387)	(5,773,268)	11,044,119
Reversion	-	-	(600,000)	(600,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,327,658)</u>	<u>\$ (6,327,658)</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
HIGHER EDUCATION PERFORMANCE (FUND 54500)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest on investments	\$ -	\$ -	\$ 21,115	\$ 21,115
Total revenues	-	-	21,115	21,115
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	21,115	21,115
Other financing sources (uses):				
Prior year cash re-budgeted	5,000,000	5,000,000	-	(5,000,000)
Other financing (uses)	(5,000,000)	(5,000,000)	-	5,000,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,115</u>	<u>\$ 21,115</u>

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
PROGRAM DEVELOPMENT ENHANCEMENT (FUND 78200)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 19,044	\$ 19,044
Total revenues	-	-	19,044	19,044
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	19,044	19,044
Other financing sources (uses):				
State General Fund appropriations	3,500,000	3,500,000	3,500,000	-
Other financing (uses)	(10,496,300)	(10,496,300)	(3,500,000)	6,996,300
Prior year cash re-budgeted	6,996,300	6,996,300	-	(6,996,300)
Net change in fund balance	\$ -	\$ -	\$ 19,044	\$ 19,044

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
NON-MAJOR GOVERNMENTAL FUNDS
ENDOWED MERIT SCHOLARSHIP FUND (FUND 88100)
FOR THE YEAR ENDED JUNE 30, 2009
(AUDITED)**

	Original Budget	Final Budget	Modified Accrual Basis	Variance Favorable (Unfavorable)
Revenues:				
Interest on investments	\$ -	\$ -	\$ 22,336	\$ 22,336
Total revenues	-	-	22,336	22,336
Expenditures:				
General government:				
Current:				
Other costs	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) revenues over expenditures	-	-	22,336	22,336
Other financing sources (uses):				
Other financing sources	24,000	24,000	-	(24,000)
Other financing (uses)	(112,800)	(112,800)	(112,800)	-
Prior year cash re-budgeted	88,800	88,800	-	(88,800)
Net change in fund balance	\$ -	\$ -	\$ (90,464)	\$ (90,464)

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF CAPITAL PROJECTS
YEAR ENDED 30, 2009**

Project	Group	Approp. ID	Amount Sold	Amount Draw	Amount AIPP	Balance Held	SHARE #
						by State Board of Finance June 30, 2009	Capital Project Fund
NMHU Dorms Impr	GOB05	04-0113	\$ 2,500,000	\$ (2,465,550.40)	\$ (25,000)	\$ 9,450	64400
UNM Health Sci Ctr Anatomy Lab	GOB05	04-0138	8,000,000	(5,608,037.97)	(80,000)	2,311,962	64400
Academic Library Acquisitions Statewide	GOB07	06-2284	3,000,000	(2,578,820.75)	-	421,179	64400
ATVI Classroom/Tech Bldg	GOB07	06-2378	11,300,000	(383,490.41)	(113,000)	10,803,510	64400
CCC Allied Health Center	GOB07	06-2379	3,000,000	(2,263,682.41)	(30,000)	706,318	64400
Luna Cmty College Education Building	GOB07	06-2380	2,000,000	-	(20,000)	1,980,000	64400
MCC Academic Bldg	GOB07	06-2381	1,500,000	(1,080,261.69)	(15,000)	404,738	64400
NMJC Cowboy Hall of Fame Remodel	GOB07	06-2382	245,000	-	(2,450)	242,550	64400
NMJC Testing Center Remodel	GOB07	06-2383	1,000,000	(62,711.73)	(10,000)	927,288	64400
SFCC Allied Health & Sci Bldg	GOB07	06-2385	3,000,000	-	(30,000)	2,970,000	64400
HED Library Acquisitions	GOB09	08-4932	3,000,000	-	-	3,000,000	64400
CCC Allied Health Building	GOB09	08-4933	4,000,000	-	(40,000)	3,960,000	64400
SJC Health Sciences Center	GOB09	08-4934	5,000,000	-	(50,000)	4,950,000	64400
UNM Dental Residency Educ Fclties State	GOB09	08-4935	7,000,000	-	(70,000)	6,930,000	64400
CNMCC Westside Campus	GOB09	08-4943	12,000,000	-	(120,000)	11,880,000	64400
NMJC Central Plant Upgrades	GOB09	08-4944	3,500,000	-	(35,000)	3,465,000	64400
MCC North Amer Wind Research & Training	GOB09	08-4945	7,000,000	-	(70,000)	6,930,000	64400
LCC Multipurpose Education Center	GOB09	08-4946	4,500,000	-	(45,000)	4,455,000	64400
SFCC Trades & Advanced Tech Ctr	GOB09	08-4947	4,200,000	-	(42,000)	4,158,000	64400
IAIA Science, Tech, Arts, Culture	GOB09	08-4948	500,000	-	(5,000)	495,000	64400
SJC Learning Commons Plaza Construct	STB06SA	06-0652	1,200,000	(594,885.74)	-	605,114	64400
09 Las Vegas Rifle/Luna CC Early Childh	STB05SA	04-1626	50,000	-	-	50,000	64400
09 SJC Trades and Tech Building	STB07SD	07-3786	1,339,660	(1,326,259.54)	(13,400)	0	64400
SFCC Health & Science Bldg	STB07SD	07-3787	1,000,000	-	(10,000)	990,000	64400
NMJC Central Plant Upgrades	STB08A-1	08-3314	1,500,000	(412,675.65)	(15,000)	1,072,324	64400
LCC Satellite Construct	STB08A-1	08-3317	250,000	-	(2,500)	247,500	64400
Total			\$ 91,584,660	\$ (16,776,376)	\$ (843,350)	\$ 73,964,934	

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Federal Grantor/Agency- Grantor/Program Title		Federal CFDA #	Grant Number or Pass-Through Number	Total Federal Award	Total Federal Award Expenditure
<u>U.S. Dept. of Education:</u>					
Adult Basic Education Program	Major Program	84.002A	V002A080031	\$ 3,612,045	\$ 2,372,087
Adult Basic Education Program	Major Program	84.002A	V002A070031	\$ 3,693,111	1,119,247
Gaining Early Awareness and Reading for Undergraduates Program (GEAR-UP)	Major Program	84.334A	P334S060009-02	\$ 3,000,000	2,071,135
No Child Left Behind (NCLB)	Major Program	84.367B	S367B060028A	\$ 597,144	230,375
No Child Left Behind (NCLB)	Major Program	84.367B	S367B050028A	\$ 605,001	535,219
Student Incentive 06 - LEAP Program		84.069A	N069A070052	\$ 353,905	353,905
Student Incentive 06 - SLEAP Program		84.069B	N069B070045	\$ 416,603	416,603
College Access Challenge Grant		84.000B	P378A080052	\$ 556,798	189,341
<u>U.S. Dept. of Health and Human Services:</u>					
Behavioral Health (pass through)	Major Program	93.243	U79SM57464-03	\$ 654,731	654,731
Repayment Program (HPLRP)		93.165	H56CS00099-14	\$ 131,563	131,563
					<u>\$ 8,074,206</u>
Reconciliation:					
General Fund Federal Sources					\$ 6,982,794
Financial Aid Federal Sources					1,091,412
Total					<u>\$ 8,074,206</u>

Note: The schedule of expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. Non-Cash Assistance

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

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**INDEPENDENT AUDITORS' 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**

Dr. Viola Florez, Cabinet Secretary
State of New Mexico
Higher Education Department
Santa Fe, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparison statements of the general fund and major special revenue funds, and the aggregated remaining fund information of the State of New Mexico, Higher Education Department (Department), as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 10, 2009. We have also audited the financial statements of each of the Department's non-major governmental funds presented in the accompanying combining and individual fund financial statements and the budgetary comparison statements as of and for the year ended June 30, 2009. 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 *Governmental 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financing reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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

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 combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential would 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 as items 2006-1 and 2008-1 to be insignificant deficiencies in internal control over financial reporting.

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.

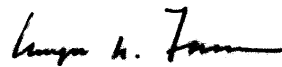
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The 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 response and, accordingly, we express no opinion on them.

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



Gwen K. Farner, CPA

December 10, 2009

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

Dr. Viola Florez, Cabinet Secretary
State of New Mexico
Higher Education Department
Santa Fe, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico, Higher Education Department (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, 2009. The Department's major federal programs are identified in the summary of auditor's 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 American; the standard 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 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.

In our opinion, 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, 2009.

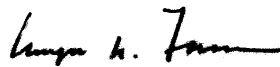
Internal Control Over Compliance

The management of 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 Department's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

A *control deficiency* in an entity'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 entity's internal control.

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.

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



Gwen K. Farner, CPA

December 10, 2009

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (FEDERAL AWARD PROGRAMS)
YEAR ENDED JUNE 30, 2009**

I. SUMMARY OF AUDITS RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the State of New Mexico, Higher Education Department.
2. No significant deficiencies were disclosed during 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 the Financial Statements Performed in Accordance With *Government Auditing Standards*. None of the deficiencies are material weaknesses.
3. Two instances of control deficiency to the financial statements of the State of New Mexico, Higher Education Department which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. Type of the auditors' report on compliance for the major federal award programs for the State of New Mexico, Higher Education Department expresses an unqualified opinion on all major federal programs.
5. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule. However, the audit disclosed no audit findings relating to major programs that the auditors are required to report on.
6. The programs tested as major programs including the following:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.002A	U.S. Department of Education – Adult Basic Education Program (ABE)
84.334A	U.S. Department of Education – Gaining Early Awareness and Reading for Undergraduates Program (GEAR-UP)
84.367B	U.S. Department of Education – No Child Left Behind (NCLB)
93.243	U.S. Department of Health and Human Services – Behavioral Health

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Higher Education Department qualified as a low-risk auditee.

II. FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

	Questioned Costs
U.S. Department of Education	None
U.S. Department of Health and Human Services	None

III. STATUS OF PRIOR-YEAR AUDIT FINDINGS – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (FEDERAL AWARD PROGRAMS)
YEAR ENDED JUNE 30, 2009**

IV. CURRENT-YEAR FINDINGS – FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PERTAINING TO FINANCIAL STATEMENTS)
YEAR ENDED JUNE 30, 2009**

I. PRIOR- YEAR AUDIT FINDINGS

- | | |
|--------|--|
| 2006-1 | General Ledger for Loan for Service programs was not being reconciled
(Repeated and modified) |
| 2006-4 | Failure to submit audit report on time
(Resolved) |
| 2008-1 | Cash receipt deposits were improperly managed
(Repeated and modified) |
| 2008-2 | Proper supporting documents not retained for expenditures
(Resolved) |
| 2008-3 | Department failed to revert funds to State General Fund
(Resolved) |
| 2008-4 | Department's operating fund #91000 actual expenditures exceeded budgeted
expenditures
(Resolved) |

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PERTAINING TO FINANCIAL STATEMENTS)
YEAR ENDED JUNE 30, 2009**

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS

2006-1 General Ledger for Loan for Service programs was not being reconciled and posted on the ECSI.
(Repeated and modified)

Condition

Department's Financial Aid Division implemented a new computer system to track individual student loans in May 2009. After the data was converted from the Pro Fox (old system) to ECSI (new system), the Division did not continue up-dating the data or the loans advancement amount was not properly posted to the sub-ledger (ECSI). There were multiple incidents where the ECSI data for student loans advance payment were not reconciled to the SHARE General Ledger disbursement amount. For example: HED disbursed a check to Western Interstate Commission for \$2,104,300, check dated 11/3/08 for student loan program, and ECSI loan advance report show total advancement amount was \$1,945,576.31. There was discrepancy of \$158,723.69.

Criteria

Good accounting practices require periodic reconciliation of general ledger accounts and sub-ledger accounts.

Effect

Student Loan account balances are likely to be incorrect and/or incomplete.

Cause

Department staff did not reconcile the SHARE general ledger accounts to the sub-ledger (ECSI) loan advancement accounts when money was disbursed for financial aid programs. Furthermore, the data input and loan advancement reports were not being reviewed.

Recommendation

Department management should provide data input procedure to ensure cash receipts and disbursements are properly posted to student loan ledger (ECSI). Monthly report should be reviewed and sign-off by the finance director or supervision to ensure the data integrity.

Department Response

The Financial Aid Division director position became vacant shortly after implementation of the ECSI system creating a delay in implementation of business processes for administration of the system. The Financial Aid Division and Administrative Services Division are implementing formal processes to ensure that cash receipts and disbursements are properly posted to the ECSI ledger and that monthly reports are reviewed and approved by the Financial Aid Division director and by Administrative Services Division staff, who will also be responsible for updating accounts receivable in the statewide financial system, SHARE.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PERTAINING TO FINANCIAL STATEMENTS)
YEAR ENDED JUNE 30, 2009**

2008-1 Cash receipt deposits were improperly posted to general ledger.

Condition

We tested 94 transactions for a total deposited amount of \$1,470,540 and found three transactions for a total of \$257,112 were improperly classified to department code or accounting code.

Criteria

Generally accepted accounting principles, cash control is part of sound accounting practices.

Effect

Improper posting can lead to misstated financial positions, which can adversely affect users of the financial information and management decision making.

Cause

Lack of supervision - Deposit receipts were posted by staff to SHARE accounting system but Department management did not review or monitor transactions to ensure the data integrity.

Recommendation

Department management should establish sound cash management policies, ensuring cash deposits are posted to proper revenue accounts and necessary adjusting entries to its budget are made in order to use all available cash and balance its budget. Management should review the deposit ledger on regular basis to ensure the deposits are proper posted.

Department Response

At midyear of FY09, responsibility for making agency deposits was transferred to a new staff-member and a formal process established for processing deposits. This appears to have addressed last year's concern here. Finding resolved.

**STATE OF NEW MEXICO
HIGHER EDUCATION DEPARTMENT
OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2009**

PREPARATION OF FINANCIAL STATEMENTS

The audited financial statements were prepared by the independent certified public accountant performing the audit.

Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

The Department has prepared the Management Discussion and Analysis.

EXIT CONFERENCE

An exit conference was held on December 10, 2009, to discuss the audit. The conference was held at the Department's office in Santa Fe, New Mexico. In attendance were:

State of New Mexico, Higher Education Department

Dr. Viola Florez, Cabinet Secretary

Dr. David Hadwiger, Director and Chief Financial Officer

Tino Pestalozzi, CPA, Deputy Cabinet Secretary

Chandler Barrett, Director of NM GEAR UP

Stephanie Lovato, Business Manger of Adult Basic Education

Veronica Chavez-Newman, Chief Information Officer

Karen Kennedy, Financial Aid Director

Audit Firm (Gwen K. Farner, CPA)

Gwen K. Farner, CPA

Merwin L. Valdez, Staff Accountant