



KRIEGEL/GRAY/SHAW & CO., P.C.

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2011

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

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NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

OFFICIAL ROSTER
JUNE 30, 2011

Board of Regents

| <u>NAME</u> | <u>TITLE</u> |
|----------------------|----------------|
| Alicia McAninch | President |
| Christine Hall | Vice President |
| David Baland | Secretary |
| James A. Miyagishima | Member |
| Caroline Benavidez | Member |

School Officials

| | |
|--------------------|--|
| Linda M. Lyle | Superintendent |
| Maria Sarate | Director of Business & Finance |
| John Williams | Executive Assistant to the Superintendent |
| Veronica Hernandez | Director of Human Resources |
| Danette Fuller | Director of Student Services |
| Margie Macias | Director of Institutional Support Services |

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of New Mexico School for the Blind and Visually Impaired, as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information for the year ended June 30, 2011, as listed in the accompanying 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the School are intended to present the financial position and changes in its financial position and cash flows, where applicable, of only that portion of the financial reporting entity of the business-type activities information of the State of New Mexico that is attributable to the transactions of the School. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

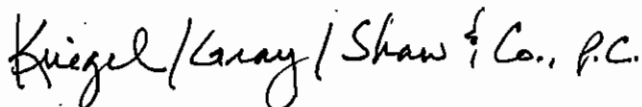
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the School, as of June 30, 2011, and the respective changes in financial position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects the budgetary comparisons for the year then ended in conformity with budgetary basis of accounting prescribed by the New Mexico Administrative Code, and more fully described in the budgetary comparisons, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas, State Auditor and
Board of Regents of
New Mexico School for the Blind and Visually Impaired
Alamogordo, New Mexico
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons that collectively comprise the School's financial statements as a whole. The financial schedules listed as supplementary data in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Kriegel/Gray/Shaw & Co., P.C.

November 4, 2011

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Overview of the Financial Statements

This annual report consists of the following three parts: Management's 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 a 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.

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 11 and 31 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.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Financial Highlights

For the years ended June 30, 2011 and 2010, the NMSBVI's financial position was as follows:

| | June 30 | |
|---|--------------|--------------|
| | 2011 | 2010 |
| Assets | | |
| Current assets | \$1,224,992 | \$2,123,824 |
| Non-current assets | 23,900,572 | 23,537,503 |
| <i>Total assets</i> | 26,184,349 | 25,661,327 |
| Liabilities | | |
| Current liabilities | 873,782 | 1,032,919 |
| Non-current liabilities | 129,885 | 115,376 |
| <i>Total liabilities</i> | 1,003,667 | 1,148,295 |
| Net Assets | | |
| Invested in capital assets, net of debt | 15,927,324 | 15,892,140 |
| Unrestricted | 9,253,358 | 8,620,892 |
| <i>Total net assets</i> | \$24,180,682 | \$24,513,032 |

Statement of Revenues, Expenses, and Changes in Net Assets

| | June 30 | |
|---|--------------|--------------|
| | 2011 | 2010 |
| Operating revenues | \$13,064,683 | \$12,692,059 |
| Operating expenses | 13,790,380 | 13,544,713 |
| <i>Net operating loss</i> | (725,697) | (852,654) |
| Non-operating revenues and expenses | 1,136,474 | 2,782,634 |
| Increase (decrease) in net assets | 410,777 | 1,929,980 |
| Net assets at beginning of year | 24,513,032 | 22,580,094 |
| Restatements | 256,873 | 2,958 |
| <i>Net assets at beginning of year, as restated</i> | 24,769,905 | 22,583,052 |
| <i>Net assets at end of year</i> | \$25,180,682 | \$24,513,032 |

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

In fiscal year 2011, the total assets of the school increased by \$523,022 while liabilities decreased by \$144,628. Changes in the Statement of Net Assets include an increase in Long-Term Investments due to a recovering market; an increase in depreciable capital assets due to major capital projects; and a decrease in Accounts Receivable of \$78,105, which represents revenue, earned but not received.

While NMSBVI had an Operating Loss of (\$725,697), this was offset by Non-operating Revenue of \$1,136,474 resulting in a change in net assets of \$410,777. The Increase in Net Assets for the fiscal year 2011 is \$410,777, a 1.6% improvement from the prior year. The primary components of this change included:

- Donations of \$287,901.
- State appropriations for capital improvements in fiscal year 2011 of \$342,225.
- Public School Finance Authority severance tax bonds for capital improvements in 2011 of \$148,190.

Accordingly, the Statement of Net Assets indicates an increase in cash and cash equivalents. The largest use of cash for operations was for payments to or on behalf of employees and former employees; the largest source of operating cash was receipts from Permanent Fund distributions.

As stated above, the operating loss for fiscal year 2011 of (\$725,697) is a decreased operating loss of 14.9% from fiscal year 2010. While operating expenses increased by \$245,667, operating revenues increased by \$372,624. The largest dollar increases in operating revenue were as follows:

- The most significant increase was due to additional Medicaid revenues for services provided of \$270,029.
- An increase in Land income from the State Land Office provided an additional \$374,843 for operating expenditures.
- An increase in Permanent fund income of \$209,975.

The operating expense increased only slightly due to:

- A concerted effort to limit expenses in all areas due to constricted funding as a result of declining overall state, local, and federal economic conditions.

Non operating revenues and expenses decreased due to a decrease in the State appropriations revenue for capital purposes of \$1,280,272. These revenues are one time appropriations for specific capital projects that began in prior fiscal years most of which were completed at June 30, 2011.

Capital Asset and Debt Administration

NMSBVI does not have any long-term debt.

During the year the School continued various renovation projects of the buildings and purchased equipment and vehicles as planned through the budget process. Deletions of assets were made for obsolete equipment, furniture and vehicles.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Budget Comparison

In comparing the total original budgeted revenue to the revised budgeted revenue, there was an increase of \$625,947 in unrestricted revenue and an increase of \$197,495 in restricted revenue. Budgeted revenue unrestricted was increased for additional land income distributions and budgeted revenue restricted was increased for additional Medicaid revenues. The corresponding budgeted expenditure accounts were also increased. A comparison of the actual expenditure amounts to the revised budgeted expenditures indicates total expenditures less than budget by \$4,685,400, due predominantly to slower than anticipated progress on capital projects.

Economic Outlook

The New Mexico School for the Blind and Visually Impaired continues to be constricted by national, state and local economic conditions, resulting in decreased funding for the 2012 fiscal year.

NMSBVI's overall financial position is strong due to conservative fiscal management and maintenance of long-term investments. Fund balances are utilized as needed to supplement operational revenues. NMSBVI will maintain a close watch over resources to ensure the school's ability to react to unknown internal and external issues.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENT OF NET ASSETS

JUNE 30, 2011

ASSETS

Current Assets:

| | |
|---|------------------|
| Cash | \$1,224,992 |
| Accounts receivables (net of allowance) | 1,023,715 |
| Inventory | 31,564 |
| Unused textbook credits | 3,506 |
| <i>Total current assets</i> | <i>2,283,777</i> |

Non-Current Assets:

| | |
|---------------------------------|-------------------|
| Investments | 7,973,248 |
| Capital assets, net | 15,927,324 |
| <i>Total non-current assets</i> | <i>23,900,572</i> |

| | |
|---------------------|-------------------|
| <i>Total assets</i> | <i>26,184,349</i> |
|---------------------|-------------------|

LIABILITIES

Current Liabilities:

| | |
|----------------------------------|----------------|
| Accounts payable | 104,644 |
| Accrued payroll liabilities | 689,480 |
| Other liabilities | 0 |
| Due to others | 70,000 |
| Deferred revenues | 9,658 |
| <i>Total current liabilities</i> | <i>873,782</i> |

Non-Current Liabilities:

| | |
|----------------------|---------|
| Compensated absences | 129,885 |
|----------------------|---------|

| | |
|--------------------------|------------------|
| <i>Total liabilities</i> | <i>1,003,667</i> |
|--------------------------|------------------|

NET ASSETS

| | |
|----------------------------|------------|
| Invested in capital assets | 15,927,324 |
| Unrestricted | 9,253,358 |

| | |
|-------------------------|---------------------|
| <i>Total net assets</i> | <i>\$25,180,682</i> |
|-------------------------|---------------------|

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|--|----------------------------|
| Operating Revenues: | |
| State permanent fund income | \$11,035,753 |
| Medicaid in the schools | 635,683 |
| Land income | 724,864 |
| State sources | 37,781 |
| State appropriations | 403,700 |
| Federal sources | 152,608 |
| Outreach itinerant income | 26,395 |
| Local sources | 7,336 |
| Other operating revenues | 40,563 |
| <i>Total operating revenues</i> | <u>13,064,683</u> |
| Operating Expenses: | |
| Instruction | 4,660,620 |
| Academic support | 2,860,532 |
| Student support | 1,981,233 |
| Instructional support | 1,999,436 |
| Plant operations | 2,288,559 |
| Capital outlay | 0 |
| Renewal and replacements | 0 |
| <i>Total operating expenses</i> | <u>13,790,380</u> |
| <i>Operating loss, net</i> | (725,697) |
| Non-Operating Revenues (Expenses): | |
| Investment income | 328,814 |
| Other income | 29,344 |
| Donations | 287,901 |
| State appropriations - capital | 342,225 |
| PSFA severance tax bonds | 148,190 |
| <i>Total non-operating revenues (expenses)</i> | <u>1,136,474</u> |
| <i>Change in net assets</i> | 410,777 |
| Net assets, beginning of year | 24,513,032 |
| Restatements | 256,873 |
| Net assets, beginning of year, restated | <u>24,769,905</u> |
| <i>Net assets, end of year</i> | <u><u>\$25,180,682</u></u> |

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | |
|--|---------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from permanent fund, federal and state governments and other operating sources | \$13,002,550 |
| Cash payments to suppliers for goods and services | (2,271,712) |
| Cash payments to/for employees | (10,753,074) |
| <i>Net cash provided by operating activities</i> | <u>(22,236)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Donations | 287,901 |
| Other income | 11,385 |
| <i>Net cash provided by noncapital financing activities</i> | <u>299,286</u> |
| CASH FLOWS FOR CAPITAL AND FINANCING ACTIVITIES | |
| State appropriations - capital | 342,225 |
| PSFA severance tax bonds - capital | 148,190 |
| Acquisition of capital assets | (531,674) |
| Proceeds from sale of assets | 17,959 |
| <i>Net cash (used) by capital and financing activities</i> | <u>(23,300)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment earnings, net of fees | 328,814 |
| Purchase of investments - reinvestments | (327,885) |
| <i>Net cash provided by investing activities</i> | <u>929</u> |
| <i>Net increase in cash</i> | 254,679 |
| Cash and cash equivalents, beginning of year | 970,313 |
| <i>Cash and cash equivalents, end of year</i> | <u>\$1,224,992</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating loss | (\$725,697) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Depreciation | 751,319 |
| Change in unused textbook credits - decrease | 3,925 |
| Change in Assets and Liabilities: | |
| Decrease in accounts receivable | 78,105 |
| Decrease in inventories | 12,696 |
| (Decrease) in accounts payable and due to others | (112,182) |
| Increase in accrued salaries and benefits | 112,044 |
| (Decrease) in other current liabilities | (96) |
| (Decrease) in deferred revenue | (156,859) |
| Increase in compensated absences | 14,509 |
| <i>Total adjustments</i> | <u>703,461</u> |
| <i>Net cash provided by operating activities</i> | <u>(\$22,236)</u> |

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

JUNE 30, 2011

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$10,230 |
| Federal quota funds | 65,424 |
| <i>Total assets</i> | <i>\$75,654</i> |
| | |
| LIABILITIES AND FUND EQUITY | |
| LIABILITIES | |
| Due to student groups | \$9,678 |
| Due to individual students | 552 |
| Held in trust for others | 65,424 |
| <i>Total liabilities</i> | <i>\$75,654</i> |

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

Reporting Entity

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, along with their affiliated outreach programs.

In evaluating how to define the government, 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 basic, but not the only, criterion for including a potential component unit within 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 section 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 government is able to exercise oversight responsibilities. Based upon the application of these criteria, the School has no component units, and is not a component unit of another governmental agency.

Basis of Presentation and Accounting

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:

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.

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 using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. Grants are recognized when all eligibility requirements are met.

The School applies all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the FASB pronouncement conflicts with GASB pronouncements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Net Assets

Current Assets consist of unrestricted assets which are available for current operations or which will be available within one year and restricted assets that will be used in current operations. All other assets are included as noncurrent assets. Current Liabilities consist of those liabilities that are due within one year including the current portion of any long-term liabilities.

Cash and Investments

Cash consists of cash on hand and current investments, which are defined as investments that are readily convertible to cash or which have an original maturity date within ninety days.

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. The State Investment Council has an arrangement composed of separate investment pools. The School's Board of Regents has elected to participate in these external co-mingled pools along with other educational institutions and government bodies so electing within the State. All investments are allocated in the investment pools in a manner consistent with the School's written investment policy.

Agency 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, faculty members and textbook credits for other schools. 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 - Account 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.

Income Taxes

As an instrumentality of the State of New Mexico, the School is not subject to federal or state income taxes.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital Assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The School's capitalization policy includes all items with a unit cost in excess of \$5,000 per Section 12-6-10 NMSA 1978. The capitalization threshold was changed from \$1,000 in prior years. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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.

Depreciation for the School is computed using the straight-line method over the estimated useful lives of the assets.

Depreciable lives for the various asset classes are as follows:

| | |
|------------------------------------|--------------|
| Major Grounds Improvements | 25 years |
| Building and Structures | 40 years |
| Automobiles | 5 – 10 years |
| Equipment, Machinery and Furniture | 5 – 25 years |

Non-Current Liabilities

Non-current liabilities include accrued compensated absences that will not be paid out within the next fiscal year.

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) |

Inventory

Supply inventories are valued at the lower of cost (first-in, first-out) or market, and primarily consist of food inventory, and general cleaning, office, and education supplies.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

The School's net assets are classified as follows:

Investment in Capital Assets: This represents the School's total capital assets. The School does not have any debt related to capital assets.

Restricted Net Assets: Restricted expendable net assets include resources, which the School is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent all other resources. These resources are used for transactions relating to the educational and general operations of the School, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Classification of Revenues

The School has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues of the School include activities that have the 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.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, investment income, and other revenue sources that are defined as nonoperating revenues by GASB 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB 34.

Classification of Expenses

The School has classified its expenses as either operating or nonoperating expenses according to the following criteria:

Operating expenses: 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; (3) professional fees; and (4) depreciation expense related to School property, plant, and equipment. Expenses not meeting this definition are reported as non-operating expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the School's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

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.

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.

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

Use of Estimates

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

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2011:

| | |
|--|--------------------|
| State of New Mexico (Land & Permanent Fund Income) | \$976,521 |
| Navajo Nation - Developmental | 18,910 |
| State of New Mexico – HSD | 619 |
| State of New Mexico – PED | 7,825 |
| Medicaid – FIT Kids | 14,676 |
| Miscellaneous Accounts receivable | 5,164 |
| | <u>\$1,023,715</u> |

All receivables are considered collectible. Accordingly, no allowance for uncollectible accounts has been established.

NOTE 3. CASH AND CASH EQUIVALENTS

State regulations require that uninsured demand deposits and deposit type investments, such as certificates of deposit, be collateralized by depository thrift and banking institutions. At present, state statutes require that a minimum of fifty percent of the uninsured balances on deposit with any one institution must be collateralized. A summary of cash and the related collateralization is as follows:

| | <u>Wells Fargo Bank</u> |
|-----------------------------------|-------------------------|
| Amount held | \$1,415,624 |
| Less Government money market fund | (909,677) |
| Less FDIC insurance | (505,947) |
| Uninsured public funds | <u>\$0</u> |
| 50% collateral required | <u>\$0</u> |

All non interest bearing accounts (checking) are fully insured, in addition to the \$250,000 insurance coverage on demand deposits, through the Temporary Liquidity Guarantee Program.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

As shown all the banks were adequately insured.

The banks are reconciled as follows:

| | Wells Fargo Bank |
|----------------------------------|------------------|
| Bank balance, June 30, 2011 | \$1,415,624 |
| Outstanding deposits | 0 |
| Outstanding checks | (181,062) |
| Book balance, June 30, 2011 | \$1,234,562 |
| | |
| Cash carrying amounts | \$1,235,222 |
| Less: New Mexico State Treasurer | (110) |
| Less: Petty cash | (550) |
| | \$1,234,562 |

Schedule of cash balances:

| Depository | Account Name | Type | Bank Balance | Reconciled Balance |
|----------------------------|------------------|--------------|--------------|--------------------|
| Wells Fargo Bank, N.A. | General Fund | Checking | \$420,257 | \$239,455 |
| Wells Fargo Bank, N.A. | Payroll | Checking | 5,000 | 5,000 |
| Wells Fargo Bank, N.A. | Restricted Funds | Checking | 70,000 | 70,000 |
| Wells Fargo Bank, N.A. | Agency Funds | Checking | 10,490 | 10,230 |
| Wells Fargo Bank, N.A. | Money Market | Money Market | 909,677 | 909,677 |
| Wells Fargo Bank, N.A. | Life Skills | Checking | 200 | 200 |
| New Mexico State Treasurer | | Overnight | 0 | 110 |
| Petty Cash | | | 0 | 550 |
| | | | \$1,415,624 | \$1,235,222 |

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the School's bank balance of \$1,415,624 was exposed to custodial credit risk.

The School maintains funds with the State Treasurer External Investment Pool Local Government Investment Pool (LGIP) as noted above.

- The investments are valued at fair value based on quoted market prices as of the valuation date;
- The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978;
- The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested; and

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

- Participation in the local government investment pool is voluntary.
- The current credit risk rating of the pool is AAAm.
- The weighted average maturity of the pool is 50 days as of June 30, 2011, which is an acceptable method of reporting interest rate risk.
- All investments in the pool are in U.S. dollar denominations. Therefore, the LGIP has no foreign currency risk.

NOTE 4. 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.

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.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4. INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The School has established the following guidelines in their investment policy for asset allocations:

| Asset Class | Minimum | Target | Maximum |
|---------------------------|---------|--------|---------|
| <u>Equity:</u> | | | |
| Domestic Large Cap Active | 7% | 12% | 17% |
| Domestic Small/Mid Cap | 8% | 13% | 18% |
| Developed International | 8% | 13% | 18% |
| Emerging International | 5% | 10% | 15% |
| <u>Bonds:</u> | | | |
| Core Bond Plus | 47% | 52% | 57% |

At June 30, 2011, the market value (per quoted market price) of the School's allocable share of the registered, uninsured external investment pools is as follows:

| Description | Percentage Of Portfolio | Market Value | Credit Risk Rating |
|--------------------|----------------------------|-----------------|-----------------------|
| Large Cap Activity | 9.8% | \$782,914 | Not available |
| Core Bond | 57.2% | 4,561,462 | Not available |
| Non – US Developed | 9.7% | 774,805 | Not available |
| Non – US Emerging | 12.5% | 1,000,286 | Not available |
| Mid/Small Cap | 10.8% | 853,781 | Not available |
| | 100% | \$7,973,248 | |

Investment income components were as follows:

| | |
|---|------------------|
| Investment income earned | \$348,470 |
| Net capital appreciation (depreciation) | (19,880) |
| Interest on bank accounts | 224 |
| | <u>\$328,814</u> |

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. EDUCATIONAL MATERIAL CREDITS

The School is a participant in two programs: one state funded and one federally funded. The programs provide assistance in the form of acquiring educational materials through allocations. The state funded program requires that the School purchase instructional materials and then submit documentation of purchases to the state for reimbursement. Unused allocations are available to be carried forward to future years. The federal program involves utilization of credits for purchases of materials through the American Printing House for the Blind, Inc. Unused credits are available to be carried forward for use in future years. The allocations have been recorded as revenues, along with offsetting expenditures. The School does not budget for these types of non-monetary resources. The School also serves as a trustee, under the federal funded program, for all public and private schools within the state that are eligible for educational materials credits as a result of their enrollment of visually impaired students. Such credits are accounted for as held in trust for others.

NOTE 6. 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 permanent trust balances held by the Investment Office and other relevant information are as follows:

| | |
|--|----------------------|
| Balance, June 30, 2010 | \$182,296,025 |
| Distributed income | (11,035,753) |
| State land office transfers | 7,862,021 |
| Capital gains/losses, unrealized gains/losses, income earnings | 40,677,448 |
| <i>Balance, June 30, 2011</i> | <i>\$219,799,741</i> |

NOTE 7. 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 noted in Note 6 above. This income is generated by the State Land Office from oil and gas rental, bonuses, grazing rentals, miscellaneous rentals, interest on cash deposits, and other income. The amount distributed to (and receivable by) the School for the fiscal year ended June 30, 2011 was \$724,864.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8. CAPITAL ASSETS

For the year ended June 30, 2011, changes in the asset composition of capital assets were as follows:

| | Balance 06/30/2010 | Restatement | Additions | Transfers/ Deletions | Balance 06/30/2011 |
|--|-----------------------|------------------|--------------------|-------------------------|-----------------------|
| Capital Assets - Non Depreciable: | | | | | |
| Land | \$1,553,524 | \$0 | \$0 | \$0 | \$1,553,524 |
| Construction in process | 2,807,424 | 254,829 | 331,875 | (3,241,399) | 152,729 |
| <i>Total capital assets, not depreciated</i> | <u>4,360,948</u> | <u>254,829</u> | <u>331,875</u> | <u>(3,241,399)</u> | <u>1,706,253</u> |
| Capital Assets - Depreciable: | | | | | |
| Improvements | 1,432,760 | 0 | 0 | 0 | 1,432,760 |
| Buildings and Structures | 16,804,873 | 0 | 0 | 3,241,399 | 20,046,272 |
| Art | 8,000 | 0 | 0 | 0 | 8,000 |
| Automotive Equipment | 1,773,412 | 0 | 171,125 | (73,543) | 1,870,994 |
| Furniture, Fixtures, and Equipment | 3,086,955 | 0 | 28,674 | (103,082) | 3,012,547 |
| <i>Total capital assets, depreciated</i> | <u>23,106,000</u> | <u>0</u> | <u>199,799</u> | <u>3,064,774</u> | <u>26,370,573</u> |
| Accumulated Depreciation: | | | | | |
| Improvements | (1,139,822) | 0 | (25,154) | 0 | (1,164,976) |
| Buildings and Structures | (6,725,654) | 0 | (391,454) | 0 | (7,117,108) |
| Automotive Equipment | (1,123,138) | 0 | (228,783) | 73,543 | (1,278,378) |
| Furniture, Fixtures, and Equipment | (2,578,194) | 0 | (105,928) | 103,082 | (2,581,040) |
| Art | (8,000) | 0 | 0 | 0 | (8,000) |
| <i>Total accumulated depreciation</i> | <u>(11,574,808)</u> | <u>0</u> | <u>(751,319)</u> | <u>176,625</u> | <u>(12,149,502)</u> |
| Net Capital Assets | \$15,892,140 | \$254,829 | (\$219,645) | \$0 | \$15,927,324 |

Depreciation expense of \$751,319 has been recorded in the plant operations function.

Software has been capitalized and depreciated as part of Furniture, Fixtures and Equipment.

Library books have not been capitalized and depreciated because they are generally less than the capitalization threshold of \$5,000 and not purchased as part of a collection.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9. NON-CURRENT LIABILITIES

| | June 30, 2010 | Increases | Decreases | June 30, 2011 | Amounts Due Within One Year |
|------------------------------|---------------|-----------|-----------|---------------|-----------------------------------|
| Accrued compensated absences | \$115,376 | \$138,909 | \$124,400 | \$129,885 | \$0 |

NOTE 10. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011 consist of the following:

| | |
|-----------------------------------|------------------|
| Employee benefits payable | \$504,583 |
| Employee wages payable | 145,920 |
| Employee taxes payable | 38,961 |
| Miscellaneous accrued liabilities | 16 |
| <i>Total</i> | \$689,480 |

NOTE 11. RETIREMENT PLANS

Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 8.79% (ranges from 3.83% 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 fire, municipal detention officer) of their gross salary. The School is required to contribute 15.22% (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, 2011, 2010 and 2009 were \$253,178, \$225,956, and \$211,532, respectively, which equal the amount of the required contributions for each fiscal year.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11. RETIREMENT PLANS (CONTINUED)

Pension Plan – Educational Retirement Board

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. Effective July 1, 2009, through June 30, 2011, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The School was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. **Effective July 1, 2011 plan members are required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The School is required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually.** The contribution requirements of plan members and the New Mexico School for the Blind and Visually Impaired 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 fiscal years ending June 30, 2011, 2010, and 2009, were \$634,135, \$668,753, and \$726,048, respectively, which equal the amount of the required contributions for each fiscal year.

Annuity Programs

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

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

(1)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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

| Fiscal Year | Employer Contribution Rate | Employee Contribution Rate |
|-------------|-------------------------------|-------------------------------|
| FY12 | 1.834% | .917% |
| FY13 | 2.000% | 1.000% |

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

**NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Also, employers joining the program after 1/1/98 are 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 New Mexico School for the Blind and Visually Impaired contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$116,068, \$99,583, and \$97,585, respectively, which equal the required contributions for each year.

NOTE 13. RISK MANAGEMENT

The School participates in an insurance program sponsored by the Risk Management Division of the General Services Department of the State of New Mexico. The Program self-insures against certain losses and utilizes blanket policies to cover other losses, as well as excess self-insured losses. In return for premiums paid to the program, the School obtains the benefit of insurance coverage commensurate with that provided by commercial providers for various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; civil rights claims; and natural disasters.

NOTE 14. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2011, the School determined that changes to the beginning of year net assets and fund balance were necessary. A description and the effect of the changes are as follows:

| | Business-Type Activities |
|---|-----------------------------|
| Beginning balance of accounts payable for correction of an error | \$2,044 |
| Beginning balance of construction in process for correction of an error | 254,829 |
| | \$256,873 |

NOTE 15. CAPITAL OUTLAY APPROPRIATIONS – SEVERANCE TAX BONDS

| | Original Appropriation | Appropriation Period | Expenditures To Date | Balance Encumbered | Balance Unencumbered |
|---------------------|---------------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| Severance Tax Bonds | \$5,500,000 | 2007 | \$5,500,000 | \$0 | \$0 |
| Severance Tax Bonds | \$1,600,000 | 2008 | \$1,600,000 | \$0 | \$0 |

The unencumbered balance will not be expended and therefore; has effectively been reverted.

SUPPLEMENTARY INFORMATION

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, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|---------------------------|-------------------------|---------------------------|---|
| Operating Revenues: | | | | |
| Federal sources | \$115,000 | \$163,428 | \$118,444 | (\$44,984) |
| State sources | 2,367,792 | 2,376,306 | 185,971 | (2,190,335) |
| Local sources | 11,000 | 11,000 | 7,336 | (3,664) |
| State appropriations | 723,800 | 745,925 | 745,925 | 0 |
| State permanent fund income | 11,045,926 | 11,045,926 | 11,035,753 | (10,173) |
| Land income | 271,700 | 870,770 | 724,864 | (145,906) |
| Outreach itinerant income | 46,700 | 46,700 | 26,395 | (20,305) |
| Medicaid in the schools | 545,000 | 657,197 | 635,064 | (22,133) |
| Other operating revenues | 38,418 | 71,526 | 38,163 | (33,363) |
| <i>Total operating revenues</i> | <u>15,165,336</u> | <u>15,988,778</u> | <u>13,517,915</u> | <u>(2,470,863)</u> |
| Operating Expenses: | | | | |
| Instruction | 5,223,909 | 5,257,693 | 4,622,533 | 635,160 |
| Academic support | 3,090,342 | 3,323,611 | 2,860,532 | 463,079 |
| Student support | 2,292,634 | 2,283,468 | 1,981,233 | 302,235 |
| Institutional support | 2,037,841 | 2,152,996 | 1,997,036 | 155,960 |
| Operation and maintenance of plant | 1,747,120 | 1,771,574 | 1,537,240 | 234,334 |
| Capital outlay | 2,600,000 | 2,645,625 | 493,780 | 2,151,845 |
| Renewal and replacements | 296,600 | 780,681 | 37,894 | 742,787 |
| <i>Total operating expenditures</i> | <u>17,288,446</u> | <u>18,215,648</u> | <u>13,530,248</u> | <u>4,685,400</u> |
| <i>Operating income (loss)</i> | <u>(2,123,110)</u> | <u>(2,226,870)</u> | <u>(12,333)</u> | <u>(2,214,537)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Investment income | 1,100 | 630 | 224 | (406) |
| Other income | 55,000 | 53,585 | 30,049 | (23,536) |
| Donations | 33,000 | 293,950 | 108,236 | (185,714) |
| <i>Total non-operating revenues (expenses)</i> | <u>89,100</u> | <u>348,165</u> | <u>138,509</u> | <u>(209,656)</u> |
| Net change in fund balance | (2,034,010) | (1,878,705) | 126,176 | 2,004,881 |
| Fund balance, beginning of year | 1,931,011 | 1,931,011 | 1,931,011 | 0 |
| Investments converted to cash | 2,034,010 | 597,694 | 0 | (597,694) |
| <i>Fund Balance, end of year</i> | <u>\$1,931,011</u> | <u>\$650,000</u> | <u>\$2,057,187</u> | <u>\$1,407,187</u> |

The Notes to Financial Statements are an integral part of these statements.

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, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|---------------------------|-------------------------|---------------------------|---|
| Operating Revenues: | | | | |
| Federal sources | \$0 | \$0 | \$0 | \$0 |
| State sources | 2,302,550 | 2,305,000 | 151,665 | (2,153,335) |
| Local sources | 11,000 | 11,000 | 7,336 | (3,664) |
| State appropriations | 723,800 | 745,925 | 745,925 | 0 |
| State permanent fund income | 11,045,926 | 11,045,926 | 11,035,753 | (10,173) |
| Land income | 271,700 | 870,770 | 724,864 | (145,906) |
| Outreach itinerant income | 46,700 | 46,700 | 26,395 | (20,305) |
| Other operating revenues | 38,418 | 40,720 | 35,674 | (5,046) |
| <i>Total operating revenues</i> | <u>14,440,094</u> | <u>15,066,041</u> | <u>12,727,612</u> | <u>(2,338,429)</u> |
| Operating Expenses: | | | | |
| Instruction | 4,985,667 | 4,877,325 | 4,491,420 | 385,905 |
| Academic support | 2,755,342 | 2,733,242 | 2,320,566 | 412,676 |
| Student support | 2,132,634 | 2,123,468 | 1,838,170 | 285,298 |
| Institutional support | 2,037,841 | 2,152,996 | 1,997,036 | 155,960 |
| Operation and maintenance of plant | 1,747,120 | 1,771,574 | 1,537,240 | 234,334 |
| Capital outlay | 2,600,000 | 2,645,625 | 493,780 | 2,151,845 |
| Renewal and replacements | 296,600 | 780,681 | 37,894 | 742,787 |
| <i>Total operating expenditures</i> | <u>16,555,204</u> | <u>17,084,911</u> | <u>12,716,106</u> | <u>4,368,805</u> |
| <i>Operating income (loss)</i> | <u>(2,115,110)</u> | <u>(2,018,870)</u> | <u>11,506</u> | <u>(2,030,376)</u> |
| Non-Operating Revenues (Expenses): | | | | |
| Investment income | 1,100 | 630 | 224 | (406) |
| Other income | 55,000 | 53,585 | 30,049 | (23,536) |
| Donations | 25,000 | 85,950 | 84,397 | (1,553) |
| <i>Total non-operating revenues (expenses)</i> | <u>81,100</u> | <u>140,165</u> | <u>114,670</u> | <u>(25,495)</u> |
| Net change in fund balance | (2,034,010) | (1,878,705) | 126,176 | 2,004,881 |
| Fund balance, beginning of year | 1,931,011 | 1,931,011 | 1,931,011 | 0 |
| Investments converted to cash | 2,034,010 | 597,694 | 0 | (597,694) |
| <i>Fund Balance, end of year</i> | <u>\$1,931,011</u> | <u>\$650,000</u> | <u>\$2,057,187</u> | <u>\$1,407,187</u> |

The Notes to Financial Statements are an integral part of these statements.

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, 2011

| | Original Budget | Final Budget | Actual | Variance Favorable/ (Unfavorable) |
|--|--------------------|-------------------|-------------------|---|
| Operating Revenues: | | | | |
| Federal sources | \$115,000 | \$163,428 | \$118,444 | (\$44,984) |
| State sources | 65,242 | 71,306 | 34,306 | (37,000) |
| Medicaid in the schools | 545,000 | 657,197 | 635,064 | (22,133) |
| Other operating revenues | 0 | 30,806 | 2,489 | (28,317) |
| <i>Total operating revenues</i> | <i>725,242</i> | <i>922,737</i> | <i>790,303</i> | <i>(132,434)</i> |
| Operating Expenses: | | | | |
| Instruction | 238,242 | 380,368 | 131,113 | 249,255 |
| Academic support | 335,000 | 590,369 | 539,966 | 50,403 |
| Student support | 160,000 | 160,000 | 143,063 | 16,937 |
| Institutional support | 0 | 0 | 0 | 0 |
| Operation and maintenance of plant | 0 | 0 | 0 | 0 |
| <i>Total operating expenditures</i> | <i>733,242</i> | <i>1,130,737</i> | <i>814,142</i> | <i>316,595</i> |
| <i>Operating income (loss)</i> | <i>(8,000)</i> | <i>(208,000)</i> | <i>(23,839)</i> | <i>(184,161)</i> |
| Non-Operating Revenues (Expenses): | | | | |
| Other income | 0 | 0 | 0 | 0 |
| Donations | 8,000 | 208,000 | 23,839 | (184,161) |
| <i>Total non-operating revenues (expenses)</i> | <i>8,000</i> | <i>208,000</i> | <i>23,839</i> | <i>(184,161)</i> |
| Net change in fund balance | 0 | 0 | 0 | 0 |
| Fund balance, beginning of year | 0 | 0 | 0 | 0 |
| <i>Fund Balance, end of year</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> | <i>\$0</i> |

The Notes to Financial Statements are an integral part of these statements.

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, 2011

Sources/Inflows of Resources:

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule. | \$13,517,915 |
| Differences - Budget to GAAP: | |
| State appropriations - non operating (capital) | (342,225) |
| Public service revenues not budgeted | 2,400 |
| For budgetary purposes the School defers restricted revenue not expended. | 619 |
| Textbook credits not budgeted | 34,164 |
| PSFA severance tax bonds - non operating (capital) | (148,190) |
| Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets | \$13,064,683 |

Uses/Outflows of Resources:

| | |
|---|---------------------|
| Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule. | \$13,530,248 |
| The School budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes. | (531,674) |
| Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes. | 751,319 |
| Textbook credits used not budgeted | 38,087 |
| Public service revenues not budgeted | 2,400 |
| Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets | \$13,790,380 |

Sources/Inflows of Resources:

| | |
|---|--------------------|
| Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule. | \$138,509 |
| 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. | 327,885 |
| For budgetary purposes the School defers restricted revenue not expended. | 179,665 |
| State appropriations - non operating (capital) | 342,225 |
| PSFA severance tax bonds - non operating (capital) | 148,190 |
| Net book value of assets deleted | 0 |
| Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets | \$1,136,474 |

SUPPLEMENTARY DATA

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
ALL AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| | Balance June 30, 2010 | Increase/ Receipts | Decrease/ Disbursement | Balance June 30, 2011 |
|--------------------------------------|--------------------------|-----------------------|---------------------------|--------------------------|
| ACTIVITY FUNDS | | | | |
| <u>Assets</u> | | | | |
| Cash | \$8,808 | \$1,822 | \$952 | \$9,678 |
| <u>Liabilities</u> | | | | |
| Due to student groups | \$8,808 | \$1,822 | \$952 | \$9,678 |
| STUDENT DEPOSITS | | | | |
| <u>Assets</u> | | | | |
| Cash | \$586 | \$123 | \$157 | \$552 |
| <u>Liabilities</u> | | | | |
| Due to individual students | \$586 | \$123 | \$157 | \$552 |
| EDUCATIONAL MATERIALS CREDITS | | | | |
| Federal quota funds | \$45,517 | \$184,415 | \$164,508 | \$65,424 |
| <u>Liabilities</u> | | | | |
| Held in trust for others | \$45,517 | \$184,415 | \$164,508 | \$65,424 |
| TOTALS - ALL AGENCY FUNDS | | | | |
| <u>Assets</u> | | | | |
| Cash | \$9,394 | \$1,945 | \$1,109 | \$10,230 |
| Federal quota funds | 45,517 | 184,415 | 164,508 | 65,424 |
| <i>Total assets</i> | \$54,911 | \$186,360 | \$165,617 | \$75,654 |
| <u>Liabilities</u> | | | | |
| Due to student groups | \$8,808 | \$1,822 | \$952 | \$9,678 |
| Due to individual students | 586 | 123 | 157 | 552 |
| Held in trust for others | 45,517 | 184,415 | 164,508 | 65,424 |
| <i>Total liabilities</i> | \$54,911 | \$186,360 | \$165,617 | \$75,654 |

The Notes to Financial Statements are an integral part of these statements.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

| <u>Participants</u> | <u>Responsible Party for Operations</u> | <u>Descriptions</u> | <u>Beginning and Ending dates</u> | <u>Total Estimated Amount of Project</u> | <u>Contribution 6/30/2011</u> | <u>Audit Responsibility</u> | <u>Revenues and Expenditures Reported on:</u> |
|---|---|---|-----------------------------------|--|-------------------------------|------------------------------|---|
| Central Consolidated Schools and NMSBVI | Central Consolidated Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$10,928 | \$10,290 | Central Consolidated Schools | Central Consolidated Schools |
| Cimarron Municipal Schools and NMSBVI | Cimarron Municipal Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$596 | \$596 | Cimarron Municipal Schools | Cimarron Municipal Schools |
| Farmington Municipal Schools and NMSBVI | Farmington Municipal Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$7,011 | \$7,011 | Farmington Municipal Schools | Farmington Municipal Schools |
| Los Lunas Public Schools and NMSBVI | Los Lunas Public Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$2,254 | \$2,254 | Los Lunas Public Schools | Los Lunas Public Schools |
| Maxwell Municipal Schools and NMSBVI | Maxwell Municipal Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$1,881 | \$1,881 | Maxwell Municipal Schools | Maxwell Municipal Schools |
| Raton Public Schools and NMSBVI | Raton Public Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$1,028 | \$1,028 | Raton Public Schools | Raton Public Schools |
| Socorro Consolidated Schools and NMSBVI | Socorro Consolidated Schools | NMSBVI to provide Special Education and vision related services to students referred by the District. | July 1, 2010 - June 30, 2011 | \$2,422 | \$2,422 | Socorro Consolidated Schools | Socorro Consolidated Schools |

The Notes to Financial Statements are an integral part of these statements.



**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***

Mr. Hector H. Balderas, State Auditor and
Board of Regents of
New Mexico 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 as of and for the year ended June 30, 2011, and have issued our report thereon dated November 4, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as items 2011-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 matter that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the Board of Regents, the School's management, others within the agency, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.

November 4, 2011

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2011-01 System Review and Supervision Inadequate

Statement of Condition – During our test work and systems evaluation, we noted incorrect journal entries and inadequate review of the general ledger and reconciliations.

Criteria – Good internal controls require that appropriate supervision occurs to monitor the general accounting system to timely identify errors.

Cause – The School experienced substantial turnover in the finance and accounting department leaving the department with little institutional knowledge and accounting skills. The general ledger and accounts payable staff at the School have basic accounting skills but do not have the experience to address more complex accounting issues. The finance director is new to the School and has delegated substantially all accounting and reconciliation procedures to accounting staff.

Effect – Journal entries are being posted and corrected numerous times. Reconciliations and other accounting procedures are being performed mechanically without appropriate review and evaluation. Substantial and numerous errors may go undetected for an extended period of time.

Recommendation – Substantial institutional knowledge and increased monitoring and supervision could be achieved with the finance director performing indepth reviews and reconciliations (at least until the accounting staff have obtained the training and experience necessary). In addition, new accounting staff should be provided training in accounting and State of New Mexico reporting requirements for Higher Education institutions.

Management's Response – The school acknowledges experiencing turnover in the accounting department and being on a learning curve but is on the path to increasing institutional knowledge. The Director of Business & Finance will continue to review & monitor the preparation of the Balance sheet, Statement of Net Assets, Statement of Cash Flows and Investment Reports, annual/quarterly budget adjustment requests & adjustments, HED quarterly Fiscal Watch reports, accounts payable, accounts receivable, Medicaid reporting, DBMS budgeting and reporting, purchase order reconciliation, bank reconciliations and other areas as appropriate.

Accounting staff all have bachelor degrees in business with majors in finance and accounting. The staff have the training; what they are lacking is experience. Institutional knowledge will steadily increase as staff becomes more experienced. Staff will pursue training from the NM Higher Education Department as available to increase the knowledge base in that area.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

CURRENT STATUS OF PRIOR YEAR AUDIT FINDINGS:

2010-01 Capital Assets Taken Out of Service Not Properly Deleted

Resolved and not repeated.

2010-02 Terminated Employees Not Paid Out Timely

Resolved and not repeated.

Item 2008-01 Outreach Itinerant Contract

Resolved and not repeated.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2011

EXIT CONFERENCE

On November 4, 2011, an exit conference to discuss the contents of this document was held in closed session, with the Board of Regents and school officials. Those in attendance were as follows:

Board of Regents:

Alicia McAninch Secretary
Christine Hall, President
David Baland, Member
James A. Miyagishima, Member
Caroline Benavidez, Vice President

School Officials:

Linda Lyle, Superintendent
Veronica Hernandez, Human Resources Director
Maria Sarate, Business & Finance Director

Kriegel/Gray/Shaw & Co., P.C.:

Debbie Gray, CPA/Shareholder

FINANCIAL STATEMENT PREPARATION

The financial statements and footnotes were prepared to conform with accounting principles generally accepted in the United States of America by Kriegel/Gray/Shaw & Co., P.C. from information contained in the general ledger, other books of original entry, internal financial reports, budgetary documents, and other reports and documents of the School.