STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2009

FIERRO & FIERRO, P.A.
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DIRECTORY OF OFFICIALS
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Veronica Hernandez	Director of Human Resources
Carolyn Vick	Director of Academic Support Services

FIERRO & FIERRO, P.A. **CERTIFIED PUBLIC ACCOUNTANTS**

Ed Fierro, CPA • Rose Fierro, CPA

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Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Board of Regents
NM School for the Blind and Visually Impaired
Alamogordo, New Mexico

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information, of the New Mexico School for the Blind and Visually Impaired (School) as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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 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 1, the financial statements of the School are intended to present the financial position, the changes in financial position and cash flows, and the respective budgetary comparisons of only that portion of the business-type activities and the aggregate remaining fund information of the state of New Mexico that is attributable to the transactions of the School. 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 and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information, of the New Mexico School for the Blind and Visually Impaired as of June 30, 2009, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective budgetary comparison statements present fairly, in all material respects, the budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control or on 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 accompanying management's discussion and analysis on pages four through twelve is not a required part of the basic financial statements but is 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 performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison statements. 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 these financial statements. The additional schedules listed as supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has 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 the basic financial statements taken as a whole.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is an overview of the financial condition for the New Mexico School for the Blind and Visually Impaired (School), for the fiscal year ended June 30, 2009. This narrative highlights the major aspects of the School's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

- The School's assets exceeded liabilities by $22,580,094 at June 30, 2009. Approximately 37.85% of the School's net assets may be used to meet the ongoing and future obligations to operate the School. As a result of operations, the School increased its net assets by $3,510,820 during the current year.

- Cash and investments at June 30, 2009 total $7,689,881. Liabilities at June 30, 2009 total $1,364,683.

- During the fiscal year the School expended $4,142,697 to complete construction of a new Early Childhood Program Center in Albuquerque, NM, which began programming on site in January 2009. The School also expended $1,390,379 on renovation projects on the Alamogordo, NM campus.

- The School's total liabilities at June 30, 2009 amount to $1,364,683. The long-term portion of the debt is $50,611 and is for employees accrued compensated absences that will be paid beyond one year.

Overview of the Financial Statements

This annual report consists of the following three parts: Managements Discussion and Analysis, Basic Financial Statements, and notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Basic Financial Statements

Our basic financial statements are prepared using business-type model that uses the same basis of accounting as private-sector business enterprises. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, followed by notes to the financial statements. A budget to actual schedule is presented following the notes. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the schedule of cash accounts and pledged collateral of the School.

Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets

The statement of net assets presents information on the School's assets and liabilities, with the difference between the two reported as net assets.

Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets (continued)

Over time, increases or decreases in net assets may serve as a useful indication of whether the School's financial position is improving or deteriorating. The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the School for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

Statement of Cash Flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balance at the end of the current fiscal year.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the basic financial statements because the resources of those funds are not available to support the School's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary financial statements can be found on pages sixteen and thirty-nine of this report.

The School's three fiduciary funds account for monies collected and expended for various purposes. The activity fund accounts for receipts and disbursements of student and faculty campus organizations and activities. The student deposits fund accounts for receipts and disbursements of funds entrusted to the School by students and or their parents for personal use. The educational materials credits fund accounts for allotments and requisitions from federal programs for educational materials.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages seventeen through thirty-three of this report.

Financial Statement Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The School's assets exceeded liabilities by $22,580,094 at the close of the most recent fiscal year. Sixty-two percent of the School's net assets are composed of investment in capital assets (e.g., land, buildings, improvements, machinery, and equipment) less any debt, used to acquire those assets that are still outstanding. The School uses these assets to provide services to the students; consequently, these assets are not available for future spending.

Financial Statement Analysis (continued)

A summary of the School's statement of net assets is presented below:

NM School for the Blind and Visually Impaired's Net Assets	June 30, 2009	June 30, 2008
Assets:		
Current and other assets	$ 2,344,640	$ 2,679,244
Non-current assets	7,567,190	8,834,265
Capital assets, net of accumulated depreciation	14,032,947	9,495,589
Total assets	23,944,777	21,009,098
Liabilities:		
Current liabilities	1,314,072	1,748,172
Non-current liabilities	50,611	67,501
Total liabilities	1,364,683	1,815,673
Net Assets:		
Invested in capital assets	14,032,947	9,495,589
Unrestricted	8,547,147	9,697,836
Total net assets	$ 22,580,094	$ 19,193,425

The remaining balance of unrestricted net assets of $8,547,147 may be used to meet the School's ongoing obligations. The School's operating activity increased its net assets by $3,510,820 during the fiscal year.

At June 30, 2008, cash and investments totaled $9,521,848. At the end of the current year, cash and investment totaled $7,689,881; and decrease of $1,831,967. The largest decrease occurred when the investments decreased by $1,267,075.

At June 30, 2008, receivables for the School equaled $1,949,482. At June 30, 2009, the receivables totaled $2,171,287. The net increase in the receivables was $221,805. The majority of the increase is attributed to intergovernmental revenues. The majority of the intergovernmental revenues will be collected shortly after year-end.

Current liabilities consist of accounts payable, accrued salaries, accrued liabilities and deferred revenues at June 30, 2009, equaled $1,247,839. At June 30, 2008, the School reported an amount equal to $1,690,734. The current liabilities decreased by $442,895. The largest decrease was due to a lower amount of outstanding bills (accounts payable), as multiple projects were completed by the end of the fiscal year.

At June 30, 2008, the long-term liabilities, including the current portion, equaled $124,939. At June 30, 2009, the long-term liabilities equaled $116,844. The net decrease in the long-term liabilities was $8,095.

Financial Statement Analysis (continued)

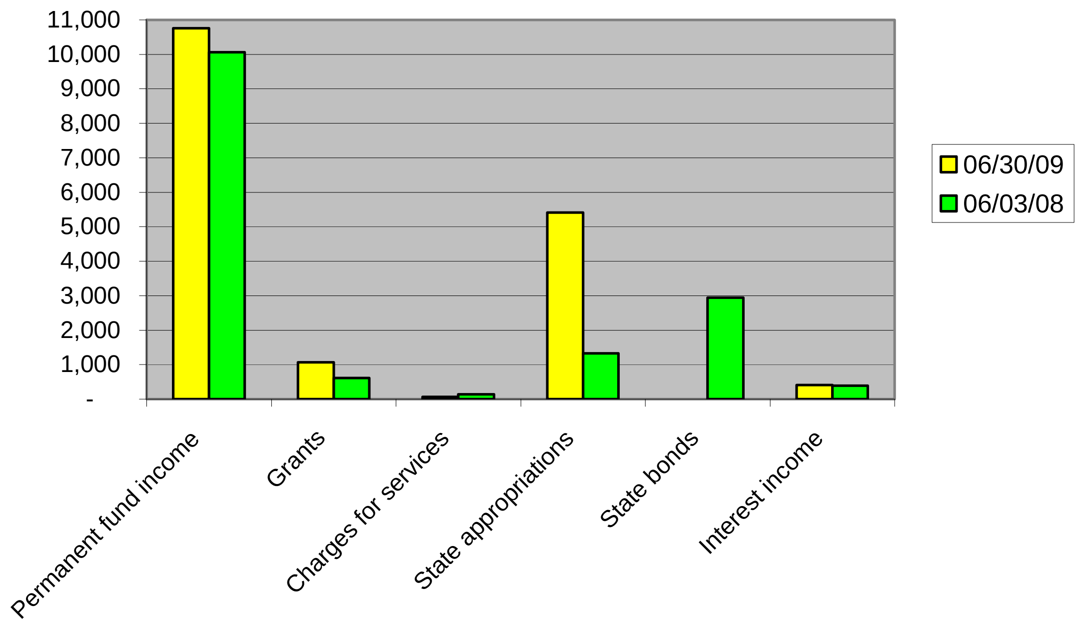
A comparative statement of revenues, expenses and changes in net assets is as follows:

NM School for the Blind and Visually Impaired's Changes in Net Assets	June 30, 2009	June 30, 2008
Revenues:		
Operating Revenues:		
Permanent fund income	$ 10,762,881	$ 9,690,890
State appropriations	5,413,785	1,325,721
Grants	1,069,494	986,344
Charges for services	61,779	140,750
Other operating revenues	54,540	60,791
Non-Operating Revenues:		
State bonds	220	2,941,383
Interest income	408,755	389,692
Donations	10,240	18,554
Gain (loss) on investments	(666,447)	(957,181)
Gain (loss) on disposal of assets	(174,886)	(330)
Other income	92,375	60,044
Total revenues	17,032,736	14,656,658
Expenses:		
Operating Expenses:		
Direct instruction	4,728,856	4,576,563
Academic support	2,472,506	2,626,426
Student support	2,008,381	2,228,956
Instructional support	1,929,659	1,990,019
Plant operations	2,377,862	1,894,172
Non-Operating Expenses:		
Interest expense	4,652	14,443
Total expenses	13,521,916	13,330,579
Change in net assets	$ 3,510,820	$ 1,326,079

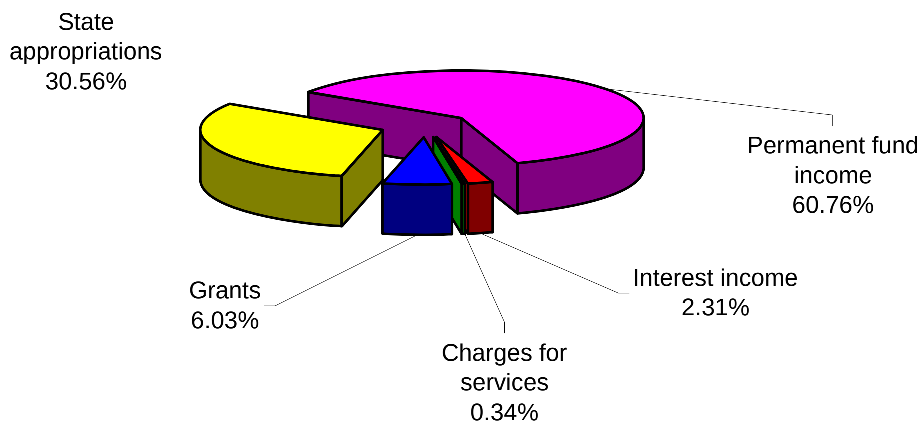
The statement of revenues, expenses and changes in net assets shows revenue increases when compared to the 2008 fiscal year. The largest increase occurred within the state appropriation revenues. That increase amounted to $4,088,064 or approximately seventy-six percent. During the current year the permanent fund distribution increased by $1,071,991 or 9.96%. The School received general fund appropriations in the amount of $346,000 for facility upkeep and improvements, 3-tier licensure, and the low vision clinic during the current fiscal year. Additionally, the School received state appropriations in the amount of $5,064,375 for construction of the Early Childhood Program site in Albuquerque, New Mexico, and for health, safety and accessibility improvements on the residential campus in Alamogordo, New Mexico.

Financial Statement Analysis (continued)

Comparison of Revenues - By Function
All Activities
(In Thousands)

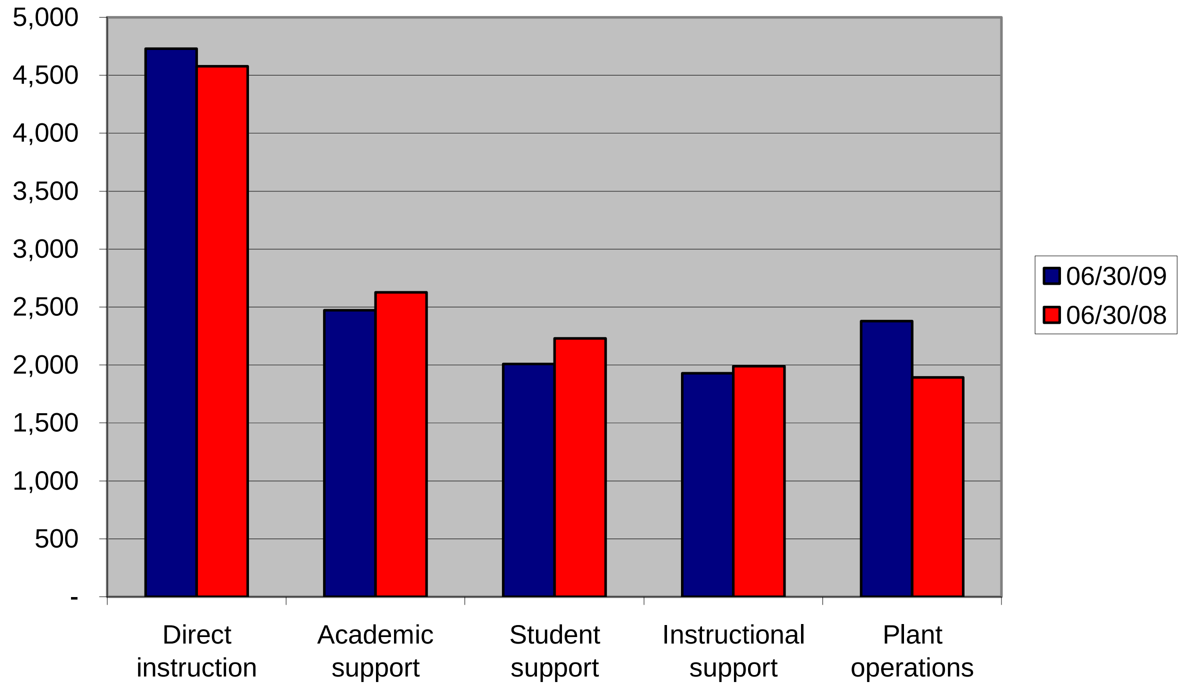


Total Revenues By Activity
(In Thousands)
June 30, 2009

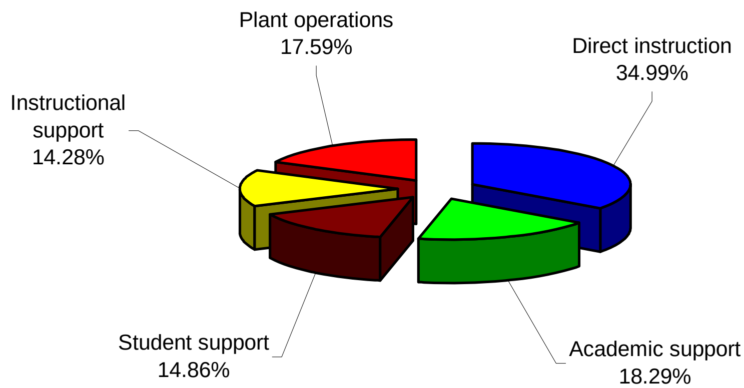


Financial Statement Analysis (continued)

Comparison of Expenses - By Function
All Activities
(In Thousands)



Total Expenses By Activity
(In Thousands)
June 30, 2009



Financial Statement Analysis (continued)

In the current year, total expenses totaled $13,521,916. In the previous year, total expenses were equal to $13,330,579. The increase in current year expenses totaled $191,337. The largest, single increase in total expenses occurred within the School's direct instruction. For 2008, the School's direct instruction expenses totaled $4,576,563, and increased by $152,239 for a total of $4,728,856. A three percent increase for direct instruction expenses. The School's additional expenses were attributed to additional staff hired and an overall increase in the cost of benefits and various supplies. For 2009, the School reflected an increase in net assets of $3,510,820. In the prior year, the amount was $1,326,079, which is an increase of $2,184,741 or sixty-two percent.

Financial Analysis of the School's Funds

Budgetary Highlights

The discussion that follows present financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the School budgeted operating revenues at $19,131,570. The actual revenues for the fiscal year were $17,362,479, a shortfall of $1,769,091. The majority of the decrease was due to state appropriations. The School had budgeted those revenues at $6,935,306; actual state appropriations revenues were $5,413,785. The decrease amounted to $1,521,521. During the year, the School budgeted operating expenses at $22,129,662. Actual operating expenses were $18,353,420. The School expended $3,776,242 less than was budgeted.

For the year ended June 30, 2009, the School anticipated that expenses would exceed operating revenues and non-operating revenues (expenses) by $2,838,483. Actual operating expenses of $18,353,420 exceeded operating revenues of $17,362,479 and net non-operating revenues (expenses) by $107,566; producing a change of $883,375. During the fiscal year the School increased anticipated operating revenues by $6,871,688, when it amended its original budget. The School increased anticipated operating expenses by $7,734,859.

Capital Assets and Debt Administration

Capital Assets

The School's investment in capital assets as of June 30, 2009 amounted to $14,032,947 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and furniture, and vehicles. During the fiscal year, the School expended $5,528,448 on capital assets. The School completed the process of building their new Early Childhood Program Center during the fiscal year, along with renovating the Alamogordo Natatorium, central receiving, and various upgrades to buildings on the Alamogordo campus. The School had construction in progress of $950,397 during the fiscal year. The majority of these costs are associated with the renovation of the Jack Hall building. The School upgraded their vehicle fleet by purchasing an additional school bus costing $105,646. Furthermore, the School removed five older vehicles from their asset listing with a cost of $107,630.

Financial Analysis of the School's Funds (continued)

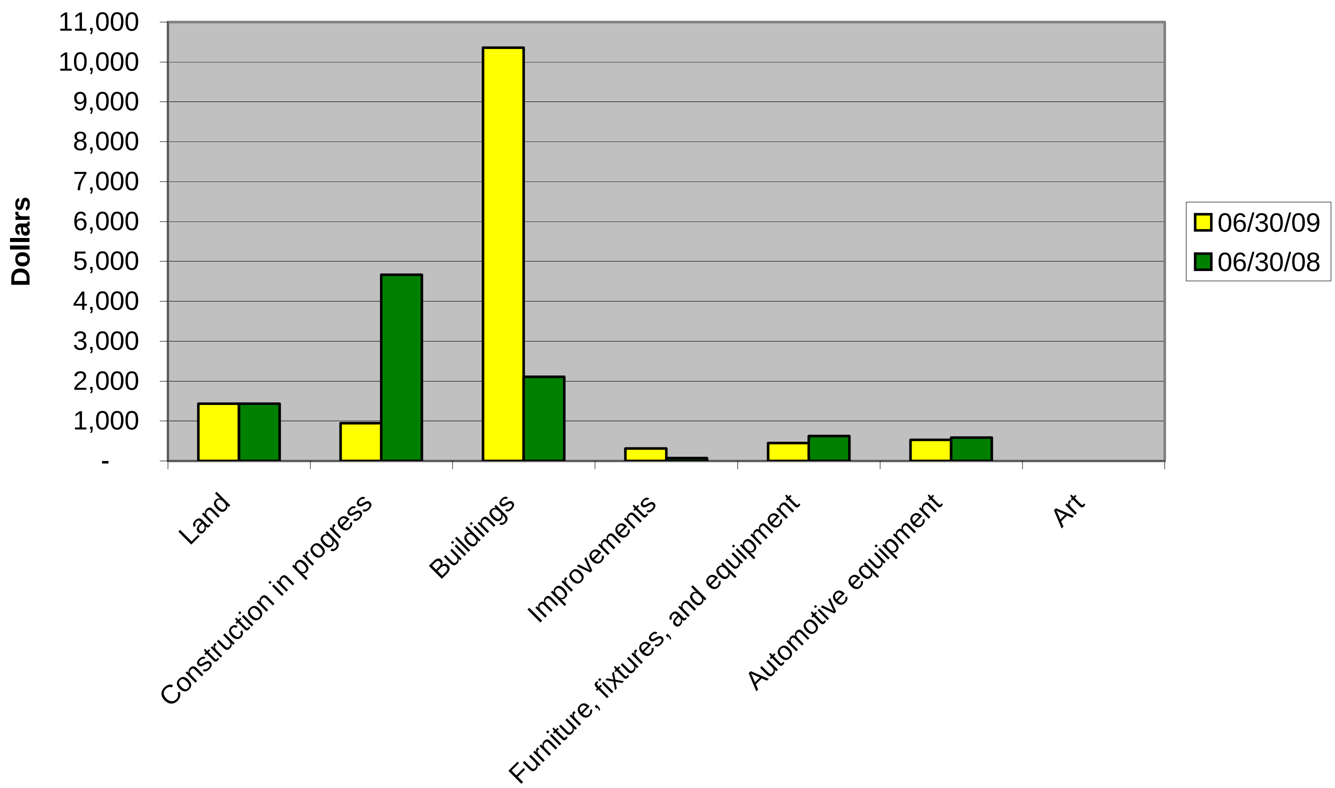
Capital Assets and Debt Administration (continued)

Capital Assets (continued)

The following chart shows the breakdown of assets by classification:

NM School for the Blind and Visually Impaired's Capital Assets (Net of Accumulated Depreciation)	June 30, 2009	June 30, 2008
Land	$ 1,433,234	$ 1,433,234
Construction in progress	950,397	4,662,979
Buildings	10,356,011	2,112,104
Improvements	311,908	75,870
Furniture, fixtures, and equipment	450,132	627,854
Automotive equipment	531,265	583,548
	$ 14,032,947	$ 9,495,589

Capital Assets (net of accumulated depreciation)
(In Thousands)



Financial Analysis of the School's Funds (continued)

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Additional information on the School's capital assets can be found in note six on pages twenty-seven and twenty-eight of this report.

Long-Term Debt

As of June 30, 2009, the School did not have any long-term debt.

Currently Known Facts, Decisions, or Conditions

The School is not aware of any currently known facts, decisions, or conditions that are expected to have a significant affect on the financial position or results of operations during fiscal year 2010 beyond those unknown variations having a global effect on virtually all types of business operations. Economic conditions will impact the market value of the School's quasi-endowment fund, which is invested in the State Investment Council (SIC) investment pool and also permanent fund distributions figured on a 5-year average. The Early Childhood Program site in Albuquerque opened in January 2009. Continued growth of this program is anticipated and considered at the time of proposed budgeting. The renovation of Jack Hall on the residential campus is scheduled for completion in fiscal year 2010, with some of the funding being provided through federal stimulus funds and state appropriations.

The School's overall financial position is strong. Net assets are utilized as needed to supplement operational revenues. Use of net assets will result in the depletion of the School's quasi-endowment within five to ten years. The School is being proactive to protect the longevity of its programs by increased communication to oversight agencies and legislative bodies regarding future needs in reflection of the status of the quasi-endowment. The School will maintain a close watch over resources to ensure its ability to react to unknown internal and external issues.

Request for Information

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Superintendent, 1900 North White Sands Boulevard, Alamogordo, New Mexico 88310.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets:	
Current assets:	
Cash	$ 122,581
Investments	110
Receivables (net of allowance):	
Accounts	46,311
Intergovernmental	2,124,976
Inventory	50,662
Noncurrent assets:	
Investments	7,567,190
Capital assets:	
Land and construction in progress	2,383,631
Other capital assets, net of depreciation	11,649,316
Total capital assets, net	14,032,947
Total assets	23,944,777
Liabilities:	
Current liabilities:	
Accounts payable	660,575
Accrued salaries	50,462
Accrued liabilities	470,074
Deferred revenues	66,728
Current maturities of:	
Compensated absences	66,233
Total current liabilities	1,314,072
Non-Current liabilities:	
Compensated absences	50,611
Total liabilities	1,364,683
Net assets:	
Invested in capital assets	14,032,947
Unrestricted	8,547,147
Total net assets	$ 22,580,094

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR THEN ENDED JUNE 30, 2009

Operating Revenues:	
State permanent fund income	$ 10,762,881
State appropriations	5,413,785
Medicaid in the schools	515,818
Land income	280,109
State sources	154,666
Federal sources	63,433
Outreach itinerant income	61,779
Local sources	55,468
Other operating revenues	54,540
Total operating revenues	17,362,479
Operating Expenses:	
Direct instruction	4,728,856
Academic support	2,472,506
Student support	2,008,381
Instructional support	1,929,659
Plant operations	2,377,862
Total operating expenses	13,517,264
Operating income	3,845,215
Non-Operating Revenues (Expenses):	
State bonds	220
Interest income	408,755
Other income	92,375
Donations	10,240
Loss on investments	(666,447)
Interest expense	(4,652)
Disposal of assets	(174,886)
Total non-operating revenues (expenses)	(334,395)
Change in net assets	3,510,820
Net assets, beginning of year	19,193,425
Restatements	(124,151)
Net assets, beginning of year, restated	19,069,274
Net assets, end of year	$ 22,580,094

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities:		
Cash received from permanent fund, federal and state governments and other operating sources	$	17,151,839
Cash payments to suppliers for goods and services		(3,812,274)
Cash payments to employees for services		(5,684,192)
Cash payments for payroll taxes and employee benefits		(3,329,498)
Net cash provided by operating activities		4,325,875
Cash Flows for Non-Capital and Financing Activities:		
Donations		10,664
Other income		92,375
Net cash provided by non-capital and financing activities		103,039
Cash Flows for Capital and Financing Activities:		
State bonds revenue		(472,850)
Acquisition of capital assets		(5,528,448)
Net cash (used) by capital and financing activities		(6,001,298)
Cash Flows From Investing Activities:		
Proceeds from investments		5,305,008
Interest income		408,755
Purchase of investments		(4,701,620)
Investment fees		(4,652)
Net cash provided by investing activities		1,007,491
Net decrease in cash		(564,893)
Cash and cash equivalents, beginning of year		687,474
Cash and cash equivalents, end of year	$	122,581
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	3,845,215
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		692,292
Change in Assets and Liabilities:		
(Increase) in accounts receivable		(24,588)
Decrease in intergovernmental receivables		272,429
(Increase) in inventories		(8,483)
(Decrease) in accounts payable		(409,611)
Increase in accrued salaries		8,283
(Decrease) in accrued liabilities		(4,366)
(Decrease) in deferred revenues		(37,201)
(Decrease) in compensated absences		(8,095)
Total adjustments		480,660
Net cash provided by operating activities	$	4,325,875

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

FIDUCIARY FINANCIAL STATEMENT

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2009

	Agency Funds
Assets:	
Cash	$ 11,657
Federal quota funds	59,361
Textbook credit funds	2,958
Total assets	73,976
Liabilities:	
Held for others	73,976
Net assets	$ -

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Mexico School for the Blind and Visually Impaired (sometimes referred to as the New Mexico Institute for the Blind for certain legal purposes) was established by the Laws of 1903 Chapters 2 and 3, Sections 21-5-1 through 21-5-23 New Mexico Statutes Annotated, 1978 Compilation. The School was established to provide proper instruction to New Mexico youths with visual impairments. It is governed by a five-member board of regents appointed by the Governor, and approved by the Senate, for a term of six years each. The regents facilitate the operation of the School through the services of a contractually hired superintendent.

The financial statements of the New Mexico School for the Blind and Visually Impaired encompasses the activities of the Alamogordo campus and the Albuquerque pre-school satellite campus, along with their affiliated outreach programs.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body'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. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the School is able to exercise oversight responsibilities. Based upon the application of these criteria, the School has no component units.

B. Basis of Presentation and Accounting

The School's basic financial statements are presented on the full accrual basis of accounting and conformity to accounting principles generally accepted in the United States of America.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The School applies Governmental Accounting Standards Board (GASB) pronouncements, as well as relevant pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict with GASB Pronouncements, the American Institute of Certified Public Accountants' (AICPA) Guide, Audits of Colleges and Universities, and the New Mexico Commission on Higher Education's Reporting for Public Institutions in New Mexico. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The School has elected not to follow subsequent private-sector guidance.

For financial reporting purposes, the School is considered a special-purpose government engaged only in business-type activities. Accordingly, the School's financial statements have been presented in a single column using the economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The School's operating statements present increases (revenues) and decreases (expenses) in net total assets. The School distinguishes operating revenues and expenses from non-operating items. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the School's ongoing operation.

Operating revenues of the School include activities that have characteristics of exchange transactions, such as (1) federal, state, and local grants and contracts; (2) state appropriated permanent fund income and land income; (3) income generated through joint powers agreements: (4) fee for service-Medicaid in the schools; and (5) other miscellaneous operating revenues. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, investment income, and other revenue sources that are defined as non-operating revenues by GASB 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB 14.

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; professional fees; depreciation expense related to school property, plant and equipment. Expenses not meeting this definition are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

Fiduciary Funds

Agency funds are used to account for assets held by the School in a trustee capacity or as an agent for individuals, School organizations, or other governments. Agency funds are custodial in nature and do not involve the measurement or results of operations. Accordingly, agency fund assets always equal agency fund liabilities.

The Agency funds group consists of funds held by the School as custodian or fiscal agent for others, such as student organizations, individual students, or faculty members. Transactions of agency funds represent charges or credits to the individual asset and liability accounts and are not transactions of any other funds.

Activity Funds

Account for receipts and disbursements of student and faculty clubs and activities.

Student Deposits

Accounts for receipts and disbursements of funds entrusted to the School by students and/or parents for personal use.

Educational Material Credits (Federal Quota Funds)

Account for allotments and requisitions from federal programs qualifying public and parochial schools in New Mexico.

C. Budgetary Accounting and Control

The Board adopts an annual budget for the current unrestricted and restricted funds, and the unexpended plant funds that are prepared by the administration and approved by the Board, the state of New Mexico Commission on Higher Education, and the State Budget Division of the Department of Finance and Administration. To amend the budget, the School requires the following order of approval: (1) School Superintendent, (2) School Board Members, (3) Higher Education Department, and (4) Department of Finance and Administration.

Budgets are adopted on a modified accrual basis of accounting. Certain revenues and expenditures that have been earned and incurred in accordance with generally accepted accounting principles are deferred under the budgetary basis. An example would be accrued vacation pay. In the statements prepared in accordance with generally accepted accounting principles, the accrued vacation liability is recognized. For the budgetary basis, the School does not recognize the expense and liability until the wage expense is paid in subsequent years.

Depreciation expense is not recorded for the budgetary basis of accounting.

Budgetary comparisons presented in the accompanying supporting schedules for the current unrestricted and restricted funds are on this modified accrual budgetary basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Accounting and Control (continued)

These budgets secure appropriation of funds for only one year. Carryover funds must be reappropriated in the budget of the subsequent fiscal year. Since the process in the state of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, the appropriated cash balance is legally restricted and is therefore, used in the calculation to determine the annual budget.

State appropriations received by the School for building renewal and replacement are received under Chapter 76, Section 4, Item I. If these funds are not expended, they revert back to the state. The School expended all of these funds during the year end; therefore, no funds were to be reverted.

Total expenditures or transfers in each of these amounts of budgetary control may not exceed the amount shown in the approved budget: (A) Unrestricted expenditures and restricted expenditures; (B) Instruction and general; (C) Each budget function in current funds other than instruction and general; (D) Within the plant funds budget: major projects, library bonds, equipment bonds, minor capital outlay, renewals and replacements and debt service; and (E) each individual item of transfer between funds and/or functions.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, short-term investments and certificates of deposit.

State statutes authorize the School to invest in interest bearing accounts with local financial institutions, certificates of deposit, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the School. The pledged securities remain in the name of the financial institution.

E. Investments

The School accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Changes in the unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

The School's investments are regulated by state law, as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments (continued)

The State Investment Council has an arrangement composed of six separate investment pools – one bond fund and five devoted to equity securities, two of which are devoted to international securities. The School's Board of Regents has elected to participate in the core bonds external co-mingled pools along with other educational institutions and government bodies electing within the State. All investments are allocated in the core bond investment pool in a manner consistent with the School's written investment policy.

F. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

G. Inventory

Inventories consist of supplies held for consumption and are recorded at the lower of cost or market on a first in, first out basis.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items.

I. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation.

Prior to June 17, 2005, the School defined capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes, the School changed its capitalization threshold to include only assets with a cost of $5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the School remain on the financial and accounting records of the School.

Major outlay for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets (continued)

Buildings	40 years
Major ground improvements	25 years
Equipment, computer hardware and software, furniture, and fixtures	5-25 years
Automobile	5-10 years

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reflected as a liability of the School. In accordance with the provisions of the Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:

Employee Type	Years of Service	Rate
Full-time employees	1-7 years	1 day/month
Full-time employees	7 years +	1.5 days/month
12 month employees	N/A	14.67 hrs/month
9 month employees	N/A	14.67 hrs/month (prorated)

K. Deferred Revenues

The School reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the School receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

L. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net assets component as the unspent proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Assets (continued)

Restricted – This component of net assets consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

M. Cash Flows

For the purpose of the statement of cash flows, the School considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

N. Income Tax Status

The School is an educational institution of the state of New Mexico and, as such, the income accruing from the exempt purposes of the School is not subject to federal and state income taxes.

O. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of 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.

2. CASH

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand, interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

2. CASH (continued)

Cash Deposited with Financial Institutions

The School maintains deposits in one financial institution within Alamogordo, New Mexico. The School's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures all the cash deposits.

As of June 30, 2009, the amount of cash reported on the financial statements differs from the amount on deposit with the bank because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Type of Account	Per Financial Institution	Reconciling Items	Per Financial Statements
Wells Fargo Bank	Checking	$ 214,601	$ (80,363)	$ 134,238

The amounts reported as cash for the primary government within the financial statement is displayed as:

Statement of Net Assets:	
Cash	$ 122,581
Statement of Fiduciary Assets and Liabilities - Agency Fund	11,657
	$ 134,238

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the School. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the School's carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Wells Fargo Bank
Total deposits in bank	$ 214,601
Less FDIC coverage	(214,601)
Total uninsured public funds	$ -
Pledged securities	$ -
Collateral requirement (50% of uninsured public funds)	-
Over (under) collateralization	$ -

The School's deposits are fully insured by FDIC coverage, thus Wells Fargo Bank has removed all collateral pledged for the School. Wells Fargo continually monitors the School's deposits and will pledge collateral as needed.

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to $250,000 in aggregate and separate from the $250,000 coverage for public unit demand deposits at the same institution.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2009, the School's bank balance of $214,601 was not exposed to custodial credit risk.

3. INVESTMENTS

New Mexico State Treasurer

New Mexico State Statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control. The purpose of the local short-term fund is to provide an investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. As of June 30, 2009, the combined balance of the School's investment within the short-term investment fund was $110. The cost basis and the fair market basis of the deposit are equal to $110 (amount of investment).

The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poor's. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per Section 6-10-10.IF, 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 amounts were invested. Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2009, was 2.760%.

Interest Rate Risk - Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value.

3. INVESTMENTS (continued)

Interest Rate Risk (continued) - 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 portfolio's weighted average maturity is 43-day WAM.

Other Investments

The School's investments are governed by state law, as well as a formal investment policy. The policy permits investments which are within New Mexico constitutional and statutory law; however, the policy does stipulate that asset-backed or collateralized securities must be rated AA or better. The School invests through the New Mexico State Investment Council, which utilizes a list of legal investments per the State of New Mexico.

Concentration of Credit Risk – The School has established the following guidelines in their investment policy for asset allocations:

Asset Class	Asset Description	Minimum	Target	Maximum
Bonds	Domestic High Yield	30%	35%	40%
Equity	Domestic Large Cap ETF	4%	10%	12%
	Domestic S&P Index ETF	20%	25%	30%
	Domestic SMID ETF	5%	13%	15%
	Developed International	5%	12%	15%
	Emerging International	0%	5%	3%

At June 30, 2009, the market value (per quoted market price) of the School's allocable share of the registered, uninsured external investment pools is as follows:

Asset Description	Percentage of Portfolio	Market Value	Credit Risk Rating
Core Bonds	100.00%	$ 7,567,190	Aa2

Interest Rate Risk – As a means of limiting its exposure to fair value risks arising from rising interest rates the School's investment policy limits interest rate risk by using adequate diversification in the funds noted and rebalancing the portfolio quarterly (based on specified ranges) or more frequently, if rapidly changing market conditions occur.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009, consisted of the following:

Charges for services	$	46,108
Donations		203
	$	46,311

The School anticipates that the receivables will be collected and no allowance has been recorded.

5. INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable at June 30, 2009, consisted of the following:

Severance Tax Bonds	$	1,082,174
NM Permanent Fund Income		895,116
Medicaid		48,349
IDEA-B Grant		36,065
School Improvement Grant		35,000
Navajo Nation		18,750
Land income		8,838
USDA		464
Library G.O. Bond		220
	$	2,124,976

The School anticipates that the intergovernmental receivables will be collected and no allowance has been recorded.

6. CAPITAL ASSETS

During the fiscal year, the School performed an intensive review of its capital asset subsidiary records. The School discovered errors in the amounts reported at June 30, 2008. The effect of the changes is as follows:

	Balance 06/30/08	Corrections	Restated Balance 06/30/08
Business-Type Activities:			
Land	$ 1,433,234	$ -	$ 1,433,234
Construction in progress	4,662,979	-	4,662,979
Buildings	8,185,066	-	8,185,066
Improvements	1,171,338	(1)	1,171,337
Furniture, fixtures and equipment	3,078,298	1	3,078,299
Automotive equipment	1,498,022	(1)	1,498,021
Art	8,000	-	8,000

6. CAPITAL ASSETS (continued)

Accumulated depreciation:			
Buildings	(6,072,962)	(58,444)	(6,131,406)
Improvements	(1,095,468)	(1,155)	(1,096,623)
Furniture, fixtures, and equipment	(2,450,444)	(55,855)	(2,506,299)
Automotive equipment	(914,474)	(8,457)	(922,931)
Art	(8,000)	-	(8,000)
Net business-type capital assets	$ 9,495,589	$ (123,912)	$ 9,371,677

Capital assets for the fiscal year ended June 30, 2009 are as follows:

	Restated Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 1,433,234	$ -	$ -	$ 1,433,234
Construction in progress	4,662,979	949,249	(4,661,831)	950,397
Total capital assets, not being depreciated	6,096,213	949,249	(4,661,831)	2,383,631
Other capital assets, being depreciated:				
Buildings	8,185,066	8,787,411	(199,379)	16,773,098
Improvements	1,171,337	255,239	-	1,426,576
Furniture, fixtures, and equipment	3,078,299	92,734	(59,853)	3,111,180
Automotive equipment	1,498,021	105,646	(107,630)	1,496,037
Art	8,000	-	-	8,000
Total capital assets, being depreciated	13,940,723	9,241,030	(366,862)	22,814,891
Less accumulated depreciation for:				
Buildings	(6,131,406)	(311,472)	25,791	(6,417,087)
Improvements	(1,096,623)	(18,045)	-	(1,114,668)
Furniture, fixtures, and equipment	(2,506,299)	(213,304)	58,555	(2,661,048)
Automotive equipment	(922,931)	(149,471)	107,630	(964,772)
Art	(8,000)	-	-	(8,000)
Total accumulated depreciation	(10,665,259)	(692,292)	191,976	(11,165,575)
Other capital assets, net	3,275,464	8,548,738	(174,886)	11,649,316
Total capital assets, net	$ 9,371,677	$ 9,497,987	$ (4,836,717)	$ 14,032,947

Depreciation expense of $692,292 has been recorded within the plant operations function.

7. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Accrued compensated absences	$ 124,939	$ 141,566	$ (149,661)	$ 116,844	$ 66,233

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2009 consist of the following:

Employee benefits payable	$ 364,142
Employee wages payable to others	91,322
Employee taxes payable	13,884
Due to others	693
Miscellaneous accrued liabilities	33
Total	$ 470,074

9. PERMANENT FUND

The Ferguson Act of 1898 and the Enabling Act of 1910 granted certain lands held by the federal government to the territory of New Mexico. Under the terms of these grants it was stipulated that such lands, totaling 13.4 million acres, were to be held in trust for the benefit of the public schools and other specific public institutions, of which the New Mexico School for the Blind and Visually Impaired is one. Royalties and principal from land sales are transferred by the State Land Office to the Investment Office, which adds these amounts to the corpus of the Permanent Fund. The income received on the Permanent Fund is distributed by the Investment Office to the beneficiaries. Gains and losses on investment transactions are credited or charged to the corpus and do not directly impact distributions to the beneficiaries.

Changes in the School's share of the permanent trust balances held by the Investment Office and other relevant information at June 30, 2009, are as follows:

Balance - June 30, 2008	$ 212,010,046
Income distribution	(10,762,881)
State land office transfers	9,497,955
Capital gains/(losses)	3,465,361
Unrealized gains/(losses)	(51,151,474)
Income earnings	225,438
Balance - June 30, 2009	$ 163,284,445

10. LAND INCOME

The School receives income directly from the State Land Office Maintenance Fund related to the land held in trust for the New Mexico School for the Blind and Visually Impaired as described in the note 9. This income is generated by the State Land Office from various rental income sources (oil and gas, grazing, and miscellaneous) as well as bonuses, interest on cash deposits, and other income.

The amount distributed to (and receivable by) the School for the fiscal year ended June 30, 2009:

Land income	$	247,715
Reapportionment/settlements		32,394
Total land income	$	280,109

11. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2009, the School determined that changes to the beginning of year net assets and fund balances were necessary. Note six provides further discussion concerning the restatement of capital assets. A description and the effect of the changes are as follows:

	Business-Type Activities	
Restated business-type activities balances due to errors in the subsidiary ledgers.	$	(123,912)
Restated business-type activities accrued salaries balances due to errors in the subsidiary ledgers.		(239)
Total	$	(124,151)

12. RETIREMENT PLANS

ERB

Plan Description

Substantially all of the School's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) 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 (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB 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 ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at www.nmerb.org.

12. RETIREMENT PLANS (continued)

Funding Policy

Plan members are required to contribute 7.90% of their gross salary. The School is required to contribute 11.60% of the gross covered salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.90%. The contribution requirements of plan members and the School are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The School's contributions to ERB for the years ending June 30, 2009, 2008, and 2007 were $726,048, $683,425, and $578,120, respectively, equal the amount of the required contributions for each fiscal year.

PERA

Plan Description

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

Funding Policy

Plan members are required to contribute 7.42% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal police, municipal fire, municipal detention officer) of their gross salary. The School is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the School are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The School's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were $211,532, $194,543 and $70,024, respectively, equal to the amount of the required contributions for each fiscal year.

Annuity Programs

Electing employees make contributions through payroll withholdings to one or more tax deferred annuity programs pursuant to Internal Revenue Code Section 403(b) relating to special provisions for employees of public educational institutions. The School makes no contributions to the annuity programs.

13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

Funding Policy

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

13. POST-EMPLOYMENT BENEFITS (continued)

Funding Policy (continued)

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

The School's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were $97,585, $144,803 and $129,566, respectively, which equal the required contributions for each year.

Pursuant to GASB 43, a current legal determination has been made whereby the Retiree Healthcare Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the School's books.

14. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has joined together with other governments in the state and obtained insurance through the Risk Management Division of the General Services Department of the state of New Mexico. The program self-insures against certain losses and utilizes blank policies to cover other losses, as well as excess self-insured losses. The School pays an annual premium to the Risk Management Division and the risk of loss is transferred.

15. CONTINGENT LIABILITIES

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

INDIVIDUAL FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
ALL FUNDS
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BUDGETARY BASIS) AND
ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Federal sources	$ 155,533	$ 153,357	$ 63,433	$ (89,924)
State appropriations	334,700	6,935,306	5,413,785	(1,521,521)
State sources	89,801	161,360	154,666	(6,694)
Local sources	32,500	55,468	55,468	-
State permanent fund income	10,756,730	10,762,881	10,762,881	-
Land income	271,700	297,943	280,109	(17,834)
Outreach itinerant income	200,000	127,888	61,779	(66,109)
Medicaid in the schools	347,000	548,063	515,818	(32,245)
Other operating revenues	71,918	89,304	54,540	(34,764)
Total operating revenues	12,259,882	19,131,570	17,362,479	(1,769,091)
Operating Expenses:				
Direct instruction	4,845,050	5,161,119	4,780,820	380,299
Academic support	2,950,182	2,879,358	2,490,322	389,036
Student support	2,517,928	2,480,482	2,029,171	451,311
Instructional support	2,082,763	2,240,878	1,929,659	311,219
Plant operations	1,998,880	9,367,825	7,123,448	2,244,377
Total operating expenses	14,394,803	22,129,662	18,353,420	3,776,242
Operating income (loss)	(2,134,921)	(2,998,092)	(990,941)	2,007,151
Non-Operating Revenues (Expenses):				
Interest income	20,000	20,000	4,731	(15,269)
State bonds	3,095	3,095	220	(2,875)
Other income	70,000	125,208	92,375	(32,833)
Donations	8,000	11,306	10,240	(1,066)
Total non-operating revenues (expenses)	101,095	159,609	107,566	(52,043)
Net change in fund balance	(2,033,826)	(2,838,483)	(883,375)	1,955,108
Fund balance, beginning of year	899,393	899,393	899,393	-
Investments converted to cash	1,134,433	1,949,798	1,949,798	-
Fund balance, end of year	$ -	$ 10,708	$ 1,965,816	$ 1,955,108

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
UNRESTRICTED FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BUDGETARY BASIS) AND
ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
State sources	$ 20,000	$ 19,700	$ 19,700	$ -
Local sources	32,500	55,468	55,468	-
State appropriations	334,700	6,935,306	5,413,785	(1,521,521)
State permanent fund income	10,756,730	10,762,881	10,762,881	-
Land income	271,700	297,943	280,109	(17,834)
Outreach itinerant income	200,000	127,888	61,779	(66,109)
Other operating revenues	71,918	89,304	54,540	(34,764)
Total operating revenues	11,687,548	18,288,490	16,648,262	(1,640,228)
Operating Expenses:				
Direct instruction	4,465,271	4,547,962	4,202,152	345,810
Academic support	2,940,182	2,869,358	2,486,468	382,890
Student support	2,400,928	2,288,756	1,882,328	406,428
Instructional support	2,032,763	2,193,586	1,929,659	263,927
Plant operations	1,998,880	9,365,117	7,120,740	2,244,377
Total operating expenses	13,838,024	21,264,779	17,621,347	3,643,432
Operating income (loss)	(2,150,476)	(2,976,289)	(973,085)	2,003,204
Non-Operating Revenues (Expenses):				
Interest income	20,000	20,000	4,731	(15,269)
Other income	70,000	114,500	81,667	(32,833)
Donations	-	3,306	3,306	-
Total non-operating revenues (expenses)	90,000	137,806	89,704	(48,102)
Net change in fund balance	(2,060,476)	(2,838,483)	(883,381)	1,955,102
Fund balance, beginning of year	889,680	889,680	889,680	-
Investments converted to cash	1,170,796	1,948,803	1,948,803	-
Fund balance, end of year	$ -	$ -	$ 1,955,102	$ 1,955,102

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
RESTRICTED FUND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET (MODIFIED ACCRUAL BUDGETARY BASIS) AND
ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Federal sources	$ 155,533	$ 153,357	$ 63,433	$ (89,924)
State sources	69,801	141,660	134,966	(6,694)
Medicaid in the schools	347,000	548,063	515,818	(32,245)
Total operating revenues	572,334	843,080	714,217	(128,863)
Operating Expenses:				
Direct instruction	379,779	613,157	578,668	34,489
Academic support	10,000	10,000	3,854	6,146
Student support	117,000	191,726	146,843	44,883
Instructional support	50,000	47,292	-	47,292
Plant operations	-	2,708	2,708	-
Total operating expenses	556,779	864,883	732,073	132,810
Operating income (loss)	15,555	(21,803)	(17,856)	3,947
Non-Operating Revenues (Expenses):				
State bonds	3,095	3,095	220	(2,875)
Other income	-	10,708	10,708	-
Donations	8,000	8,000	6,934	(1,066)
Total non-operating revenues (expenses)	11,095	21,803	17,862	(3,941)
Net change in fund balance	26,650	-	6	6
Fund balance, beginning of year	(287)	(287)	(287)	-
Fund balance, end of year	$ 26,363	$ (287)	$ (281)	$ 6

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
ALL FUNDS AND STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	$	17,362,479
Differences - Budget to GAAP:		
None.		-
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	17,362,479
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	$	18,353,420
The School budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.		(5,528,448)
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.		692,292
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	$	13,517,264
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	$	107,566
For budgetary purposes, the School does not consider the investment income earned as a source of funds. The School budgets proceeds from the investment accounts. For financial reporting, the School reflects the income as non-operating revenue.		404,024
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	511,590

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
RECONCILIATION BUDGETARY COMPARISON SCHEDULE
ALL FUNDS AND STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2009

Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	$ -
Differences - Budget to GAAP:	
For budgetary purposes, the School does not consider the decrease in the market value of investments owned by the School. For financial reporting, the School reflects the decrease as a non-operating expense.	(666,447)
The School does not budget investment expenses. The amount is reflected as a non-operating expense for financial reporting purposes.	(4,652)
For budgetary purposes, the School does not consider the disposal of capital assets as a non-operating expense. For financial reporting, the School reflects the net book value of the disposal as a non-operating expense.	(174,886)
Total non-operating expenses as reported in the statement of revenues, expenses, and changes in net assets.	$ (845,985)

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES FOR THE AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Balance June 30, 2008	Increase/ Receipts	Decrease/ Disbursements	Balance June 30, 2009
Activity Fund				
Assets:				
Cash	$ 15,620	$ 10,495	$ 15,668	$ 10,447
Total assets	$ 15,620	$ 10,495	$ 15,668	$ 10,447
Liabilities:				
Held for others	$ 15,620	$ 10,495	$ 15,668	$ 10,447
Total liabilities	$ 15,620	$ 10,495	$ 15,668	$ 10,447
Student Deposits				
Assets:				
Cash	$ 2,173	$ 2,801	$ 3,764	$ 1,210
Total assets	$ 2,173	$ 2,801	$ 3,764	$ 1,210
Liabilities:				
Held for others	$ 2,173	$ 2,801	$ 3,764	$ 1,210
Total liabilities	$ 2,173	$ 2,801	$ 3,764	$ 1,210
Educational Materials Credits				
Assets:				
Federal quota funds	$ 31,398	$ 157,413	$ 129,450	$ 59,361
Textbook credit funds	9,842	29,609	36,493	2,958
Total assets	$ 41,240	$ 187,022	$ 165,943	$ 62,319
Liabilities:				
Held for others	$ 41,240	$ 187,022	$ 165,943	$ 62,319
Total liabilities	$ 41,240	$ 187,022	$ 165,943	$ 62,319
Summary				
Assets:				
Cash	$ 17,793	$ 13,296	$ 19,432	$ 11,657
Federal quota funds	31,398	157,413	129,450	59,361
Textbook credit funds	9,842	29,609	36,493	2,958
Total assets	$ 59,033	$ 200,318	$ 185,375	$ 73,976
Liabilities:				
Held for others	$ 59,033	$ 200,318	$ 185,375	$ 73,976
Total liabilities	$ 59,033	$ 200,318	$ 185,375	$ 73,976

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2009

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A. Alamogordo Office 1109 New York Avenue Alamogordo, New Mexico 88310				
General Fund	Checking	$ 96,416	$ (79,057)	$ 17,359
Payroll	Checking	27,264	(890)	26,374
Restricted Funds	Checking	1,520	-	1,520
Money Market Account	Checking	77,328	-	77,328
Student Trust	Checking	12,073	(416)	11,657
		$ 214,601	$ (80,363)	$ 134,238

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2009

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/09	Audit Responsibility	Revenues and Expenditures Reported on
NM Human Services Department and NMSBVI	NMSBVI	NMSBVI to perform as Medicaid Provider for School based services at Main Campus and ECP. (Does not include Birth to 3 Program)	Ongoing	$ 227,243	$ 227,243	NMSBVI	NMSBVI
The Navajo Nation and NMSBVI	Navajo Nation	NMSBVI to provide training services to early intervention providers who work with children in NM who are visually impaired.	07/01/08 thru 06/30/09	$ 75,000	$ 75,000	Navajo Nation	Navajo Nation
Aztec Municipal Schools and NMSBVI	Aztec Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 1,464	$ 1,464	Aztec Municipal Schools	Aztec Municipal Schools
Bloomfield Municipal Schools and NMSBVI	Bloomfield Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 3,446	$ 3,446	Bloomfield Municipal Schools	Bloomfield Municipal Schools
Central Consolidated Schools and NMSBVI	Central Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 12,633	$ 6,430	Central Consolidated Schools	Central Consolidated Schools
Cimarron Consolidated Schools and NMSBVI	Cimarron Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 653	$ 653	Cimarron Consolidated Schools	Cimarron Consolidated Schools
Española Public Schools and NMSBVI	Española Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 227	$ 227	Española Public Schools	Española Public Schools
Española Public Schools and NMSBVI	Española Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 55,468	$ 50,322	Española Public Schools	Española Public Schools

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2009

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/09	Audit Responsibility	Revenues and Expenditures Reported on
Farmington Municipal Schools and NMSBVI	Farmington Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 18,287	$ 12,478	Farmington Municipal Schools	Farmington Municipal Schools
Gallup-McKinley Schools and NMSBVI	Gallup-McKinley Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 13,555	$ -	Gallup-McKinley Schools	Gallup-McKinley Schools
Hagerman Municipal Schools and NMSBVI	Hagerman Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 394	$ 394	Hagerman Municipal Schools	Hagerman Municipal Schools
Hatch Valley Public Schools and NMSBVI	Hatch Valley Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 129	$ 129	Hatch Valley Public Schools	Hatch Valley Public Schools
Jemez Valley Public Schools and NMSBVI	Jemez Valley Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 484	$ -	Jemez Valley Public Schools	Jemez Valley Public Schools
Maxwell Municipal Schools and NMSBVI	Maxwell Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 110	$ 110	Maxwell Municipal Schools	Maxwell Municipal Schools
Peñasco Independent Schools and NMSBVI	Peñasco Independent Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 190	$ 190	Peñasco Independent Schools	Peñasco Independent Schools
Raton Public Schools and NMSBVI	Raton Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 676	$ 676	Raton Public Schools	Raton Public Schools

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2009

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/09	Audit Responsibility	Revenues and Expenditures Reported on
Silver Consolidated Schools and NMSBVI	Silver Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 1,845	$ 1,845	Silver Consolidated Schools	Silver Consolidated Schools
Socorro Consolidated Schools and NMSBVI	Socorro Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 4,443	$ 4,252	Socorro Consolidated Schools	Socorro Consolidated Schools
Taos Charter School and NMSBVI	Taos Charter School	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 651	$ 651	Taos Charter School	Taos Charter School
Taos Municipal Schools and NMSBVI	Taos Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 1,640	$ 1,640	Taos Municipal Schools	Taos Municipal Schools
Tucumcari Public Schools and NMSBVI	Tucumcari Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 578	$ 578	Tucumcari Public Schools	Tucumcari Public Schools
Vaughn Municipal Schools and NMSBVI	Vaughn Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/08 thru 06/30/09	$ 374	$ 374	Vaughn Municipal Schools	Vaughn Municipal Schools

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Agriculture/Passed through the NM Public Education Department				
Child Nutrition Discretionary Grant	10.579	N/A	$ 40,000	$ 27,368
U.S. Department of Education/Passed through the NM Public Education Department				
Special Education - Preschool Grants	84.173	H027-A0700-78 Entitlement 24106	36,065	36,065
Special Education - Grants for Infants & Families	84.178	C06564	75,000	75,000
Total U.S. Department of Education				111,065
U.S. Department of Health and Human Services/ Passed through NM Human Services Department				
Medical Assistance Program	93.778	05-630-8000-0047	107,768	107,768
Medical Assistance Program	93.778	05-630-8000-0047	151,726	119,475
Medical Assistance Program	93.778	34875077	288,569	288,569
Total U.S. Department of Health and Human Services				515,812
Total Expenditures of Federal Awards				$ 654,245

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the New Mexico School for the Blind and the Visually Impaired (School). The School is defined in Note 1 of the School's financial statements. All federal awards received are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the full accrual basis of accounting, which is described in Note 1, to the School's financial statements.

3. NON-CASH ASSISTANCE

During the current fiscal year, the School did not expend any federal non-cash assistance. The School did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount to $654,245. The amounts of expenditures within the funds are reflected within the financial statements as follows:

Direct instruction	$	528,192
Student support		126,053
	$	654,245

ADDITIONAL INDEPENDENT AUDITORS’ REPORTS

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With G*overnment Auditing Standards*

Hector H. Balderas, State Auditor
and
Board of Regents
NM School for the Blind and Visually Impaired
Alamogordo, New Mexico

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the New Mexico School for the Blind and Visually Impaired (School), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 9, 2009. We have also audited the budgetary comparison statements for the year ended June 30, 2009, and have issued our report thereon dated November 9, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School'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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School'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 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 will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 2009-01 and 2009-02.

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 entity'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 items 2009-01 and 2009-02 of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2009-02.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2008-01.

The School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Regents, management, others within the School, the New Mexico State Auditor, the New Mexico State Legislature audit committees, New Mexico Higher Education Department, the New Mexico Public Education Department, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 9, 2009

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

Hector H. Balderas, State Auditor
and
Board of Regents
New Mexico School for the Blind
and Visually Impaired
Alamogordo, New Mexico

Compliance

We have audited the compliance of New Mexico School for the Blind and Visually Impaired (School) with the types of compliance requirements described in the U.S. OMB *Circular A-133 Compliance Supplement* that are applicable to the medical assistance program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the medical assistance program occurred. An audit includes examining, on a test basis, evidence about the School'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 School's compliance with those requirements.

In our opinion, the School for complied, in all material respects, with the requirements referred to above that are applicable to its medical assistance program for the year ended June 30, 2009.

Internal Control over Compliance

The management of New Mexico School for the Blind and Visually Impaired is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on its medical assistance 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 School'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 that 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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November 9, 2009

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified __X__ Yes _____ No
- Significant deficiency (ies) identified that are not considered to be material weaknesses _____ Yes __X__ No
- Noncompliance material to financial statements noted __X__ Yes _____ No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified _____ Yes __X__ No
- Significant deficiency (ies) identified that are not considered to be material weaknesses _____ Yes __X__ None reported

  Type of auditors' report issued on Compliance with major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 _____ Yes __X__ No

  Program tested as major programs include:

Program	CFDA No.
Medical Assistance Program Units	93.778

- The threshold for distinguishing Types A and B programs was $300,000.
- Auditee qualified as low-risk auditee? _____ Yes __X__ No

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-01 – Outreach Itinerant Contract

Statement of Condition – In December 2008, the School implemented a new internal control procedure concerning outreach itinerants and developmental specialists. During our testing of sixty outreach itinerant and developmental specialist contracts and monthly activity logs, between December 2008 and June 2009, we discovered the following conditions:

- Four occasions where the itinerant's time sheets were not reviewed by the School's Payroll Specialist.
- Forty-eight occasions where the itinerant's time sheet was not reviewed by the itinerant's immediate supervisor.
- Forty-six occasions where the itinerant's mileage log was not reviewed by the itinerant's immediate supervisor.
- One occasion where the activity/service log (time sheets) was not examined by the accounts receivable specialist.
- Forty-eight occasions where the itinerant's activity or service log was not reviewed by the itinerant's immediate supervisor.
- Seven occasions where the itinerant's P-card activity was not reviewed by the business manager.
- One occasion where the business manager failed to create a summary of activity for the itinerant's monthly reporting requirements.

Criteria – As a direct response to the prior year audit finding, the School created an in-depth internal control procedure concerning the outreach itinerants and developmental specialists. These procedures were in effect after the prior year audit report was released. The procedures for each activity are listed below.

On a monthly basis, the outreach itinerants and developmental specialists are required to submit: monthly service log to their supervisor; all gas receipts to the accounts payable specialist; and session reports and or individual contract summaries to the accounts receivable specialist.

The supervisor is required to review monthly/summary spreadsheets (time sheets) and determine if they are accurate and reasonable. The supervisor is required to document exceptions and solutions to the variances. The supervisor is required to provide the information to the business manager.

The business manager is required to determine if P-card purchases are consistent with destinations for each day of travel. The business manager will forward a copy of all activity and any exceptions noted, to the respective departments.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-01 – Outreach Itinerant Contract (continued)

Criteria (continued) – The accounts payable specialist is required to review and verify all vehicle fuel purchases appear reasonable. The accounts payable specialist is to use professional judgment regarding the comparison of miles driven with the amount of fuel purchased. The accounts payable specialist is required to verify the location of vehicle fuel is purchased appears reasonable in relation to the destination. The accounts payable specialist is required to document that vehicle purchases have been reviewed and appear reasonable. All exceptions noted are taken to the employee for further clarification.

The accounts receivable specialist is required to review the documentation to determine if the student served agrees with the session report submitted for billing. The accounts receivable specialist is required to review the number of days worked and submitted for billing are reasonable. All exceptions noted are taken to the employee for further clarification.

The payroll specialist is required to review the spreadsheet and compare with the time cards submitted for the time period covered to ensure days worked. The payroll specialist is required to document the time worked has been reviewed and appears reasonable. All exceptions noted are taken to the employee for further clarification.

The human resources director is required to review the bi-weekly spreadsheet from payroll and will notify the employee's supervisor, in writing, of any exceptions identified regarding fulfillment of contract days. The human resources director will create a spreadsheet documenting days worked at mid-year and prior to the end of year and the employee's supervisor will review the spreadsheet.

All exceptions noted, by the various business office specialists, are taken to the employee for further clarification. A summary of activity is provided to the business manager noting any exceptions and if the exceptions have been cleared from each business office specialist. The summary is signed and dated by the business office specialist.

After receiving all documentation from the various business office specialists, the business manager is required to combine and document on a summary sheet, the activity and reports from each specialist for each employee every month.

Effect – The failure of the School to comply with their internal control procedures could leave the School paying for services not rendered or paying for expenses that do not qualify as School expenses. The failure of the School to reconcile timely or consistently document the reconciliation of the various logs, time cards, mileage logs, and other documentation could allow unauthorized expenditures to be paid by the School.

Without proper review and documentation of the outreach itinerant's activities, school districts throughout New Mexico, that are provided services by the School, could be billed incorrectly, thus causing additional and unsubstantiated expenses for the school district.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-01 – Outreach Itinerant Contract (continued)

Cause – The School created and implemented additional procedures to strengthen their internal controls concerning outreach itinerants and developmental specialists. Even though the School created additional internal control procedures concerning all activity of the outreach itinerants and the developmental specialists, the School failed to complete or document all requirements of the prescribed procedures.

The majority of the deviations noted are caused by no or improper documentation, including indication of the review of documentation by the supervisor, provided by the outreach itinerants and developmental specialists' supervisor to the business manager for further review and document on a monthly basis.

Recommendation – We recommend the School review their internal control procedures concerning the activity of the outreach itinerants and the developmental specialists. We recommend the School review the additional internal control procedures with the supervisors of the outreach itinerants and developmental specialists to ensure the supervisors understand the internal control procedures. We recommend the School ensure the supervisors are reviewing and providing all applicable information to the business manager for further review. Furthermore, we recommend, the School review the new internal control procedures for outreach itinerants and developmental specialists and make necessary changes to streamline the monthly review process.

Views of Responsible Officials and Planned Corrective Actions – The School has reviewed its current internal control procedures for the outreach itinerant employees and determined that the process must be revised in order to streamline the review and reconciliation of all supporting documentation on a monthly basis.

The School's Business & Finance Department will work diligently with the supervisors of the outreach itinerants and development specialists to revise the procedures as necessary and to ensure that they thoroughly understand the process so that prescribed procedures are followed timely and consistently.

Revised procedures will require that a specific timeline be followed each month with regard to when documentation must be submitted to the business office, and when all reconciliations must be completed by the business specialists. Furthermore, all documentation must be initialed and dated by the reviewer, and a quarterly summary report will be compiled by the business manager for review by the supervisors and the superintendent.

Item 2009-01 – Capital Assets – Inventory Control Numbers

Statement of Condition – During our review of capital assets owned by the School, at both the Albuquerque and Alamogordo campuses, it was determined not all capital assets owned by the School had unique identification tags. Twenty-four of the forty-five capital assets tested at the Albuquerque campus did not have a unique identification tag. Four capital assets selected for testing were unable to be tested as the assets were being utilized by staff, outside the office.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-01 – Capital Assets – Inventory Control Numbers (continued)

Statement of Condition (continued) - Fifteen of the sixty capital assets tested at the Alamogordo campus did not have a unique identification tag. Four capital assets selected for testing were unable to be tested as the vehicles were being utilized by School staff.

Criteria – The School's accounting personnel have the responsibility to tag all newly received capital assets at the time they are received and to record newly acquired assets as per part 2.20.1.15 NMAC, *Accounting and Control of Fixed Assets of State Government.* Furthermore, the School has the responsibility to ensure that all tags remain on the capital assets.

Effect – Without tagging the capital assets the School has not established accountability for their custody and use. Capital assets owned by the School that have not been tagged could be removed from campus without the knowledge of School staff.

Cause – Through the years and the move to the new campus in Albuquerque, capital asset tags disappeared, were removed, or never placed on the asset even though unique identification tags were assigned to the new capital asset. The School requires the Property Control Specialists to assign a tag for all new capital assets meeting the threshold requirements. However, for all capital assets held at the Albuquerque campus, the Property Control Specialists mails the tags to the campus and the staff in Albuquerque places the tags on the new capital assets. The Albuquerque staff failed to consistently tag the capital asset.

Recommendation – We recommend the School review their procedures concerning inventory control numbers for all capital assets. Along with tagging all new capital assets on the Alamogordo campus, we recommend the Property Control Specialist travel to Albuquerque to place tags on all new capital assets. Furthermore, we recommend an employee of the Albuquerque campus be assigned the task of informing the Property Control Specialists for all changes to any of the assets located in Albuquerque.

Views of Responsible Officials and Planned Corrective Actions – The School will review its procedures concerning inventory control tags for all capital assets. The Property Control Specialist will tag all newly received capital assets at both the Alamogordo and Albuquerque campuses. In addition, an employee will be designated in each building to be responsible for notifying the Property Control Specialist of any location changes of capital assets assigned to their building.

Item 2009-02 – Annual Inventory of Capital Assets

Statement of Condition – The School did not conduct an annual inventory of their capital assets as of June 30, 2009. During our testing of capital assets, we discovered numerous capital assets still recorded as being in possession of the School. However, when asked to see the capital asset, the School was unable to provide the capital asset for observation.

With the completion of the new Early Childhood Program building in Albuquerque, many items were not transferred from the old building to the new building. Numerous capital assets are still recorded and depreciated, but are no longer in the possession of the School.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2009-02 – Annual Inventory of Capital Assets (continued)

Criteria – According to the Administrative Code, Title 2, Public Finance, Chapter 20, *Accounting by Governmental Entities, Part 1, Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls*, 2.20-1.16, *Annual Inventory*, the School shall conduct a physical inventory of its capital assets consisting of those costs of $5,000 or more, under the control of the School.

Effect – Non-performance of an inventory of all capital assets performed could allow errors to occur and not be detected on a timely basis. Further, capital assets could be removed from campus without detection on a timely basis.

Cause – The School failed to perform an annual inventory of capital assets at both the Albuquerque and Alamogordo campuses at year-end.

Recommendation – We recommend the School adhere to the administrative order regarding the performance of a complete and accurate annual inventory. We recommend the School perform an intensive review of capital assets in each building on both campuses. We recommend the School review the categories of buildings, rooms, and other classifications on their capital asset listing to determine if the categories need to be updated. The listing should categorize the capital asset by type and by location. All staff at both campuses should be accountable for the capital assets in their possession at all times. Furthermore, we recommend the School to remove all capital assets that no longer have an identification tag or can not be found during the review.

Views of Responsible Officials and Planned Corrective Actions – The School will conduct a detailed review of its current list of capital assets. The process for categorizing all capital assets will be reviewed and revised to show more detail and specific locations for all capital assets that will ensure the assets are more easily identified and located. In addition, any capital assets that are past their useful lives, obsolete or cannot be found during the review process will be removed from the School's capital asset listing through the proper disposition of assets procedures.

SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS – MEDICAL ASSISTANCE PROGRAM CLUSTER 93.778

None.

SECTION IV – PRIOR YEAR'S AUDIT FINDINGS

Item 2008-01 – Outreach Itinerant Contract – In the prior year's audit report, it was noted the School failed to review and determine if the outreach itinerant employees are completing all of the requirements of their contract. During the 2008–2009 fiscal year, the School implemented new internal control procedures concerning outreach itinerants and developmental specialists. However, the new internal control procedures were not followed timely and consistently documented by the School. This finding is not considered resolved and is repeated as Item 2008-01.

Exit Conference

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 16, 2009. Present for the School was Alicia McAninch, president; Linda Lyle, superintendent; and Julianne Hall, Business Manager. Present for the auditing firm was Dominic Fierro, audit manager.

Financial Statement Preparation

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the New Mexico School for the Blind and Visually Impaired as of and for the year ended June 30, 2009. The School prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The School also performed all depreciation calculations for the School. The School's upper management has reviewed and approved the financial statements and related notes, and they believe the School's books and records adequately support them.