

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2008

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
TABLE OF CONTENTS
JUNE 30, 2008**

	<u>PAGE</u>
Directory of Officials.....	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis.....	4-12
 Basic Financial Statements:	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets	14
Statement of Cash Flows.....	15
 Fiduciary Financial Statement:	
Statement of Fiduciary Assets and Liabilities – Agency Fund	16
Notes to the Financial Statements	17-33
 Individual Financial Statements:	
<u>All Funds</u>	
Schedule of Revenues and Expenditures Budget (Modified Accrual Budgetary Basis) and Actual on Budgetary Basis.....	34
 <u>Unrestricted Fund:</u>	
Schedule of Revenues and Expenditures Budget (Modified Accrual Budgetary Basis) and Actual on Budgetary Basis.....	35
 <u>Restricted Fund:</u>	
Schedule of Revenues and Expenditures Budget (Modified Accrual Budgetary Basis) and Actual on Budgetary Basis.....	36
Reconciliation Budgetary Comparison Schedule All Funds and Statement of Revenues, Expenses and Changes in Net Assets	37-38
 Supplemental Financial Information:	
Statement of Changes in Assets and Liabilities for the Agency Funds.....	39
Schedule of Cash Accounts.....	40
Schedule of Pledged Collateral.....	41
Schedule of Joint Powers Agreements	42-45

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
TABLE OF CONTENTS
JUNE 30, 2008

	<u>PAGE</u>
Supplemental Federal Financial Information:	
Schedule of Expenditures of Federal Awards	46
Notes to Schedule of Expenditures of Federal Awards	47
Additional Independent Auditors' Report:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48-49
Report on compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	50-51
Schedule of Findings and Questioned Costs	52-55
Exit Conference and Financial Statement Preparation	56

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
DIRECTORY OF OFFICIALS
JUNE 30, 2008

BOARD OF REGENTS

Alicia McAninch.....	President
Christine Hall.....	Vice-President
David Baland.....	Secretary
James A. Miyagishima	Member
Caroline Rounds	Member

SCHOOL OFFICIALS

Linda M. Lyle.....	Superintendent
Retha L. Coburn.....	Associate Superintendent
John Williams	Executive Assistant to the Superintendent
Veronica Hernandez	Director of Human Resources
Carolyn Vick.....	Director of Academic Support Services

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent 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, 2008, 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 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, 2008, 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, 2008, 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 5, 2008 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control 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.

Handwritten signature in cursive script that reads "Fierro + Fierro, P.A."

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

November 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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, 2008. 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 \$19,193,425 at June 30, 2008. Approximately 50.53% of the School's net assets may be used to meet the ongoing and future obligations to operate the School. During the current year, the School increased its net assets by \$1,326,079.
- Cash and investments at June 30, 2008 total \$9,521,848. Liabilities at June 30, 2008 total \$1,815,673.
- During the fiscal year the School expended \$3,599,042 on construction (work in progress) of a new Early Childhood Program Center in Albuquerque, NM. The School also expended \$669,515 on renovation projects on the Alamogordo, NM campus.
- The School's total liabilities at June 30, 2008 amount to \$1,815,673. The long-term portion of the debt is \$67,501 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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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 \$19,193,425 at the close of the most recent fiscal year. Forty-nine 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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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, 2008	June 30, 2007
	<u> </u>	<u> </u>
Assets:		
Current and other assets	\$ 2,679,244	\$ 1,102,512
Non-current assets	8,834,265	12,494,462
Capital assets, net of accumulated depreciation	<u>9,495,589</u>	<u>5,519,109</u>
Total assets	<u>21,009,098</u>	<u>19,116,083</u>
Liabilities:		
Current liabilities	1,748,172	1,175,131
Non-current liabilities	<u>67,501</u>	<u>73,606</u>
Total liabilities	<u>1,815,673</u>	<u>1,248,737</u>
Net Assets:		
Invested in capital assets	9,495,589	5,519,109
Unrestricted	<u>9,697,836</u>	<u>12,348,237</u>
Total net assets	<u>\$ 19,193,425</u>	<u>\$ 17,867,346</u>

The remaining balance of unrestricted net assets of \$9,697,836 may be used to meet the School's ongoing obligations. The School's operating activity increased its net assets by \$1,326,079 during the fiscal year.

At June 30, 2007, cash and investments totaled \$12,535,411. At the end of the current year, cash and investment totaled \$9,521,848; and decrease of \$3,013,563. Both funds reflected increases and decreases in cash and investments. The largest decrease occurred when the investments decreased by \$3,660,197.

At June 30, 2007, receivables for the School equaled \$1,016,937. At June 30, 2008, the receivables totaled \$1,949,482. The net increase in the receivables was \$932,545. 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, 2008, equaled \$1,690,734. At June 30, 2007, the School reported an amount equal to \$1,126,212. The current liabilities increased by \$564,522. The largest increase was due to a higher amount of outstanding bills (accounts payable), which had not been paid at year end.

At June 30, 2007, the long-term liabilities, including the current portion, equaled \$122,525. At June 30, 2008, the long-term liabilities equaled \$124,939. The net increase in the long-term liabilities was \$2,414.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Financial Statement Analysis (continued)

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

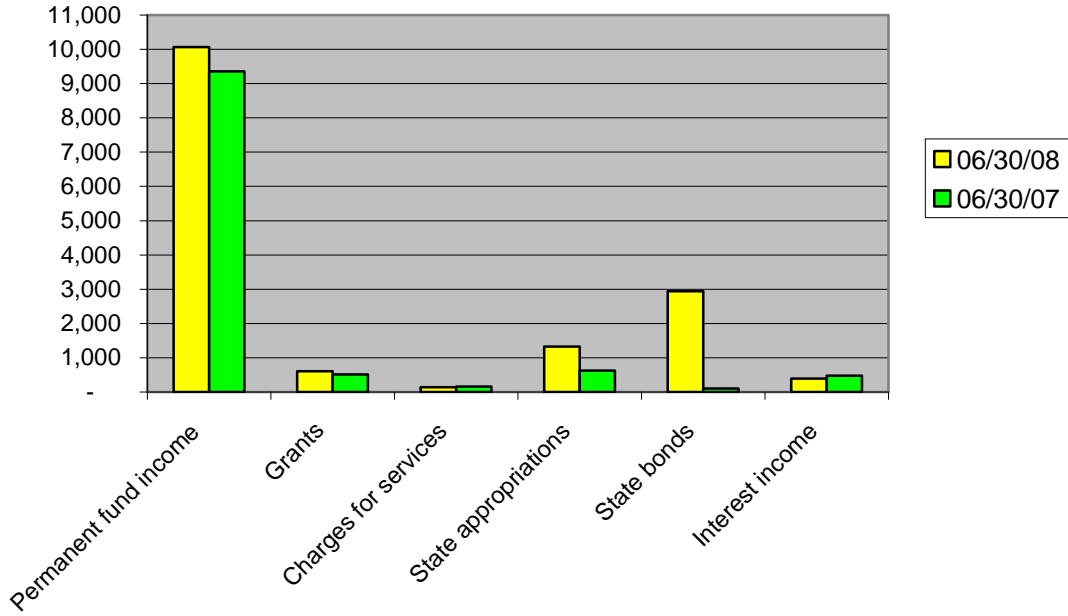
NM School for the Blind and Visually Impaired's Changes in Net Assets	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues:		
Operating Revenues:		
Permanent fund income	\$ 9,690,890	\$ 9,359,204
State appropriations	1,325,721	622,382
Grants	986,344	510,698
Charges for services	140,750	157,242
Other operating revenues	60,791	50,829
Non-Operating Revenues:		
State bonds	2,941,383	102,236
Interest income	389,692	480,078
Donations	18,554	11,840
Gain (loss) on investments	(957,181)	1,435,993
Gain (loss) on disposal of assets	(330)	328,773
Other income	<u>60,044</u>	<u>48,479</u>
Total revenues	14,656,658	13,107,754
Expenses:		
Operating Expenses:		
Direct instruction	4,576,563	4,220,849
Academic support	2,626,426	2,295,863
Student support	2,228,956	1,957,815
Instructional support	1,990,019	1,703,894
Plant operations	1,894,172	1,951,941
Non-Operating Expenses:		
Interest expense	<u>14,443</u>	<u>17,419</u>
Total expenses	<u>13,330,579</u>	<u>12,147,781</u>
Change in net assets	<u>\$ 1,326,079</u>	<u>\$ 959,973</u>

The statement of revenues, expenses and changes in net assets shows revenue increases when compared to the 2007 fiscal year. The largest increase occurred within the state bond revenues. That increase amounted to \$2,839,147 or approximately ninety-seven percent. During the current year the permanent fund distribution increased by \$331,686 or 3.42%. The School received an additional \$267,900 for facility upkeep and improvements during the current fiscal year. Additionally, the School received an additional \$609,103 from State appropriations for planning and design and construction of the new Early Childhood Program site in Albuquerque, New Mexico.

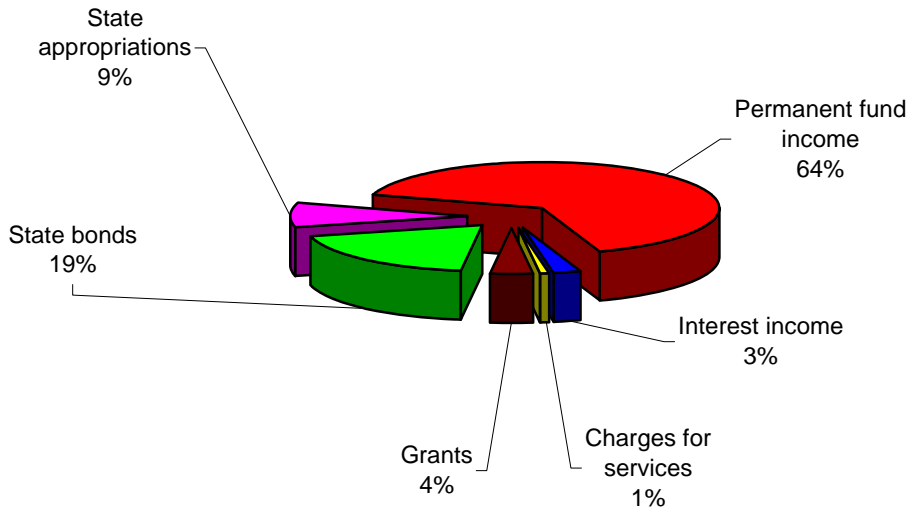
**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Financial Statement Analysis (continued)

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



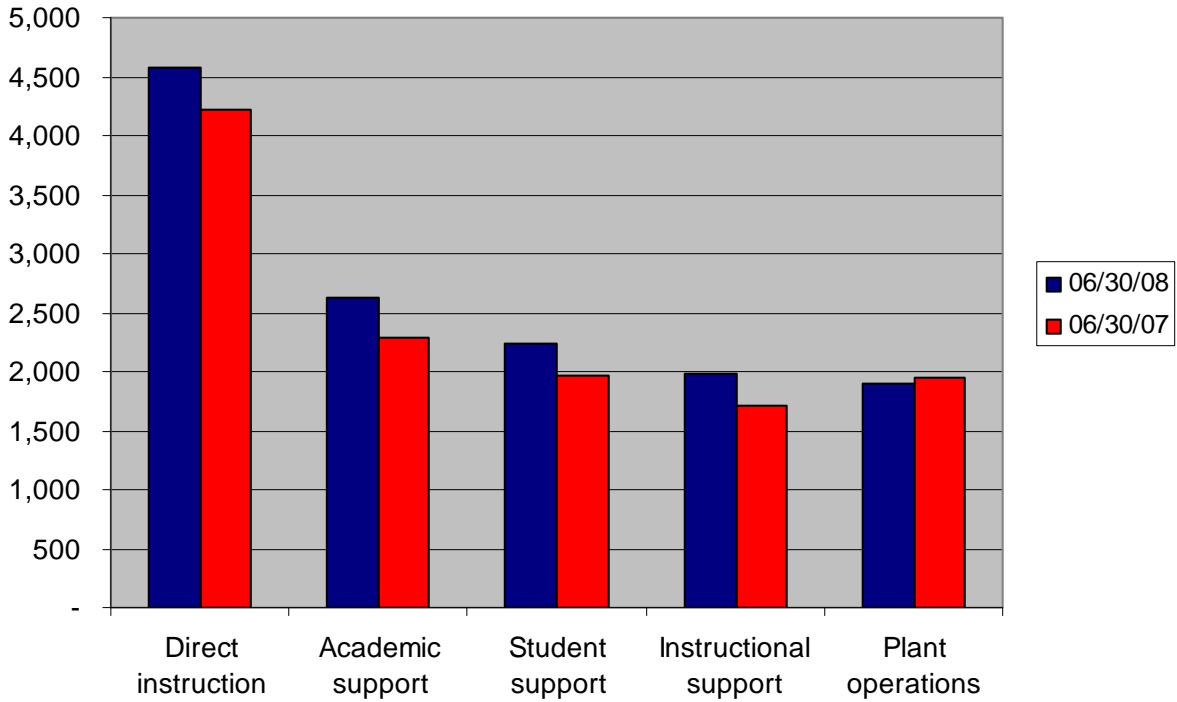
**Total Revenues By Activity
(In Thousands)
June 30, 2008**



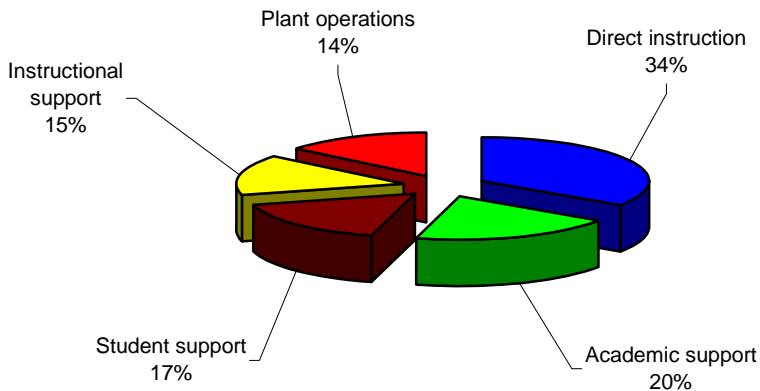
**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Financial Statement Analysis (continued)

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



**Total Expenses By Activity
June 30, 2008**



STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

Financial Statement Analysis (continued)

In the current year, total expenses totaled \$13,330,579. In the previous year, total expenses were equal to \$12,147,781. The increase in current year expenses totaled \$1,182,798. The largest increase in total expenses occurred within the School's direct instruction. For 2007, the School's direct instruction expenses totaled \$4,220,849, and increased by \$355,714 for a total of \$4,576,563. A seven 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 2008, the School reflected an increase in net assets of \$1,326,079. In the prior year, the amount was \$959,973, which is an increase of \$366,106 or twenty-eight 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 \$17,146,864. The actual revenues for the fiscal year were \$12,204,496, a shortfall of \$4,942,368. The majority of the decrease was due to state appropriations. The School had budgeted those revenues at \$6,216,618; actual state appropriations revenues were \$1,325,721. The decrease amounted to \$4,890,897. During the year, the School budgeted operating expenses at \$23,227,772. Actual operating expenses were \$17,288,345. The School expended \$5,939,427 less than was budgeted.

For the year ended June 30, 2008, the School anticipated that expenses would exceed operating revenues and non-operating revenues (expenses) by \$2,950,971. Actual operating expenses of \$17,288,345 exceeded operating revenues of \$12,204,496 and net non-operating revenues (expenses) by \$3,032,271; producing a change of \$2,051,578. During the fiscal year the School increased anticipated operating revenues by \$252,507, when it amended its original budget. The School increased anticipated operating expenses by \$3,248,897.

Capital Assets and Debt Administration

Capital Assets

The School's investment in capital assets as of June 30, 2008 amounted to \$9,495,589 (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 \$4,511,784 on capital assets. The School began the process of building their new Early Childhood Program Center during the fiscal year, along with renovating the Alamogordo Natatorium and various upgrades to buildings on the Alamogordo campus. The School had construction in progress of \$4,662,979 during the fiscal year. The majority of these costs is associated with the Early Childhood Program Center. The School upgraded their vehicle fleet by purchasing eight vehicles costing \$136,232. Furthermore, the School removed four older vehicles from their asset listing with a cost of \$85,925.

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Financial Analysis of the School's Funds (continued)

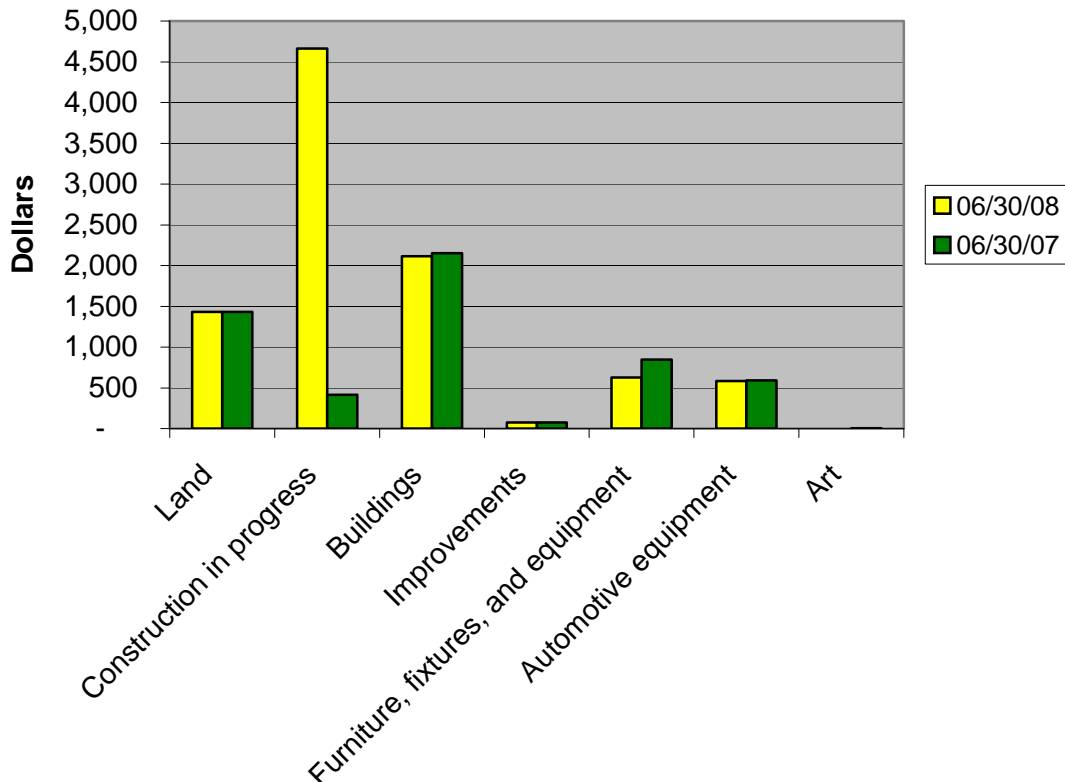
Capital Assets and Debt Administration (continued)

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, 2008	June 30, 2007
Land	\$ 1,433,234	\$ 1,433,234
Construction in progress	4,662,979	415,617
Buildings	2,112,104	2,152,612
Improvements	75,870	74,580
Furniture, fixtures, and equipment	627,854	848,553
Automotive equipment	583,548	592,913
Art	-	1,600
	<u>\$ 9,495,589</u>	<u>\$ 5,519,109</u>

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



STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008

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 through twenty-eight of this report.

Long-Term Debt

As of June 30, 2008, 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 effect on the financial position or results of operations during fiscal year 2009 beyond those unknown variations having a global effect on virtually all types of business operations. The fluctuations of the stock market will affect the market value of the School's quasi-endowment fund which is invested in the State Investment Council (SIC) investment pool. Due to the timing of the opening of the new Early Childhood Program site in Albuquerque, the addition of two classrooms will be implemented in fiscal year 2010, with two additional classrooms added in fiscal year 2011. This will result in increased staffing and equipment needs in both years. Continued growth in this area is anticipated and is considered at the time of proposed budgeting.

The School's overall financial position is strong. Net assets are utilized as needed to supplement operational revenues. 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 Associate 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, 2008

Assets:	
Current assets:	
Cash	\$ 687,474
Investments	109
Receivables (net of allowance):	
Accounts	22,147
Intergovernmental	1,927,335
Inventory	42,179
Noncurrent assets:	
Investments	8,834,265
Capital assets:	
Land and construction in progress	6,096,213
Other capital assets, net of depreciation	<u>3,399,376</u>
Total capital assets, net	<u>9,495,589</u>
Total assets	<u>21,009,098</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,070,186
Accrued salaries	42,179
Accrued liabilities	474,440
Deferred revenues	103,929
Current maturities of:	
Compensated absences	<u>57,438</u>
Total current liabilities	1,748,172
Non-Current liabilities:	
Compensated absences	<u>67,501</u>
Total liabilities	<u>1,815,673</u>
Net assets:	
Invested in capital assets	9,495,589
Unrestricted	<u>9,697,836</u>
Total net assets	<u>\$ 19,193,425</u>

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 NET ASSETS
FOR THE YEAR THEN ENDED JUNE 30, 2008

Operating Revenues:	
State permanent fund income	\$ 9,690,890
State appropriations	1,325,721
Medicaid in the schools	407,735
Land income	375,790
Outreach itinerant income	140,750
Federal sources	93,061
State sources	73,960
Other operating revenues	60,791
Local sources	<u>35,798</u>
Total operating revenues	12,204,496
Operating Expenses:	
Direct instruction	4,576,563
Academic support	2,626,426
Student support	2,228,956
Instructional support	1,990,019
Plant operations	<u>1,894,172</u>
Total operating expenses	<u>13,316,136</u>
Operating (loss)	(1,111,640)
Non-Operating Revenues (Expenses):	
State bonds	2,941,383
Interest income	389,692
Other income	60,044
Donations	18,554
Loss on investments	(957,181)
Interest expense	(14,443)
Disposal of assets	<u>(330)</u>
Total non-operating revenues (expenses)	<u>2,437,719</u>
Change in net assets	1,326,079
Net assets, beginning of year	<u>17,867,346</u>
Net assets, end of year	<u><u>\$ 19,193,425</u></u>

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, 2008

Cash Flows From Operating Activities:	
Cash received from permanent fund, federal and state governments and other operating sources	\$ 12,086,453
Cash payments to suppliers for goods and services	(4,706,883)
Cash payments to employees for services	(5,657,856)
Cash payments for payroll taxes and employee benefits	<u>(2,765,168)</u>
Net cash (used) by operating activities	(1,043,454)
Cash Flows for Non-Capital and Financing Activities:	
Donations	17,927
Other income	<u>64,551</u>
Net cash provided by non-capital and financing activities	82,478
Cash Flows for Capital and Financing Activities:	
State bonds revenue	2,196,699
Acquisition of capital assets	<u>(4,030,318)</u>
Net cash (used) by capital and financing activities	(1,833,619)
Cash Flows From Investing Activities:	
Proceeds from investments	7,673,131
Interest income	389,692
Purchase of investments	(4,607,156)
Investment fees	<u>(14,443)</u>
Net cash provided by investing activities	<u>3,441,224</u>
Net increase in cash	646,629
Cash and cash equivalents, beginning of year	<u>40,845</u>
Cash and cash equivalents, end of year	<u><u>\$ 687,474</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating (loss)	\$ (1,111,640)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	513,829
Change in Assets and Liabilities:	
(Increase) in accounts receivable	(7,549)
(Increase) in intergovernmental receivables	(184,192)
Decrease in inventories	2,447
(Decrease) in accounts payable	(277,505)
(Decrease) in accrued salaries	(5,389)
(Decrease) in accrued liabilities	(49,565)
Increase in deferred revenues	73,696
Increase in compensated absences	<u>2,414</u>
Total adjustments	<u>68,186</u>
Net cash (used) by operating activities	<u><u>\$ (1,043,454)</u></u>

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, 2008

	<u>Agency Funds</u>
Assets:	
Cash	\$ 17,793
Federal quota funds	31,398
Textbook credit funds	<u>9,842</u>
Total assets	<u>59,033</u>
Liabilities:	
Held for others	<u>59,033</u>
Net assets	<u><u>\$ -</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

Budgetary control is required to be exercised over the total major expenditure category for each of the following budgetary functions: direct instruction, academic support, student support, instructional support and plant operations. Total expenditures in each of the above enumerated items of budgetary control may not exceed the amount shown in the final budget.

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investments (continued)

The State Investment Council has an arrangement composed of seven 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 these external co-mingled pools along with other educational institutions and government bodies electing within the State. All investments are allocated in the seven investment pools 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, 2008, 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:

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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:

<u>Employee Type</u>	<u>Years of Service</u>	<u>Rate</u>
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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008, 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:

	<u>Type of Account</u>	<u>Per Financial Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Wells Fargo Bank	Checking	<u>\$ 838,972</u>	<u>\$ (133,705)</u>	<u>\$ 705,267</u>

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

Statement of Net Assets:	
Cash	\$ 687,474
Statement of Fiduciary Assets and	
Liabilities - Agency Fund	<u>17,793</u>
	<u>\$ 705,267</u>

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.

	<u>Wells Fargo Bank</u>
Total deposits in bank	\$ 838,972
Less FDIC coverage	<u>(100,000)</u>
Total uninsured public funds	<u>\$ 738,972</u>
Pledged securities	\$ 998,107
Collateral requirement (50% of uninsured public funds)	<u>369,486</u>
Over (under) collateralization	<u>\$ 628,621</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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 \$100,000 in aggregate and separate from the \$100,000 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, 2008, the School’s bank balance of \$838,972 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging banks' trust department or agent not in the School's name.	<u>\$ 738,972</u>
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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, 2007, the combined balance of the School’s investment within the short-term investment fund was \$109. The cost basis and the fair market basis of the deposit are equal to \$109 (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 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2008, was 2.3991%.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. INVESTMENTS (continued)

Interest Rate Risk - Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 46-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, 2008, 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	40.31%	\$ 3,561,464	Aa2
Large Cap ETF	8.72%	769,997	Not Rated
S&P Index ETF	20.88%	1,844,410	Not Rated
SMID ETF	11.79%	1,041,772	Not Rated
Developed International	13.17%	1,163,548	Not Rated
Emerging International	5.13%	453,074	Not Rated
	<u>100%</u>	<u>\$ 8,834,265</u>	

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008, consisted of the following:

Charges for services	\$	21,520
Donations		627
		627
	\$	22,147

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

5. INTERGOVERNMENTAL RECEIVABLE

Intergovernmental receivable at June 30, 2008, consisted of the following:

NM Permanent Fund Income	\$	808,700
Severance Tax Bonds		609,104
2006 G.O. Bonds		180,989
Land income		119,932
Medicaid		69,217
2004 G.O. Bonds		53,732
IDEA-B Grant		35,533
Carl Perkins		13,438
Navajo Nation		12,500
Outreach Itinerant Services		10,545
Low Vision Grant		10,000
Library G.O. Bond		3,095
USDA		310
NM Commission for the Blind		240
		240
	\$	1,927,335

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

6. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2008 are as follows:

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,433,234	\$ -	\$ -	\$ 1,433,234
Work in progress	415,617	4,268,557	(21,195)	4,662,979
Total capital assets, not being depreciated	1,848,851	4,268,557	(21,195)	6,096,213

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

6. CAPITAL ASSETS (continued)

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business Activities:				
Other capital assets, being depreciated:				
Buildings	8,111,159	73,907	-	8,185,066
Improvements	1,161,483	9,855	-	1,171,338
Furniture, fixtures, and equipment	3,127,305	23,283	(72,290)	3,078,298
Automotive equipment	1,447,715	136,232	(85,925)	1,498,022
Art	8,000	-	-	8,000
	<u>13,855,662</u>	<u>243,277</u>	<u>(158,215)</u>	<u>13,940,724</u>
Total capital assets, being depreciated				
	13,855,662	243,277	(158,215)	13,940,724
Less accumulated depreciation for:				
Buildings	(5,958,547)	(114,415)	-	(6,072,962)
Improvements	(1,086,903)	(8,565)	-	(1,095,468)
Furniture, fixtures, and equipment	(2,278,752)	(243,652)	71,960	(2,450,444)
Automotive equipment	(854,802)	(145,597)	85,925	(914,474)
Art	(6,400)	(1,600)	-	(8,000)
	<u>(10,185,404)</u>	<u>(513,829)</u>	<u>157,885</u>	<u>(10,541,348)</u>
Total accumulated depreciation				
	(10,185,404)	(513,829)	157,885	(10,541,348)
Other capital assets, net	<u>3,670,258</u>	<u>(270,552)</u>	<u>(330)</u>	<u>3,399,376</u>
Total capital assets, net	<u>\$ 5,519,109</u>	<u>\$ 3,998,005</u>	<u>\$ (21,525)</u>	<u>\$ 9,495,589</u>

Depreciation expense of \$513,829 has been recorded within the plant operations function.

7. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences during the year ended June 30, 2008, were as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08	Amounts Due Within One Year
Accrued compensated absences	<u>\$ 122,525</u>	<u>\$ 127,754</u>	<u>\$ (125,340)</u>	<u>\$ 124,939</u>	<u>\$ 57,438</u>

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2008 consist of the following:

Employee benefits payable	\$ 342,231
Employee wages payable to others	75,698
Employee taxes payable	47,840
Due to others	8,275
Miscellaneous accrued liabilities	396
Total	\$ 474,440

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, 2008, are as follows:

Balance - June 30, 2007	\$ 219,804,106
Income distribution	(9,690,890)
State land office transfers	10,307,614
Capital gains/(losses)	15,257,468
Unrealized gains/(losses)	(24,442,479)
Income earnings	774,227
Balance - June 30, 2008	\$ 212,010,046

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

10. LAND INCOME (continued)

The amount distributed to (and receivable by) the School for the fiscal year ended June 30, 2008:

Land income	\$ 351,768
Reapportionment/settlements	<u>24,022</u>
Total land income	<u><u>\$ 375,790</u></u>

11. 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.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The School is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. 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, 2008, 2007, and 2006 were \$683,425, \$578,120, and \$499,746, respectively, equal the amount of the required contributions for each 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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

11. RETIREMENT PLANS (continued)

PERA (continued)

Plan Description (continued)

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, 2008, 2007, and 2006 were \$194,543, \$70,024 and \$136,834, respectively, equal to the amount of the required contributions for each 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.

12. POST-EMPLOYMENT BENEFITS

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.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. POST-EMPLOYMENT BENEFITS (continued)

Plan Description (continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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.

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, 2008, 2007 and 2006 were \$144,803, \$129,566 and \$76,456, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

12. POST-EMPLOYMENT BENEFITS (continued)

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.

13. 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.

14. 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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Federal sources	\$ 200,994	\$ 99,667	\$ 93,061	\$ (6,606)
State appropriations	6,183,395	6,216,618	1,325,721	(4,890,897)
State sources	69,801	81,414	73,960	(7,454)
Local sources	25,000	35,798	35,798	-
State permanent fund income	9,484,916	9,690,890	9,690,890	-
Land income	271,700	375,790	375,790	-
Outreach itinerant income	300,000	166,348	140,750	(25,598)
Medicaid in the schools	310,000	407,734	407,735	1
Other operating revenues	48,551	72,605	60,791	(11,814)
Total operating revenues	16,894,357	17,146,864	12,204,496	(4,942,368)
Operating Expenses:				
Direct instruction	4,875,029	4,778,811	4,572,894	205,917
Academic support	2,664,302	2,700,417	2,626,426	73,991
Student support	2,328,985	2,438,649	2,228,024	210,625
Instructional support	2,002,961	2,079,729	1,996,519	83,210
Plant operations	8,107,598	11,230,166	5,864,482	5,365,684
Total operating expenses	19,978,875	23,227,772	17,288,345	5,939,427
Operating income (loss)	(3,084,518)	(6,080,908)	(5,083,849)	997,059
Non-Operating Revenues (Expenses):				
Interest income	20,000	20,000	12,290	(7,710)
State bonds	-	2,971,383	2,941,383	(30,000)
Other income	85,000	120,000	60,044	(59,956)
Donations	7,255	18,554	18,554	-
Total non-operating revenues (expenses)	112,255	3,129,937	3,032,271	(97,666)
Net change in fund balance	(2,972,263)	(2,950,971)	(2,051,578)	899,393
Fund balance, beginning of year	227,555	227,555	227,555	-
Investments converted to cash	2,744,708	2,723,416	2,723,416	-
Fund balance, end of year	\$ -	\$ -	\$ 899,393	\$ 899,393

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
State sources	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Local sources	15,000	35,798	35,798	-
State appropriations	6,183,395	6,216,618	1,325,721	(4,890,897)
State permanent fund income	9,484,916	9,690,890	9,690,890	-
Land income	271,700	375,790	375,790	-
Outreach itinerant income	300,000	166,348	140,750	(25,598)
Other operating revenues	48,551	72,605	60,791	(11,814)
Total operating revenues	16,313,562	16,568,049	11,639,740	(4,928,309)
Operating Expenses:				
Direct instruction	4,454,533	4,352,032	4,153,537	198,495
Academic support	2,664,302	2,693,827	2,626,186	67,641
Student support	2,211,664	2,288,589	2,077,964	210,625
Instructional support	1,952,961	2,079,729	1,996,519	83,210
Plant operations	8,107,365	11,230,166	5,864,482	5,365,684
Total operating expenses	19,390,825	22,644,343	16,718,688	5,925,655
Operating income (loss)	(3,077,263)	(6,076,294)	(5,078,948)	997,346
Non-Operating Revenues (Expenses):				
Interest income	20,000	20,000	12,290	(7,710)
State bonds	-	2,968,288	2,938,288	(30,000)
Other income	85,000	120,000	60,044	(59,956)
Donations	-	17,035	17,035	-
Total non-operating revenues (expenses)	105,000	3,125,323	3,027,657	(97,666)
Net change in fund balance	(2,972,263)	(2,950,971)	(2,051,291)	899,680
Fund balance, beginning of year	227,555	227,555	227,555	-
Investments converted to cash	2,744,708	2,723,416	2,723,416	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,680</u>	<u>\$ 899,680</u>

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, 2008

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Operating Revenues:				
Federal sources	\$ 200,994	\$ 99,667	\$ 93,061	\$ (6,606)
State sources	59,801	71,414	63,960	(7,454)
Local sources	10,000	-	-	-
Medicaid in the schools	310,000	407,734	407,735	1
Total operating revenues	<u>580,795</u>	<u>578,815</u>	<u>564,756</u>	<u>(14,059)</u>
Operating Expenses:				
Direct instruction	420,496	426,779	419,357	7,422
Academic support	-	6,590	240	6,350
Student support	117,321	150,060	150,060	-
Instructional support	50,000	-	-	-
Plant operations	233	-	-	-
Total operating expenses	<u>588,050</u>	<u>583,429</u>	<u>569,657</u>	<u>13,772</u>
Operating (loss)	(7,255)	(4,614)	(4,901)	(287)
Non-Operating Revenues (Expenses):				
State bonds	-	3,095	3,095	-
Donations	7,255	1,519	1,519	-
Total non-operating revenues (expenes)	<u>7,255</u>	<u>4,614</u>	<u>4,614</u>	<u>-</u>
Net change in fund balance	-	-	(287)	(287)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (287)</u>	<u>\$ (287)</u>

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, 2008

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 12,204,496
Differences - Budget to GAAP:	
None.	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets	<u>\$ 12,204,496</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 17,288,345
Differences - Budget to GAAP:	
The School budgets for salaries paid for during the current accounting period. Accrual of compensated absences are not included in the budgetary basis but are expenditures for financial reporting purposes.	4,601
The School budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(4,490,639)
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>513,829</u>
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets	<u>\$ 13,316,136</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 3,032,271
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.	<u>377,402</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets	<u>\$ 3,409,673</u>

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, 2008

Other Sources (Uses) 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.	(957,181)
The School does not budget investment expenses. The amount is reflected as a non-operating expense for financial reporting purposes.	(14,443)
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.	<u>(330)</u>
Total non-operating expenses as reported in the statement of revenues, expenses, and changes in net assets.	<u><u>\$ (971,954)</u></u>
Other Sources (Uses) of Resources:	
Actual amounts (budgetary basis) net transfers in and (out) from the budgetary comparison schedule.	\$ -
Differences - Budget to GAAP:	
None.	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenses, and changes in net assets.	<u><u>\$ -</u></u>

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, 2008

	Balance June 30, 2007	Increase/ Receipts	Decrease/ Disbursements	Balance June 30, 2008
Activity Fund				
Assets:				
Cash	\$ 14,726	\$ 22,393	\$ 21,499	\$ 15,620
Total assets	<u>\$ 14,726</u>	<u>\$ 22,393</u>	<u>\$ 21,499</u>	<u>\$ 15,620</u>
Liabilities:				
Held for others	\$ 14,726	\$ 22,393	\$ 21,499	\$ 15,620
Total liabilities	<u>\$ 14,726</u>	<u>\$ 22,393</u>	<u>\$ 21,499</u>	<u>\$ 15,620</u>
Student Deposits				
Assets:				
Cash	\$ 1,725	\$ 5,429	\$ 4,981	\$ 2,173
Total assets	<u>\$ 1,725</u>	<u>\$ 5,429</u>	<u>\$ 4,981</u>	<u>\$ 2,173</u>
Liabilities:				
Held for others	\$ 1,725	\$ 5,429	\$ 4,981	\$ 2,173
Total liabilities	<u>\$ 1,725</u>	<u>\$ 5,429</u>	<u>\$ 4,981</u>	<u>\$ 2,173</u>
Educational Materials Credits				
Assets:				
Federal quota funds	\$ 32,152	\$ 317,992	\$ 318,746	\$ 31,398
Textbook credit funds	650	67,540	58,348	9,842
Total assets	<u>\$ 32,802</u>	<u>\$ 385,532</u>	<u>\$ 377,094</u>	<u>\$ 41,240</u>
Liabilities:				
Held for others	\$ 32,802	\$ 385,532	\$ 377,094	\$ 41,240
Total liabilities	<u>\$ 32,802</u>	<u>\$ 385,532</u>	<u>\$ 377,094</u>	<u>\$ 41,240</u>
Summary				
Assets:				
Cash	\$ 16,451	\$ 27,822	\$ 26,480	\$ 17,793
Federal quota funds	32,152	317,992	318,746	31,398
Textbook credit funds	650	67,540	58,348	9,842
Total assets	<u>\$ 49,253</u>	<u>\$ 413,354</u>	<u>\$ 403,574</u>	<u>\$ 59,033</u>
Liabilities:				
Held for others	\$ 49,253	\$ 413,354	\$ 403,574	\$ 59,033
Total liabilities	<u>\$ 49,253</u>	<u>\$ 413,354</u>	<u>\$ 403,574</u>	<u>\$ 59,033</u>

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, 2008

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Wells Fargo Bank, N.A. Alamogordo Office 1109 New York Avenue Alamogordo, New Mexico 88310				
General Fund	Checking	\$ 241,041	\$ (132,341)	\$ 108,700
Payroll	Checking	6,580	(1,055)	5,525
Restricted Funds	Checking	105,211	-	105,211
Money Market Account	Checking	468,038	-	468,038
Student Trust	Checking	18,102	(309)	17,793
		<u>\$ 838,972</u>	<u>\$ (133,705)</u>	<u>\$ 705,267</u>

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2008

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Market Value</u>
FNCL 879100	31409UUZ6	05/01/36	\$ 87,728
FNCL 891601	31410MRW2	06/01/36	660,773
FNCL 891601	31410MRW2	06/01/36	151,942
FGIOH H00895	3128MS7G9	06/01/37	<u>97,664</u>
			<u><u>\$ 998,107</u></u>

The holder of all security pledged by Wells Fargo New Mexico, N.A. is Wells Fargo Banking Group, Northstar East Building, Sixth Street and Second Avenue, Eighth Floor Safekeeping Department, Minneapolis, MN 55479-0130.

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2008**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/08	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	\$ 193,395	\$ 139,210	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.	07/01/06 thru 06/30/08	\$ 50,000	\$ 37,500	Navajo Nation	Navajo Nation
Bernalillo Public Schools and NMSBVI	Bernalillo Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 15,356	\$ 15,356	Bernalillo Public Schools	Bernalillo Public Schools
Central Consolidated Schools and NMSBVI	Central Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 1,739	\$ 1,739	Central Consolidated Schools	Central Consolidated Schools
Chama Valley Independent Schools and NMSBVI	Chama Valley Independent Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 4,405	\$ 2,113	Chama Valley Independent Schools	Chama Valley Independent Schools
Cimarron Municipal Schools and NMSBVI	Cimarron Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 2,080	\$ 1,024	Cimarron Municipal Schools	Cimarron Municipal Schools
Clayton Municipal Schools and NMSBVI	Clayton Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 780	\$ 780	Clayton Municipal Schools	Clayton Municipal Schools

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2008**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/08	Audit Responsibility	Revenues and Expenditures Reported on
Cottonwood Valley Charter School and NMSBVI	Cottonwood Valley Charter School	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 1,885	\$ 1,885	Cottonwood Valley Charter School	Cottonwood Valley Charter School
Deming Public Schools and NMSBVI	Deming Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 8,917	\$ 8,917	Deming Public Schools	Deming 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.	07/01/07 thru 06/30/08	\$ 6,800	\$ 5,468	Española Public Schools	Española Public Schools
Gallup-McKinley County Public Schools and NMSBVI	Gallup-McKinley Co. Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 34,808	\$ 34,808	Gallup-McKinley Co. Public Schools	Gallup-McKinley Co. Public Schools
Hagerman Municipal Schools and NMSBVI	Hagerman Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 1,398	\$ 1,398	Hagerman Municipal Schools	Hagerman Municipal Schools
Hatch Valley Municipal Schools and NMSBVI	Hatch Valley Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 520	\$ 520	Hatch Valley Municipal Schools	Hatch Valley Municipal 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.	07/01/07 thru 06/30/08	\$ 1,934	\$ 1,934	Jemez Valley Public Schools	Jemez Valley Public Schools
Las Vegas City Public Schools and NMSBVI	Las Vegas City Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 3,396	\$ 2,454	Las Vegas City Public Schools	Las Vegas City Public Schools

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2008**

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/08	Audit Responsibility	Revenues and Expenditures Reported on
Maxwell Municipal Schools and NMSBVI	Maxwell Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 959	\$ 959	Maxwell Municipal Schools	Maxwell Municipal Schools
Moriarty-Edgewood Municipal Schools and NMSBVI	Moriarty-Edgewood Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 423	\$ 423	Moriarty-Edgewood Municipal Schools	Moriarty-Edgewood 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.	07/01/07 thru 06/30/08	\$ 666	\$ 666	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.	07/01/07 thru 06/30/08	\$ 3,039	\$ 3,039	Raton Public Schools	Raton Public Schools
Santa Fe Public Schools and NMSBVI	Santa Fe Public Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 1,463	\$ 1,463	Santa Fe Public Schools	Santa Fe Public Schools
Silver Consolidated Schools and NMSBVI	Silver Consolidated Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 30,371	\$ 30,371	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.	07/01/07 thru 06/30/08	\$ 12,693	\$ 11,408	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.	07/01/07 thru 06/30/08	\$ 1,089	\$ 1,089	Taos Charter School	Taos Charter School

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2008

Participants	Responsible Party for Operations	Descriptions	Beginning and Ending Dates	Total Estimated Amount of Project	Contribution 06/30/08	Audit Responsibility	Revenues and Expenditures Reported on
Taos Municipal Schools and NMSBVI	Taos Municipal Schools	NMSBVI to provide Special Education and vision related services to students referred by the District.	07/01/07 thru 06/30/08	\$ 2,259	\$ 2,259	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.	07/01/07 thru 06/30/08	\$ 1,625	\$ 1,625	Tucumcari Public Schools	Tucumcari Public 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, 2008

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	\$ 34,134	\$ 34,134
U.S. Department of Education/Passed through the NM Public Education Department				
Career & Technical Education - National Programs	84.051	08-924-P527-0132	30,000	23,682
Special Education - Preschool Grants	84.173	H027-A0700-78	35,533	35,533
Special Education - Grants for Infants & Families	84.178	Entitlement 24106 C06564	50,000	<u>50,000</u>
Total U.S. Department of Education				109,215
U.S. Department of Health and Human Services/ Passed through NM Human Services Department				
Medical Assistance Program	93.778	Medicaid School Based Services	179,169	179,169
Medical Assistance Program	93.778	Medicaid Family, Infants Toddler Early Intervention	228,565	<u>228,565</u>
Total U.S. Department of Health and Human Services				<u>407,734</u>
Total Expenditures of Federal Awards				<u>\$ 551,083</u>

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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 \$551,083. The amounts of expenditures within the funds are reflected within the financial statements as follows:

Direct instruction	\$ 288,384
Student support	<u>262,699</u>
	<u>\$ 551,083</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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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 *Government 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, 2008, and have issued our report thereon dated November 5, 2008. We have also audited the budgetary comparison statements for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraph 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 finding 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.
Las Cruces, New Mexico

November 5, 2008

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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, 2008. 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, 2008.

Internal Control over Compliance

The management of the 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 than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

Handwritten signature in black ink that reads "Fierro + Fierro, P.A." in a cursive style.

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

November 5, 2008

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-01 – Outreach Itinerant Contract

Statement of Condition – During our questioning of various School employees about fraud, we were informed of a potential instance of fraud in relation to the School's outreach itinerant contracts. During our conversations, review, and testing certain outreach itinerant contracts, we discovered the following conditions:

- An employee of the School failed to meet the requirements of her contract. The employee worked 174 days during the 2006-2007 school year, yet the contract between the School and all outreach itinerant employees states each employee shall work 183 days during the school year.
- The School failed to provide any information, verifying the number of days actually worked versus the number of days of the employees' contract. The School requires outreach itinerant employees to indicate a day worked by placing a checkmark on their time card. For a year, the time cards are not verified or tallied to ensure the outreach itinerant employees are working the required number of days.
- The outreach itinerant contract fails to state what constitutes a work day.
- Each outreach itinerant employee is provided a school vehicle for business use. The employee is required to maintain a mileage log. The employee is also issued a fleet fueling charge card for fuel purchases. The School fails to reconcile fuel purchase receipts with the mileage log on a monthly basis to ensure there is no excess mileage or fuel purchased.
- All outreach itinerant employees are required to prepare a service log daily. All services provided by the employee with or on behalf of the student are required to be documented on the service log.
- The School has Joint Power Agreements (JPA) with all schools requesting outreach itinerant services. However, there are a couple of schools (i.e., New Mexico School for the Deaf) where a JPA is not in place. The School does not bill these schools for services rendered, however, the School pays their outreach itinerant employee for their time.
- The time card, service and mileage logs, and fuel receipts are turned in on a monthly basis to the outreach itinerant employee's supervisor. The supervisor performs quick review of the documents. After the review, the time card is delivered to the payroll specialist, the service log is delivered to accounts receivable specialist and the fuel receipts are delivered to the accounts payable specialist. The mileage log is retained by the outreach itinerant employee's supervisor. None of the documents were reconciled against each other to verify the information is correct and accurate.

Criteria – The School's outreach itinerant contract states all outreach itinerant employees shall work no less than 183 days during the school year (August through June). Any days worked greater than 183 days, by the employee, shall not be paid by the School. All miles driven by the vehicles issued to the outreach itinerant employees shall only be for School purposes only.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2008

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-01 – Outreach Itinerant Contract (continued)

Effect – The failure of the outreach itinerant employee to meet the contract requirements causes the School to pay for services not rendered. The failure of the School to reconcile the various logs and the time cards to each other and other documentation could allow unauthorized expenditures to be paid by the School.

Cause – Internal controls are in place to ensure checks and balances are done for all the financial activity of the School. However, with these internal controls in place, there are loopholes, where unauthorized expenses could be paid. After the initial review from the employee's supervisor, there is no additional review or reconciliation of the monthly activity of each itinerant employee by the School's accounting staff. The School failed to reconcile all itinerant activity with various documents and their contract to ensure all aspects of the agreement are being met.

Recommendation – The School needs to review their internal controls concerning outreach itinerant employees. This includes controls concerning the reconciliation of all activity (time cards, service and mileage logs, and fuel receipts) for each employee on a monthly basis. The itinerant's activity should be reviewed by multiple people from different points of view. The School needs to update their internal controls and encompass the changes necessary to have better controls over the outreach itinerant program.

Views of Responsible Officials and Planned Corrective Actions – The School has reviewed internal controls regarding outreach itinerant employees and has implemented additional practices and procedures.

Historically, the School's Outreach Department's administrative staff assumed the responsibility of verifying number of days documented on the staffs' timecard with the staffs' contract. Communication with the School's Business & Finance Department was ongoing. During the 2006-2007 fiscal year, the School's Outreach Department was transitioned from the Alamogordo campus to the Albuquerque campus. The system of communication failed to follow through on verification of time worked. The School's Business & Finance Department began tracking and verifying time documented on timecards compared to contracts on July 1, 2007. The School's Business & Finance Department will continue this practice and will have ongoing communication of variances with the Outreach Department in order to insure the accuracy of data; to insure the accuracy of payments made to Outreach Itinerants and to promptly insure days worked remain consistent with schedule targets throughout the year.

At the beginning of the 2008-2009 fiscal year, after conversations with our auditors, the School's Outreach Department researched methods of collection of data and implemented additional reporting requirements for the Outreach itinerants. The School's Outreach Department currently collects data from service logs, daily calendars, mileage logs, session reports, billing reports, and timecards. Data is documented and cumulated into a comparative report. The comparative report and supporting documentation is submitted to the School's Business & Finance Department for review on a monthly basis.

**STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-01 – Outreach Itinerant Contract (continued)

Views of Responsible Officials and Planned Corrective Actions - The School's Business & Finance Department will implement practices and procedures to verify monthly comparative reports, supporting documentation, and financial information. Any data collected not supported by substantiated documentation will immediately be brought to the Superintendent's attention.

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

None.

SECTION IV – PRIOR YEAR'S AUDIT FINDINGS

Item 2007-01 – FY 2005 – 2006 Audit Report Presentation and Approval – In the prior year's audit report, it was noted the School failed to have the 2005-2006 audit report presented to a quorum of the Board of Regents for approval at a public meeting. The 2006-2007 audit report, the School's report was presented and approved by the Board of Regents during a public meeting. The audit finding is considered resolved.

Item 2007-02 – Governmental Gross Receipts Reports – In the prior year's audit report, it was noted the failed to comply with the state of New Mexico concerning gross receipts taxes billed and reported on a monthly basis. The School reviewed and updated their policies and procedures concerning gross receipts taxes billed and reported on a monthly basis. The audit finding is considered resolved.

STATE OF NEW MEXICO
SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
EXIT CONFERENCE AND FINANCIAL STATEMENT PREPARATION
JUNE 30, 2008

Exit Conference

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on November 13, 2008. Present for the School was Alicia McAninch, president; Linda Lyle, superintendent; Retha Coburn, associate superintendent; and Veronica Hernandez, director of human resources. Present for the auditing firm was Dominic Fierro, senior accountant.

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, 2008. 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.