



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, 2013

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

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NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

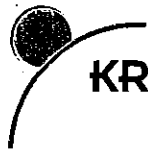
OFFICIAL ROSTER
JUNE 30, 2013

BOARD OF REGENTS

<u>Name</u>	<u>Title</u>
<i>Christine Hall</i>	<i>President</i>
<i>Caroline Benavidez</i>	<i>Vice President</i>
<i>Alicia McAninch</i>	<i>Secretary</i>
<i>James A. Miyagishima</i>	<i>Member</i>
<i>Jeff Turner</i>	<i>Member</i>

SCHOOL OFFICIALS

<i>Linda M. Lyle</i>	<i>Superintendent</i>
<i>Sylvia Hartley</i>	<i>Interim Director of Business & Finance</i>
<i>John Williams</i>	<i>Executive Assistant to the Superintendent</i>
<i>Veronica Hernandez</i>	<i>Director of Human Resources</i>
<i>Danette Fuller</i>	<i>Director of Student Services</i>
<i>Margie Macias</i>	<i>Director of Institutional Support Services</i>



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

Report on Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise New Mexico School for the Blind and Visually Impaired basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, 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, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 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.

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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Other Information

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 *other schedules required by 2.2.2 NMAC* 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 *other schedules required by 2.2.2 NMAC* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *other schedules required by 2.2.2 NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 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 over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
October 22, 2013

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 position, a statement of revenues, expenses and changes in net position, 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 agency funds and joint powers agreements.

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

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

Over time, increases or decreases in net position 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 position 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 position at the end of the previous year, totals to the net position 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 12 and 32 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 for third parties.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Financial Highlights

For the years ended June 30, 2013 and 2012, the NMSBVI's financial position was as follows:

Statement of Net Position
June 30,

	2013	2012 as Restated
Assets		
Current assets	\$2,920,525	\$3,045,684
Non-current assets	27,497,570	23,678,095
<i>Total assets</i>	30,418,095	26,723,779
 Liabilities		
Current liabilities	1,335,585	922,440
Non-current liabilities	145,587	132,591
<i>Total liabilities</i>	1,481,172	1,055,031
 Net Position		
Net investment in capital assets	19,428,789	16,199,661
Unrestricted	9,508,134	9,469,087
<i>Total net position</i>	\$28,963,923	\$25,668,748

Statement of Revenues, Expenses, and Changes in Net Position
June 30,

	2013	2012 as Restated
Operating revenues	\$12,975,541	\$12,747,556
Operating expenses	13,334,399	13,504,949
<i>Net operating loss</i>	(358,858)	(757,393)
Non-operating revenues and expenses	3,627,033	1,245,459
Increase (decrease) in net position	3,268,175	488,066
Net position at beginning of year	25,668,748	25,180,682
<i>Net position at end of year</i>	\$28,936,923	\$25,668,748

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

In fiscal year 2013, the total assets of the school increased by \$3,694,316 while liabilities increased by \$426,141. Changes in the Statement of Net Position include an increase in Long-Term Investments due to both realized and unrealized investment earnings of \$590,347; an increase in depreciable capital assets due to major capital projects; and an increase in Accounts Receivable of \$59,865, which represents revenue, earned but not received.

While NMSBVI had an Operating Loss of (\$358,858), this was offset by Non-operating Revenue of \$3,627,033 resulting in a change in net position of \$3,268,175. The Increase in Net Position for the fiscal year 2013 is \$3,268,175, a 12.7% improvement from the prior year. The primary components of this change included:

- Investment earnings of \$590,583.
- Public School Finance Authority severance tax bonds for capital improvements in 2013 of \$2,709,168.

Although, the Statement of Net Position indicates a decrease 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 2013 of (\$358,858) decreased operating loss of 53% from fiscal year 2012. While operating expenses (restated) decreased by \$170,550, operating revenues increased by \$227,985. The largest dollar changes in operating revenue were as follows:

- The most significant increase was due to Land income from the State Land Office of \$424,090 for operating expenditures.
- An increase in State Appropriations of \$299,998 for general instruction.

The operating expense decreased 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 increased substantially from an increase in the funding from severance tax bonds for capital purposes of \$1,888,267. These revenues are one time appropriations for specific capital projects that began in prior fiscal years which are still in process at June 30, 2013.

In addition, investment income increased \$585,169 (due to investment appreciation and earnings) and donations decreased by \$113,843.

Capital Asset and Debt Administration

NMSBVI does not have any long-term debt.

During the year the School continued various renovation projects to correct critical deficiencies of the buildings utilizing PSFA severance tax bonds 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, 2013

Budget Comparison

In comparing the total original budgeted revenue to the revised budgeted revenue, there was an increase of \$10,207,709 in unrestricted revenue and an increase of \$198,000 in restricted revenue. Budgeted revenue unrestricted was increased predominantly for additional PSFA capital outlay funds and budgeted revenue restricted was increased for additional Medicaid revenues. The corresponding budgeted expenditure accounts were also increased or decreased. A comparison of the actual expenditure amounts to the revised budgeted expenditures indicates total unrestricted expenditures less than budget by \$11,216,422, due predominantly to slower than anticipated progress on capital projects and restricted expenditures less than budget by \$132,531 due to budgeting of all available restricted resources in anticipation of expenditures.

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 2013 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 POSITION

JUNE 30, 2013

ASSETS

Current Assets:

Cash	\$1,726,121
Accounts receivables	1,149,030
Inventory	37,587
Prepays	1,642
Unused textbook credits	6,145
<i>Total current assets</i>	<i>2,920,525</i>

Non-Current Assets:

Investments	8,068,781
Capital assets, net	19,428,789
<i>Total non-current assets</i>	<i>27,497,570</i>

Total assets 30,418,095

LIABILITIES

Current Liabilities:

Accounts payable	155,517
Accrued payroll liabilities	1,110,068
Due to others	70,000
<i>Total current liabilities</i>	<i>1,335,585</i>

Non-Current Liabilities:

Compensated absences	145,587
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Total liabilities 1,481,172

NET POSITION

Net investment in capital assets	19,428,789
Unrestricted	9,425,040
Restricted by grantor for specified educational purposes	83,094

Total net position \$28,936,923

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 NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating Revenues:	
State permanent fund income	\$10,640,195
Medicaid in the schools	557,566
Land income	724,603
State sources	168,439
State appropriations	691,200
Federal sources	40,772
Outreach itinerant income	0
Local sources	8,896
Other operating revenues	143,870
<i>Total operating revenues</i>	<u>12,975,541</u>
Operating Expenses:	
Instruction	4,898,277
Academic support	2,664,902
Student support	1,688,889
Institutional support	1,967,054
Plant operations	2,115,277
Capital outlay	0
Renewal and replacements	0
<i>Total operating expenses</i>	<u>13,334,399</u>
<i>Operating loss, net</i>	(358,858)
Non-Operating Revenues (Expenses):	
Investment income	590,583
Other income	31,275
Donations	12,007
State appropriations - capital	284,000
PSFA severance tax bonds	2,709,168
<i>Total non-operating revenues (expenses)</i>	<u>3,627,033</u>
<i>Change in net position</i>	3,268,175
Net position, beginning of year, as previously stated	25,667,849
Restatements	899
<i>Net position, beginning of year, as restated</i>	<u>25,668,748</u>
<i>Net position, end of year</i>	<u><u>\$28,936,923</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from permanent fund, federal and state governments and other operating sources	\$12,924,300
Cash payments to suppliers for goods and services	(1,602,409)
Cash payments to/for employees	(10,616,764)
<i>Net cash provided by operating activities</i>	<u>705,127</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Donations	12,007
Other income	21,594
<i>Net cash provided by noncapital financing activities</i>	<u>33,601</u>
CASH FLOWS FOR CAPITAL AND FINANCING ACTIVITIES	
State appropriations - capital	284,000
PSFA severance tax bonds - capital	2,709,168
Acquisition of capital assets	(3,919,855)
Proceeds from sale of assets	9,681
<i>Net cash (used) by capital and financing activities</i>	<u>(917,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	0
Investment earnings, net of fees	590,583
Purchase of investments - reinvestments	(590,347)
<i>Net cash provided by investing activities</i>	<u>236</u>
<i>Net decrease in cash</i>	(178,042)
Cash and cash equivalents, beginning of year	1,904,163
<i>Cash and cash equivalents, end of year</i>	<u>\$1,726,121</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating loss	(\$358,858)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	690,727
Change in unused textbook credits - decrease	12,267
Change in Assets and Liabilities:	
(Increase) in accounts receivable	(59,865)
(Increase) in inventories	(3,643)
Increase in accounts payable and due to others	25,708
Increase in accrued salaries and benefits	387,437
Increase in prepaid expense	(1,642)
Increase in compensated absences	12,996
<i>Total adjustments</i>	<u>1,063,985</u>
<i>Net cash provided by operating activities</i>	<u>\$705,127</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, 2013

	Agency Funds
ASSETS	
Cash	\$10,914
Accounts receivable	181
Federal quota funds	8,290
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Total assets	\$19,385
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LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$175
Due to student groups	9,466
Due to individual students	1,454
Held in trust for others	8,290
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Total liabilities	\$19,385
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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, 2013

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Net Position

All assets, all liabilities and deferred outflows and inflows of resources are include on the statement of net position.

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 Position.

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, 2013

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>
12 month hourly employees	1-7 years	1 day/month
12 month hourly employees	7 years +	1.5 days/month
Salary employees	N/A	14.67 hrs/month

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, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The School's net position is classified as follows:

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

Unrestricted Net Position: Unrestricted net position represents 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, 2013

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, 2013

NOTE 2. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013:

State of New Mexico (Land & Permanent Fund Income)	\$895,068
Navajo Nation - Developmental	33,648
State of New Mexico – HSD	55,535
State of New Mexico – PED	19,984
Medicaid – FIT Kids	20,672
ECP Grant – Fence (City of Albuquerque and Bernalillo County)	120,865
Miscellaneous Accounts receivable	3,258
	<u>\$1,149,030</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	\$1,811,667
Less Government money market fund	(859,678)
Less FDIC insurance	(250,000)
Uninsured public funds	\$701,989
50% collateral required	<u>\$350,995</u>

All non interest bearing accounts (checking) and interest bearing accounts are insured up to \$250,000 through the Federal Deposit Insurance Corporation (FDIC).

Collateral held at June 30, 2013:

CUSIP	Description	Collateral Held By	Maturity Date	Market Value
3138AAYX3	FN AH8825 4.50%	Bank of NY Mellon	3/01/2041	\$2,602
3138ANHX4	FN AI8345 2.902%	Bank of NY Mellon	8/01/2041	11,167
3138W5GJ1	FN AR7400 3.000%	Bank of NY Mellon	6/01/2043	14,707
31419BCT0	FN AE0981 3.500%	Bank of NY Mellon	3/01/2041	299,882
				<u>328,358</u>
	Under collateralized			<u>\$22,637</u>

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3. CASH AND CASH EQUIVALENTS (CONTINUED)

The banks are reconciled as follows:

	<u>Wells Fargo Bank</u>
Bank balance, June 30, 2013	\$1,811,667
Outstanding deposits	0
Outstanding checks	(75,482)
Book balance, June 30, 2013	\$1,736,185
Cash carrying amounts	
Less: New Mexico State Treasurer	\$1,737,035
Less: Petty cash	(850)
	\$1,736,185

Schedule of cash balances:

Depository	Account Name	Type	Bank Balance	Reconciled Balance
Wells Fargo Bank, N.A.	General Fund	Checking	\$437,176	\$361,694
Wells Fargo Bank, N.A.	Payroll	Checking	434,000	434,000
Wells Fargo Bank, N.A.	Restricted Funds	Checking	70,000	70,000
Wells Fargo Bank, N.A.	Agency Funds	Checking	10,613	10,613
Wells Fargo Bank, N.A.	Money Market	Money Market	859,678	859,678
Wells Fargo Bank, N.A.	Life Skills	Checking	200	200
Petty Cash			0	850
			\$1,811,667	\$1,737,035

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, 2013, \$373,631 of the School's bank balance of \$1,811,667 was exposed to custodial credit risk.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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.

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%

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4. INVESTMENTS (CONTINUED)

At June 30, 2013, 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	10.25%	\$826,974	Not available
Core Bond	59.28%	4,782,864	Not available
Non – US Developed	8.98%	724,517	Not available
Non – US Emerging	9.64%	777,980	Not available
Mid/Small Cap	11.85%	956,445	Not available
	100%	\$8,068,781	

Investment income components were as follows:

Investment income earned	\$254,772
Net capital appreciation (depreciation)	355,461
Interest on bank accounts	235
	\$610,468

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.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2012	\$218,246,141
Distributed income	(10,640,195)
State land office transfers	7,209,559
Capital gains/losses, unrealized gains/losses, income earnings	28,424,671
<i>Balance, June 30, 2013</i>	\$243,240,176

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, 2013 was \$724,603, including the land income reapportionment settlement of \$4,787.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 8. CAPITAL ASSETS

For the year ended June 30, 2013, changes in the asset composition of capital assets were as follows:

	Balance 06/30/2012	Restatement	Additions	Transfers/ Deletions	Balance 06/30/2013
Capital Assets - Non Depreciable:					
Land	\$1,553,524	\$0	\$0	\$0	\$1,553,524
Construction in process	1,025,772	899	3,733,860	(71,170)	4,689,361
<i>Total capital assets, not depreciated</i>	<u>2,579,296</u>	<u>899</u>	<u>3,733,860</u>	<u>(71,170)</u>	<u>6,242,885</u>
Capital Assets - Depreciable:					
Improvements	1,432,760	0	0	18,285	1,451,045
Buildings and Structures	20,046,272	0	30,525	52,885	20,129,682
Art	8,000	0	0	0	8,000
Automotive Equipment	1,893,242	0	100,785	0	1,994,027
Furniture, Fixtures, and Equipment	2,986,513	0	54,685	(45,643)	2,995,555
<i>Total capital assets, depreciated</i>	<u>26,366,787</u>	<u>0</u>	<u>185,995</u>	<u>25,527</u>	<u>26,578,309</u>
Accumulated Depreciation:					
Improvements	(1,193,833)	0	(76)	0	(1,193,909)
Buildings and Structures	(7,485,667)	0	(370,644)	0	(7,856,311)
Automotive Equipment	(1,440,119)	0	(198,737)	0	(1,638,856)
Furniture, Fixtures, and Equipment	(2,619,702)	0	(121,270)	45,643	(2,695,329)
Art	(8,000)	0	0	0	(8,000)
<i>Total accumulated depreciation</i>	<u>(12,747,321)</u>	<u>0</u>	<u>(690,727)</u>	<u>45,643</u>	<u>(13,392,405)</u>
<i>Net Capital Assets</i>	<u>\$16,198,762</u>	<u>\$899</u>	<u>\$3,229,128</u>	<u>\$0</u>	<u>\$19,428,789</u>

Depreciation expense of \$690,727 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, 2013

NOTE 9. NON-CURRENT LIABILITIES

	June 30, 2012	Increases	Decreases	June 30, 2013	Amounts Due Within One Year
Accrued compensated absences	\$132,591	\$138,000	(\$125,004)	\$145,587	\$0

NOTE 10. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consist of the following:

Employee benefits payable	\$540,461
Employee wages payable	399,406
Employee taxes payable	170,201
<i>Total</i>	\$1,110,068

NOTE 11. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy. Plan members are required to contribute 8.92% (wages over \$20,000) and 7.42% (wages under \$20,000) of their gross salary. The New Mexico School for the Blind and Visually Impaired is required to contribute 15.09% (wages over \$20,000) and 16.59% (wages under \$20,000) of the gross covered salary. The contribution requirements of plan members and the New Mexico School for the Blind and Visually Impaired are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The New Mexico School for the Blind and Visually Impaired’s contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$264,794, \$239,380 and \$253,178, 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, 2013

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description. Substantially all of the New Mexico School for the Blind and Visually Impaired'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.

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the New Mexico School for the Blind and Visually Impaired was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, New Mexico School for the Blind and Visually Impaired will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

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 New Mexico School for the Blind and Visually Impaired's contributions to ERB for the fiscal years ending June 30, 2013, 2012, and 2011, were \$624,171, \$579,984, and \$634,135, 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, 2013

NOTE 13. 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.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The New Mexico School for the Blind and Visually Impaired's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$149,837, \$147,148 and \$116,068, respectively, which equal the required contributions for each year.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 14. 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 15. CAPITAL OUTLAY APPROPRIATIONS – SEVERANCE TAX BONDS

	Original Appropriation	Appropriation Period	Expenditures To Date	Balance Encumbered	Balance Unencumbered
State Appropriation – BR&R	\$298,500	2009	\$298,500	\$0	\$0
State Appropriation – BR&R	\$296,600	2010	\$262,551	\$34,049	\$0
State Appropriation – BR&R	\$296,600	2011	\$295,479	\$1,121	\$0
State Appropriation – BR&R	\$284,000	2012	\$86,486	\$117,046	\$80,468
State Appropriation – BR&R	\$284,000	2013	\$0	\$0	\$284,000

NOTE 16. COMMITMENTS AND CONTINGENCIES

Construction obligations of \$9,009,805 are not presented in the financial statements. These obligations represent unfinished contracts with various entities.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events were evaluated through October 22, 2013, which is the date the financial statements were available to be issued.

NOTE 18. RESTATEMENT

Beginning net position has been restated to correct construction in progress for \$899 on the Master Plan project that was not previously capitalized. See also NOTE 8. CAPITAL ASSETS showing the restatement.

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenues:				
Federal sources	\$70,472	\$42,269	\$40,772	(\$1,497)
State sources	2,148,798	11,808,559	2,832,618	(8,975,941)
Local sources	6,010	8,910	8,896	(14)
State appropriations	975,200	975,200	975,200	0
State permanent fund income	10,786,464	10,686,464	10,640,195	(46,269)
Land income	356,730	1,004,787	724,603	(280,184)
Outreach itinerant income	500	0	0	0
Medicaid in the schools	390,546	576,452	557,566	(18,886)
Other operating revenues	134,816	172,604	143,870	(28,734)
Total operating revenues	14,869,536	25,275,245	15,923,720	(9,351,525)
Operating Expenses:				
Instruction	5,276,498	5,256,884	4,841,021	415,863
Academic support	2,884,689	2,945,175	2,664,885	280,290
Student support	2,136,553	2,108,612	1,688,889	419,723
Institutional support	2,154,218	2,250,435	1,967,054	283,381
Operation and maintenance of plant	1,729,453	1,858,144	1,424,550	433,594
Capital outlay	2,451,810	12,105,788	3,106,371	8,999,417
Renewal and replacements	284,000	1,280,258	763,573	516,685
Total operating expenditures	16,917,221	27,805,296	16,456,343	11,348,953
Operating income (loss)	(2,047,685)	(2,530,051)	(532,623)	1,997,428
Non-Operating Revenues (Expenses):				
Investment income	201	346	236	(110)
Other income	10,300	41,292	31,274	(10,018)
Donations	169,243	163,986	12,007	(151,979)
Total non-operating revenues (expenses)	179,744	205,624	43,517	(162,107)
Net change in fund balance	(1,867,941)	(2,324,427)	(489,106)	1,835,321
Fund balance, beginning of year, as previously stated	650,000	2,695,439	2,695,439	0
Restatements	0	152,451	152,451	0
Fund balance, beginning of year, as restated	650,000	2,847,890	2,847,890	0
Investments converted to cash	1,867,941	278,988	0	(278,988)
Fund Balance, end of year	\$650,000	\$802,451	\$2,358,784	\$1,556,333

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenues:				
Federal sources	\$0	\$2,128	\$2,128	\$0
State sources	2,147,685	11,805,788	2,830,033	(8,975,755)
Local sources	6,010	8,910	8,896	(14)
State appropriations	975,200	975,200	975,200	0
State permanent fund income	10,786,464	10,686,464	10,640,195	(46,269)
Land income	356,730	1,004,787	724,603	(280,184)
Outreach itinerant income	500	0	0	0
Other operating revenues	21,625	18,646	15,963	(2,683)
<i>Total operating revenues</i>	<u>14,294,214</u>	<u>24,501,923</u>	<u>15,197,018</u>	<u>(9,304,905)</u>
Operating Expenses:				
Instruction	5,043,625	4,972,712	4,674,183	298,529
Academic support	2,474,347	2,446,934	2,181,638	265,296
Student support	2,045,703	1,948,548	1,529,028	419,520
Institutional support	2,154,218	2,250,435	1,967,054	283,381
Operation and maintenance of plant	1,729,453	1,858,144	1,424,550	433,594
Capital outlay	2,451,810	12,105,788	3,106,371	8,999,417
Renewal and replacements	284,000	1,280,258	763,573	516,685
<i>Total operating expenditures</i>	<u>16,183,156</u>	<u>26,862,819</u>	<u>15,646,397</u>	<u>11,216,422</u>
<i>Operating income (loss)</i>	<u>(1,888,942)</u>	<u>(2,360,896)</u>	<u>(449,379)</u>	<u>1,911,517</u>
Non-Operating Revenues (Expenses):				
Investment income	201	346	236	(110)
Other income	10,300	26,905	22,545	(4,360)
Donations	10,500	9,218	6,832	(2,386)
<i>Total non-operating revenues (expenses)</i>	<u>21,001</u>	<u>36,469</u>	<u>29,613</u>	<u>(6,856)</u>
Net change in fund balance	(1,867,941)	(2,324,427)	(419,766)	1,904,661
Fund balance, beginning of year	650,000	2,695,439	2,695,439	0
Investments converted to cash	1,867,941	278,988	0	(278,988)
<i>Fund Balance, end of year</i>	<u>\$650,000</u>	<u>\$650,000</u>	<u>\$2,275,673</u>	<u>\$1,625,673</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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Operating Revenues:				
Federal sources	\$70,472	\$40,141	\$38,644	(\$1,497)
State sources	1,113	2,771	2,585	(186)
Medicaid in the schools	390,546	576,452 *	557,566	(18,886)
Other operating revenues	113,191	153,958	127,907	(26,051)
<i>Total operating revenues</i>	<u>575,322</u>	<u>773,322</u>	<u>726,702</u>	<u>(46,620)</u>
Operating Expenses:				
Instruction	232,873	284,172	166,838	117,334
Academic support	410,342	498,241	483,247	14,994
Student support	90,850	160,064	159,861	203
Institutional support	0	0	0	0
Operation and maintenance of plant	0	0	0	0
<i>Total operating expenditures</i>	<u>734,065</u>	<u>942,477 *</u>	<u>809,946</u>	<u>132,531</u>
<i>Operating income (loss)</i>	(158,743)	(169,155)	(83,244)	85,911
Non-Operating Revenues (Expenses):				
Other income	0	14,387	8,729	(5,658)
Donations	158,743	154,768	5,175	(149,593)
<i>Total non-operating revenues (expenses)</i>	<u>158,743</u>	<u>169,155</u>	<u>13,904</u>	<u>(155,251)</u>
Net change in fund balance	0	0	(69,340)	(69,340)
Fund balance, beginning of year, as previously stated	0	0	0	0
Restatements	0	152,451	152,451	0
Fund balance, beginning of year, as restated	0	152,451	152,451	0
<i>Fund Balance, end of year</i>	<u>\$0</u>	<u>\$152,451</u>	<u>\$83,111</u>	<u>(\$69,340)</u>

* includes final Budget Adjustment submitted by School per correspondence with New Mexico Higher Education Department.

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 POSITION

FOR THE YEAR ENDED JUNE 30, 2013

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$15,923,720
Differences - Budget to GAAP:	
State appropriations - non operating (capital)	(284,000)
Textbook credits not budgeted	44,989
PSFA severance tax bonds - non operating (capital)	(2,709,168)
<i>Total operating revenues as reported on the statement of revenues, expenses, and changes in net position</i>	<i>\$12,975,541</i>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$16,456,343
The School budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	(3,869,944)
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	690,727
Bad debt expense not budgeted	18
Textbook credits used not budgeted	57,255
<i>Total operating expenses as reported on the statement of revenues, expenses, and changes in net position</i>	<i>\$13,334,399</i>

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$43,517
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. Investment expenses not budget.	590,348
State appropriations - non operating (capital)	284,000
PSFA severance tax bonds - non operating (capital)	2,709,168
<i>Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net position</i>	<i>\$3,627,033</i>

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

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, 2013

	Balance June 30, 2012	Increase/ Receipts	Decrease/ Disbursement	Balance June 30, 2013
ACTIVITY FUNDS				
<u>Assets</u>				
Cash	\$8,453	\$1,887	\$880	\$9,460
Accounts receivable	0	181	0	181
Total assets	\$8,453	\$2,068	\$880	\$9,641
<u>Liabilities</u>				
Accounts payable	\$438	\$0	\$263	\$175
Due to student groups	8,015	2,068	617	9,466
Total liabilities	\$8,453	\$2,068	\$880	\$9,641
STUDENT DEPOSITS				
<u>Assets</u>				
Cash	\$949	\$865	\$360	\$1,454
<u>Liabilities</u>				
Due to individual students	\$949	\$865	\$360	\$1,454
EDUCATIONAL MATERIALS CREDITS				
Federal quota funds	\$24,667	\$193,283	\$209,660	\$8,290
<u>Liabilities</u>				
Held in trust for others	\$24,667	\$193,283	\$209,660	\$8,290
TOTALS - ALL AGENCY FUNDS				
<u>Assets</u>				
Cash	\$9,402	\$2,752	\$1,240	\$10,914
Accounts receivable	0	181	0	181
Federal quota funds	24,667	193,283	209,660	8,290
Total assets	\$34,069	\$196,216	\$210,900	\$19,385
<u>Liabilities</u>				
Accounts payable	\$438	\$0	\$263	\$175
Due to student groups	8,015	2,068	617	9,466
Due to individual students	949	865	360	1,454
Held in trust for others	24,667	193,283	209,660	8,290
Total liabilities	\$34,069	\$196,216	\$210,900	\$19,385

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, 2013

<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 6/30/2012</u>	<u>Audit Responsibility</u>	<u>Revenues and Expenditures Reported on:</u>
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NONE

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***

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, in accordance with the 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, the financial statements of the business-type activities of the New Mexico School for the Blind and Visually Impaired as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise New Mexico School for the Blind and Visually Impaired's basic financial statements, and the budgetary comparisons of New Mexico School for the Blind and Visually Impaired, presented as supplemental information, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered New Mexico School for the Blind and Visually Impaired's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Mexico School for the Blind and Visually Impaired's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. 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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. 2013-01

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Mexico School for the Blind and Visually Impaired'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-02.

New Mexico School for the Blind and Visually Impaired's Responses to Findings

New Mexico School for the Blind and Visually Impaired's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. New Mexico School for the Blind and Visually Impaired's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kriegel/Gray/Shaw & Co., P.C.
Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
October 22, 2013

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES:

2013-01 Deficient Documentation for Reimbursement of Meals – Significant Deficiency

Statement of Condition – We tested 40 disbursement transactions noting one instance where no itemized receipt was attached for meals while traveling - credit card slip only.

Criteria – Good internal controls require clear supporting documentation for each disbursement.

Cause – Single instance of credit card receipt rather than itemized bill; overlooked by itinerant and AP Specialist.

Effect – Potential to pay for un-allowed costs such as liquor.

Recommendation – Review and stress importance of clear and appropriate meal documentation with NMSBVI staff.

Management's Response – Paperwork training is provided a minimum of once a year, with follow up as needed.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

CURRENT YEAR SIGNIFICANT DEFICIENCIES (CONTINUED):

2013-02 Bank Balance Under Collateralized – Noncompliance

Statement of Condition – The Wells Fargo bank accounts were under collateralized at June 30, 2013 by \$22,637.

Criteria – Public money is required to receive a pledge of collateral of 50% of the uninsured bank balance per NMSA 6-10-17.

Cause – Collateralization as well as account balance fluctuations were not adequately monitored.

Effect – Potential for public funds to be at risk in the event of a bank failure and noncompliance with state law and depositing collateral agreements.

Recommendation – NMSBVI should monitor collateral levels continually and notify bank when large deposits are made.

Management's Response – The bank monitors balances daily to ensure collateralization. The transactions of 6/28 (Friday) posted and the next business day (7/1) balances were checked and additional collateral was pledged.

CURRENT STATUS OF PRIOR YEAR AUDIT FINDING:

None.

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
EXIT CONFERENCE AND
FINANCIAL STATEMENT PREPARATION
JUNE 30, 2013

EXIT CONFERENCE

On October 24, 2013, 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
Alfred Sena, Member
James A. Miyagishima, Member
Caroline Benavidez, Vice President

School Officials:

Linda Lyle, Superintendent
Sylvia Hartley, Business & Finance Interim 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.