

New Mexico School for the Blind and Visually Impaired
Financial Statements
For the Year Ended June 30, 2017



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NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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JUNE 30, 2017**

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**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
OFFICIAL ROSTER
JUNE 30, 2017**

<u>Name</u>		<u>Title</u>
	<u>Board of Regents</u>	
Alicia McAninch		President
Christine Hall		Vice President
Catherine Gray		Secretary
Alfred Sena		Member
Agnes Vallejos		Member
	<u>School Officials</u>	
Linda Lyle		Superintendent
Sylvia Hartley		Director of Business & Finance
Veronica Hernandez		Director of Human Resources
Brenda Holmes		Director of Student Support Services
Margie Macias		Director of Institutional Support

INDEPENDENT AUDITORS' REPORT

Board of Regents and Management
New Mexico School for the Blind and Visually Impaired
Timothy Keller
New Mexico State Auditor
Alamogordo, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the agency fund of New Mexico School for the Blind and Visually Impaired (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the School's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison schedules presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2017, 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 misstatement, whether due to fraud or error.

Auditors' 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 of 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the School'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 School'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the agency fund of the School, as of June 30, 2017, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons of the School for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the School are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of its business-type activities that are 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, 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The School's financial statements are included in the financial statements of the State of New Mexico.

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 10 through 13 and Schedules A-1 through A-4 and notes to the Required Supplementary Information on pages 54 through 58 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 who 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements, and the budgetary comparisons. Supporting Schedules I through III required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Supporting Schedules I through III 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 auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules I through III required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, slightly slanted style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 18, 2017

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**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
FOR THE YEAR ENDED JUNE 30, 2017**

Management's Discussion and Analysis

As management of the New Mexico School for the Blind and Visually Impaired (NMSBVI), we offer readers of NMSBVI's financial statements this narrative overview and analysis of the financial activities of NMSBVI for the fiscal year ended June 30, 2017. Readers should also review the basic financial statements and notes to enhance their understanding of NMSBVI's financial performance.

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.

This discussion and analysis of the School's financial statements provides an overview of its financial activities for the year excluding the Component Unit (Foundation).

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 page 20 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.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
FOR THE YEAR ENDED JUNE 30, 2017**

Overview of NMSBVI's Financial Position and Operations

NMSBVI's overall financial position and operations for the current year are as follows:

New Mexico School for the Blind and Visually Impaired Net Position

	2017	2016
Current and other assets	\$ 4,574,984	\$ 5,108,970
Capital assets and other noncurrent assets	45,847,862	39,077,656
Deferred outflows of resources	4,617,400	2,398,388
Total assets and deferred outflows of resources	\$ 55,040,246	\$ 46,585,014
Current liabilities	\$ 1,421,112	\$ 1,784,830
Long-term and Other liabilities	24,003,615	20,260,177
Deferred inflows of resources	206,007	417,057
Total liabilities and deferred inflows of resources	\$ 25,630,734	\$ 22,462,004
Net position:		
Invested in capital assets, net of debt	\$36,178,607	\$ 30,461,946
Restricted	189,305	57,997
Unrestricted (deficit)	(6,958,400)	(6,396,933)
Total net position	\$ 29,409,512	\$ 24,123,010

In fiscal year 2017, the total assets of the School increased by \$8,455,232 while liabilities also increased by \$3,168,730. Changes in the Statement of Net Position include an increase in capital assets due to major capital projects and an increase in Accounts Receivable of \$1,137,208, which represents revenue, earned but not received.

While NMSBVI had an Operating Loss of \$15,877,742, this was offset by Non-operating Revenue of \$21,152,964 resulting in a change in net position of \$5,275,222. The increase in Net Position for the fiscal year 2017 is \$5,286,502, a 138% improvement from the prior year. The primary component of this change was due to capital projects being capitalized.

As stated above, the operating loss for fiscal year 2017 of \$15,877,742 increased operating loss by 3.5% from fiscal year 2016. While operating expenses increased by \$725,378 and operating revenues by \$192,515. The most significant increase in operating revenue was \$204,730 in Medicaid, due primarily to direct service reimbursements.

The operating expense increased due to salary increases and an increase in pension expense due to an increase in the net position liabilities at June 30, 2016.

Non operating revenues and expenses increased \$3,594,919 primarily due to state appropriated capital projects. In addition, land income decreased \$1,465,251.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
FOR THE YEAR ENDED JUNE 30, 2017**

New Mexico School for the Blind and Visually Impaired Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Operating revenues	\$ 1,158,751	\$ 966,236
Expenses:		
Operating Expenses	17,036,493	16,311,115
Operating loss	(17,036,493)	(15,344,897)
Nonoperating Revenues and Expenses	21,152,964	17,558,045
Increase in net position	5,275,222	2,213,166
Net position – beginning – July 1	24,123,010	21,536,927
Prior period adjustment	11,280	372,917
Net position – ending – June 30	<u>\$ 29,409,512</u>	<u>\$24,123,010</u>

Budgetary Highlights

Budget to actual comparison schedules are presented for all major funds in Statements A-5, A-6 and A-7. These schedules are prepared on a non-GAAP budgetary basis which is the format allowed by NMSBVI's oversight agency, the New Mexico Higher Education Department.

The original expenditure budget for NMSBVI's operational fund was increased by \$83,462 due to budgeted salary increases and student travel. The final expenditure budget was \$29,406,776, of which \$21,425,323 was expended in the current year. Of the \$26,717,030 revenue budget, 79% of the budgeted amount was received during the year.

Capital Assets 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 for obsolete equipment, furniture and vehicles.

Relevant Current Economic Factors, Decisions and Conditions

NMSBVI is not aware of any national, state and local economic factors, decisions or conditions that are expected to have a significant impact on the financial position or results of operations during the 2017-2018 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.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
FOR THE YEAR ENDED JUNE 30, 2017**

Request for Information

This financial report is designed to provide various interested parties with a general overview of NMSBVI's finances and to show NMSBVI's accountability for the money it receives. If you have any questions about this report or require additional information, contact NMSBVI's Finance Department as follows:

Sylvia Hartley
Director of Business and Finance
575.437.3505

Physical Address:
1900 N White Sands Blvd
Alamogordo, NM 88310

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BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Primary Government</u>	<u>Component Unit</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,903,058	\$ 78,077
Receivables	2,638,358	-
Inventory	13,568	-
Due from component unit	20,000	-
Prepays and other assets	-	-
	<hr/>	<hr/>
Total current assets	4,574,984	78,077
Noncurrent assets		
Investments	9,669,255	105,430
Capital assets	51,578,267	1,610
Less: accumulated depreciation	(15,399,660)	-
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Total noncurrent assets	45,847,862	107,040
	<hr/>	<hr/>
<i>Total assets</i>	50,422,846	185,117
Deferred outflows of resources		
Deferred outflows - ERB	1,977,638	-
Deferred outflows - PERA	1,332,538	-
Employer contributions subsequent to the measurement date	1,307,224	-
	<hr/>	<hr/>
<i>Total deferred outflows of resources</i>	4,617,400	-
	<hr/>	<hr/>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 55,040,246</u>	<u>\$ 185,117</u>

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

	Primary Government	Component Unit
Liabilities		
Current liabilities		
Accounts payable	\$ 154,322	\$ 7,798
Accrued payroll	1,036,815	-
Due to primary government	-	20,000
Fund held in trust for others	209,975	-
Unearned revenue	20,000	-
	<hr/>	<hr/>
Total current liabilities	1,421,112	27,798
Noncurrent liabilities		
Accrued compensated absences	186,081	-
Net pension liability - PERA	7,142,678	-
Net pension liability - ERB	16,674,856	-
	<hr/>	<hr/>
Total noncurrent liabilities	24,003,615	-
	<hr/>	<hr/>
<i>Total liabilities</i>	25,424,727	27,798
Deferred inflows of resources		
Deferred inflows - ERB	158,599	-
Deferred inflows - PERA	47,408	-
	<hr/>	<hr/>
<i>Total deferred inflows of resources</i>	206,007	-
Net position		
Investment in capital assets	36,178,607	1,610
Restricted for:		
Grantor restrictions for educational purposes	189,305	-
Scholarships and program support	-	105,430
Unrestricted	(6,958,400)	50,279
	<hr/>	<hr/>
<i>Total net position</i>	29,409,512	157,319
	<hr/>	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 55,040,246	\$ 185,117
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The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	Primary Government	Component Unit
<i>Operating revenues</i>		
Medicaid	\$ 910,363	\$ -
Intergovernmental revenue:		
Federal sources	165,907	-
State sources	1,859	-
Other operating revenues	57,507	5,859
Charges for services	23,115	-
Donations	-	48,414
Investment income	-	7,575
<i>Total operating revenues</i>	<u>1,158,751</u>	<u>61,848</u>
<i>Operating expenses</i>		
Instruction	6,305,130	-
Academic support	3,928,893	-
Student support	2,035,538	-
Institutional support	2,457,771	-
Plant operations	1,617,199	-
Depreciation	691,962	-
Awards and grants	-	26,595
Other operating expenses	-	35,038
<i>Total operating expenses</i>	<u>17,036,493</u>	<u>61,633</u>
<i>Operating (loss) income</i>	(15,877,742)	215
<i>Nonoperating revenue (expenses)</i>		
Investment income	1,060,933	-
Other income	27,837	-
Donations	35,202	-
State appropriations - operations	1,464,400	-
Land income	534,322	-
State permanent fund income	11,918,496	-
State appropriations - capital	206,715	-
PSFA severance tax bonds	2,156,967	-
State board of finance capital outlay	3,748,092	-
<i>Total nonoperating revenue (expenses)</i>	<u>21,152,964</u>	<u>-</u>
<i>Change in net position</i>	5,275,222	215
<i>Net position - beginning of year</i>	24,123,010	157,104
<i>Net position - restatement</i>	11,280	-
<i>Net position - beginning of year as restated</i>	<u>24,134,290</u>	<u>157,104</u>
<i>Net position - end of year</i>	<u>\$ 29,409,512</u>	<u>\$ 157,319</u>

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

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Primary Government	Component Unit
<i>Cash flows from operating activities:</i>		
Cash received from federal and state grants, donors, and other sources	\$ 1,116,063	\$ 82,261
Cash payments to employees for services	(13,211,107)	-
Cash payments to suppliers for goods and services	(2,184,761)	(35,038)
Grant awards paid and other expenses	-	(25,000)
<i>Net cash provided (used) by operating activities</i>	<u>(14,279,805)</u>	<u>22,223</u>
<i>Cash flows from noncapital financing activities:</i>		
State appropriations	1,464,400	-
Cash received from permanent fund	11,986,053	-
Cash received from land income	534,322	-
Donations and other income	42,328	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>14,027,103</u>	<u>-</u>
<i>Cash flows from investing activities:</i>		
Purchases of investments	-	(100,000)
Proceeds from sale of investments	-	99,925
Investment earnings, net of fees	7,388	-
<i>Net cash provided (used) by investing activities</i>	<u>7,388</u>	<u>(75)</u>
<i>Cash flows from capital and related financing activities:</i>		
State appropriations - capital	206,715	-
Proceeds from severance tax bonds - capital	2,018,375	-
Proceeds from State of NM Board of Finance capital outlay	2,724,607	-
Acquisition of capital assets	(6,397,343)	-
Proceeds from sale of assets	20,711	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(1,426,935)</u>	<u>-</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	(1,672,249)	22,148
<i>Cash and cash equivalents - beginning of year</i>	<u>3,575,307</u>	<u>55,929</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 1,903,058</u>	<u>\$ 78,077</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ (15,877,742)	\$ 215
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>		
Depreciation	691,962	-
Grant awards paid from endowed investment	-	1,595
Investment income	-	(7,385)
Net pension expense	1,316,530	-
<i>Changes in assets and liabilities:</i>		
Receivables (operating)	(62,688)	-
Inventories	7,613	-
Prepaid expenses and other assets	11,332	-
Accounts payable and due to others	67,615	27,798
Accrued liabilities	(451,333)	-
Unearned revenue	20,000	-
Compensated absences	(3,094)	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ (14,279,805)</u>	<u>\$ 22,223</u>

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

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

<i>Assets</i>	
Cash	\$ 11,327
Accounts receivable	203
Federal quota funds	<u>6,799</u>
<i>Total assets</i>	<u><u>\$ 18,329</u></u>
 <i>Liabilities</i>	
Accounts payable	\$ 808
Due to students	10,722
Held in trust for others	<u>6,799</u>
<i>Total liabilities</i>	<u><u>\$ 18,329</u></u>

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

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies

The New Mexico School for the Blind and Visually Impaired (sometimes referred to as the New Mexico Institute for the Blind for certain legal purposes) (the "School") 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 Board of Regents facilitate the operation of the School through the services of a contractually hired superintendent.

The summary of significant accounting policies of the School is presented to assist in the understanding of the School's financial statements. The financial statements and notes are the representation of the School's management, who is responsible for their integrity and objectivity. The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the School's accounting policies are described below.

During the year ended June 30, 2017, the School adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 79, *Certain External Investment Pools and Pool Participants*, No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, are required to be implemented for the fiscal year ending June 30, 2017.

The pronouncement adopted that materially affects the financial statements and disclosures of the School for the year ended June 30, 2017 is GASB Statement No. 77 *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

In addition, effective for June 30, 2017 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in GASB Statement No. 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

In evaluating how to define the School, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate the 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the School has one component unit as described in the following paragraphs, and is a component unit of the State of New Mexico which is report in the State of New Mexico's CAFR.

In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the School. The decision to include a potential component unit in the School's reporting entity is based upon several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the New Mexico School for the Blind and Visually Impaired Foundation (the "Foundation") is presented as a discretely presented component unit in these financial statements (does not issue separate financial statements) due to:

1. The economic resources received by the Foundation are entirely for the direct benefit of the School's constituents.
2. The School has an ongoing economic interest in the net position of the Foundation.

The Foundation was organized as a not-for-profit New Mexico corporation under 501(c)(3) of the Internal Revenue Code. The Foundation receives support from contributions and earnings on investments. The agreement between the School and the Foundation stipulates that:

- The Foundation agrees to actively seek public support for the School and its students through activities for educational purposes and fund raising.
- Activities of the Foundation must be for the benefit of the School and must be consistent with the School's overall goals and development plans and policies as defined by the School's Board of Regents and Superintendent.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. **Summary of Significant Accounting Policies (continued)**

- The School will assign a development professional to support the Foundation activities as well as suitable office and meeting space for use by the Foundation.
- The Foundation maintains a record of all gifts and donations to the School.

B. Basis of Presentation and Accounting

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

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.

C. Assets, Liabilities and Net Position or Equity

Statement of Net Position: All assets, all liabilities and deferred outflows and inflows of resources are included 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.

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures.

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. 72, 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.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

The Foundation cash and investments are comprised of interest bearing demand deposit accounts and investments in endowment funds.

In addition, the Foundation holds two parcels of land received as a gift.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2017, there are no items are required to be valued using valuation techniques.

Receivables and Payables: Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The School receives monthly income from the State of New Mexico land office maintenance and land grant permanent funds. The funds are collected by the New Mexico State Land Office and the New Mexico State Investment Council and are remitted to the School in the following month.

Certain grant funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The School incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

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.

Capital Assets: Capital assets, which include property, plant, and equipment, are defined by the School as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. 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.

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.

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

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:

Improvements	25 years
Building and structures	40 years
Automobile equipment	5 – 10 years
Equipment and furniture	5 – 25 years

The Foundation does not have any capital assets as of June 30, 2017.

Accrued Payroll Liabilities: The School recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the financial statements represents the amounts due to employees or due to third parties for the employee benefits.

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

Employee Type	Years of Service	Rate
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

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School has four types of items that qualify for reporting in this category.

Accordingly, the items, change in proportion of \$570,513, change in assumption of \$627,720, net difference between projected and actual investment earnings on pension plan investments of \$1,747,764, difference between expected and actual experience of \$364,179, and employer contributions subsequent to measurement date of \$1,307,224 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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JUNE 30, 2017

NOTE 1. **Summary of Significant Accounting Policies (continued)**

D. *Assets, Liabilities and Net Position or Equity (Continued)*

The School has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes in assumptions, \$47,408; and difference between expected and actual experience, \$158,599 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position: The School's net position is classified in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The School did not have any debt related to financing capital assets as of June 30, 2017.

Restricted Net Position: Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.

If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation.

Unrestricted Net Position: All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

The Statement of Net Position reports \$189,305 of restricted net position related to grants and other restrictions and \$105,790 for endowed funds of the component unit.

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.

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NOTE 1. **Summary of Significant Accounting Policies (continued)**

D. Assets, Liabilities and Net Position or Equity (Continued)

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.

The Foundation is a 501(c)(3) exempt organization under the Internal Revenue Code and therefore, files an annual form 990. No provision for income tax has been provided in this financial statement as the Foundation is not classified as a private foundation and has no unrelated business income during the year ended June 30, 2017.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the School's financials include management's estimate of the useful lives of capital assets and the net pension liability (including the related components).

E. Revenues and expenses

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) income generated through joint powers agreements; (3) fee for service-Medicaid in the schools; and (4) 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. This specifically includes state appropriated permanent fund income and land income.

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.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues and 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.

F. Pensions

ERB

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Board Plan (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PERA

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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NOTE 2. Stewardship, Compliance and Accountability (continued)

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

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.

The Foundation does not receive any state or federal funds and therefore, has not adopted a legally binding budget.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis is included in the supplementary information.

NOTE 3. Deposits and Investments

State statutes authorize the investment of the School's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the School properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the School. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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 JUNE 30, 2017

NOTE 3. Deposits and Investments (continued)

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

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2017, \$664,376 of the School's deposits of \$2,778,728 was exposed to custodial credit risk. \$380,312 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the School's name. As of June 30, 2017, \$284,064 is uninsured and uncollateralized. As of June 30, 2017, the carrying amount of these deposits was \$1,914,385; total amount of deposits of \$2,778,728 less outstanding items and petty cash of \$864,343. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Wells Fargo Bank
Amount of deposits	\$ 2,778,728
Less Government Money Market Account	(1,864,352)
FDIC Coverage	<u>(250,000)</u>
Total uninsured public funds	<u>664,376</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the School's name	<u>380,312</u>
Uninsured and uncollateralized	<u>\$ 284,064</u>
Collateral requirement (50% of uninsured funds)	\$ 332,188
Pledged Collateral	<u>380,312</u>
Over (Under) collateralized	<u>\$ 48,124</u>

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Statement of Net Position	\$ 1,903,058
Cash and cash equivalents- Statement of Fiduciary Funds	<u>11,327</u>
Total cash and cash equivalents	1,914,385
Plus: reconciling items	865,193
Less: petty cash	<u>(850)</u>
Bank balance of deposits	<u><u>\$ 2,778,728</u></u>

Deposits - Component Unit

	First National Bank	Sandia Laboratory FCU	Total
Amount of deposits	\$ 50,185	\$ 27,893	\$ 78,078
FDIC Coverage	<u>(50,185)</u>	<u>(27,893)</u>	<u>(78,078)</u>
Total uninsured public funds	<u>-</u>	<u>-</u>	<u>-</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Foundation's name	<u>-</u>	<u>-</u>	<u>-</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ -	\$ -
Pledged Collateral	<u>-</u>	<u>-</u>	<u>-</u>
Over (Under) collateralized	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

None of the foundation's deposits were exposed to custodial credit risk as of June 30, 2017.

Investments:

PRIMARY GOVERNMENT - SCHOOL

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.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. Deposits and Investments (continued)

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
Equity:			
Domestic Large Cap Active	7%	12%	17%
Domestic Small/Mid Cap	8%	13%	18%
Developed International	8%	13%	18%
Emerging International	5%	10%	15%
Bonds:			
Core Bond Plus	47%	52%	57%

Fair Value Measurement

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Description	Level of Inputs	Percentage of Portfolio	Market Value	Credit Risk Rating
Large Cap Active	Level 1	13.17%	\$ 1,273,908	Not available
Core Plus Bond	Level 2	50.73%	4,905,403	Not available
Non - US Developed	Level 1	12.64%	1,221,985	Not available
Non - US Emerging	Level 1	9.82%	949,088	Not available
Mid/Small Cap	Level 1	13.64%	1,318,871	Not available
		100%	\$ 9,669,255	

Investment income components were as follows:

Investment income earned	\$ 7,198
Net appreciation (depreciation)	1,053,545
Interest earned from deposits	190
	Total
	\$ 1,060,933

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. Deposits and Investments (continued)

COMPONENT UNIT – FOUNDATION

The Foundation’s investments at June 30, 2016 are:

	Fair Market Vaue	Percentage of Portfolio	Credit Risk Rating
Endowment investment - ACF	\$ 53,707	50.17%	Unavailable
Endowment investment - CFSNM	51,723	48.32%	Unavailable
Two parcels of land - noncurrent	<u>1,610</u>	1.50%	Unavailable
Total	<u>\$ 107,040</u>		

As of June 30, 2016, the Foundation does not have an investment policy in place. The foundation maintains two endowments with the Albuquerque Community Foundation and the Community Foundation of Southern New Mexico. During the year, the foundation made two separate \$50,000 deposits into the pooled investment fund at each organization. The amounts above represent the fair market value of each endowment investment pool. The makeup of the Albuquerque Community Foundation is endowment investment pool is disclosed below:

<u>ABQ Community Foundation</u>	Fair Market Value	Percentage of Portfolio
Equity Funds	\$ 36,946,431	51.97%
Private Equity Funds	6,448,550	9.07%
Fixed Income	9,184,405	12.92%
Real Assets	4,137,707	5.82%
Real Estate	2,544,035	3.58%
Multi-Strategy	10,627,059	14.95%
Cash Equivalent	<u>1,201,296</u>	1.69%
Total	<u>\$ 71,089,483</u>	

Detail information of valuation methodologies and risks pertaining to the underlying investments held at the Albuquerque Community Foundation can be obtained at 624 Tijeras Ave NW, Albuquerque, NM 87102.

Detail information of valuation methodologies and risks pertaining to the underlying investments held at the Community Foundation of Southern NM can be obtained at 2600 El Paseo Road, Las Cruces, New Mexico 88001. As of December 31, 2015, all the endowment investment pool assets were invested in securities with a Level 1 input.

Investment income earned	\$ 190
Net appreciation (depreciation)	<u>5,430</u>
Total	<u>\$ 5,620</u>

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 4. Receivables

Receivables as of June 30, 2017 are as follows:

	<u>Primary Government</u>	<u>Component Unit (Foundation)</u>
NMSBVI Foundation	\$ 7,798	\$ -
NM - Board of Finance	1,370,885	-
NM DOH FIT Program	150	-
NM State Land Office (Land & Permanent Fund Income)	986,143	-
NM Public Schools Facilities Authority	138,592	-
Navajo Nation	28,337	-
NM - HSD	67,490	-
NM - PED	16,435	-
Medicaid - FIT Kids	21,195	-
Other	1,333	-
	<u>\$ 2,638,358</u>	<u>\$ -</u>

All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Dispositions and Adjustments</u>	<u>Balance June 30, 2017</u>
Capital assets not depreciated				
Land	\$ 1,553,524	\$ -	\$ -	\$ 1,553,524
Construction in process	12,347,103	5,995,249	-	18,342,352
Total assets not depreciated	<u>13,900,627</u>	<u>5,995,249</u>	<u>-</u>	<u>19,895,876</u>
Capital assets depreciated				
Improvements	1,480,610	154,839	241,347	1,876,796
Buildings and structures	24,657,529	1,588	253,989	24,913,106
Art	8,000	-	-	8,000
Automotive equipment	2,210,281	61,293	(134,889)	2,136,685
Equipment and furniture	3,290,992	184,374	(727,562)	2,747,804
Total assets depreciated	<u>31,647,412</u>	<u>402,094</u>	<u>(367,115)</u>	<u>31,682,391</u>
Total assets	45,548,039	6,397,343	(367,115)	51,578,267
Less accumulated depreciation for:				
Improvements	1,227,450	19,152	56,570	1,303,172
Buildings and structures	9,330,280	482,812	252,777	10,065,869
Art	8,000	-	-	8,000
Automotive equipment	1,857,235	66,330	(134,889)	1,788,676
Equipment and furniture	2,663,128	123,668	(552,853)	2,233,943
Total accumulated depreciation	<u>15,086,093</u>	<u>691,962</u>	<u>(378,395)</u>	<u>15,399,660</u>
Capital assets, net	<u>\$ 30,461,946</u>	<u>\$ 5,705,381</u>	<u>\$ 11,280</u>	<u>\$ 36,178,607</u>

Depreciation expense for the year ended June 30, 2017 was \$691,962.

NOTE 6. Long-Term Liabilities

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the Statement of Net Position:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 189,175	\$ 165,478	\$ 168,572	\$ 186,081	\$ -

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NOTE 7. Educational Material Credits

The School is a participant in two programs: one state funded and one federally funded. The programs aid 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 8. 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, July 1, 2016	\$ 274,243,368
Distributed income	(11,918,496)
State land office transfers	3,955,458
Capital gains/losses, unrealized gains/losses, income earnings	<u>35,021,733</u>
Balance, June 30, 2017	<u>\$ 301,302,063</u>

NOTE 9. 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, 2017 was \$426,411, including the land income reapportionment settlement of \$107,911.

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NOTE 10. 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 11. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

Plan description. The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and state agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

The Plan is considered a component unit of the State's financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has the authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11- 2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

Benefits benefit – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

Summary of Plan Provisions for Retirement Eligibility – For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit, or
- The member has service credit totaling 25 years or more.

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member and then becomes re-employed after July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit, or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

Forms of Payment – The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

Disability Benefit – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member’s Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member’s FAS or (b) 2% of the member’s FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

Refund of Contributions – Members may withdraw their contributions only when they terminate covered employment in the State and their former employer(s) certification determination has been received by NMERB. Interest is paid to members when they withdraw their contributions following termination of employment at a rate set by the Board. Interest is not earned on contributions credited to accounts prior to July 1, 1971, or for contributions held for less than one year.

Contributions – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the School paid employer contributions of \$963,837 and \$919,462, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the School reported a liability of \$16,674,856 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The School’s proportion of the net pension liability was based on a projection of the School’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the School’s proportion was 0.23171%, which was an increase of .00511% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$887,535. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 72,342	\$ 158,599
Net difference between expected and actual investments on pension plan investments	995,350	-
Change in assumptions	339,433	-
Change in proportion	570,513	-
School's contributions subsequent to the measurement date	<u>963,837</u>	<u>-</u>
Total	<u>\$ 2,941,475</u>	<u>\$ 158,599</u>

\$963,837 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

Year ended June 30:

2018	\$	570,960
2019		467,230
2020		538,124
2021		242,725
2022		-
Thereafter		-

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one-year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence of service.	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan’s Board of Trustees, based upon recommendations made by the Plan’s actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
Total	100%	7.75%

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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NOTE 11. Pension Plan – Educational Retirement Board (continued)

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	<u>\$ 22,085,460</u>	<u>\$ 16,674,856</u>	<u>\$ 12,185,584</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued separately issued NMERB'S financial reports. The reports can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html.

Payables to the pension plan. The New Mexico School for the Blind and Visually Impaired remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the School owed the ERB \$280,910 for the contributions withheld in the month of June 2017.

NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

Public Employees Retirement Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

Benefits Provided – Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members.

Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%.

All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's compressive annual financial report for Contribution provided description.

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NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions –

At June 30, 2017, the School's name reported a liability of \$7,142,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016.

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NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

The School’s proportion of the net pension liability was based on a projection of the School’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the School’s proportion was 0.21778%, which was a decrease of 0.00222% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$429,016. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 291,837	\$ -
Net difference between expected and actual investments on pension plan investments	752,414	-
Change in assumptions	288,287	47,408
Change in proportion	-	-
School's contributions subsequent to the measurement date	<u>343,387</u>	<u>-</u>
Total	<u>\$ 1,675,925</u>	<u>\$ 47,408</u>

\$343,387 reported as deferred outflows of resources related to pensions resulting from the School’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 294,144
2019	294,144
2020	504,740
2021	192,101
2022	-
Thereafter	-

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 JUNE 30, 2017

NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

PERA FUND

PERA	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial Assumptions:	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll Growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years
	2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets	<u>20.00</u>	7.35
Total	100.00%	

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017

NOTE 12. Pension Plan – Public Employee Retirement Association of NM (continued)

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate. The following presents the School’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the employer name’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
School's proportionate share of the net pension liability	<u>\$ 9,388,609</u>	<u>\$ 7,142,678</u>	<u>\$ 5,270,108</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

Payables to the pension plan. The New Mexico School for the Blind and Visually Impaired remits the legally required employer and employee contributions on a monthly basis to PERA. The PERA requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the School owed the PERA \$45,551 for the contributions withheld in the month of June 2017.

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. New Mexico School for the Blind and Visually Impaired No. 16 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.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
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JUNE 30, 2017

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (continued)

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to 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 are not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, 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 contributions to the RHCA for the year ended June 30, 2017, 2016 and 2015 were \$179,946, \$166,606 and \$156,666, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. Capital Outlay Appropriations – Severance Tax Bonds

	Appropriation Period	Original Appropriation	Expenditures To Date	Balance Encumbered	Balance Unencumbered
State Appropriation - BR&R	2012	\$ 284,000	\$ 284,000	\$ -	\$ -
State Appropriation - BR&R	2013	284,000	254,205	-	29,795
State Appropriation - BR&R	2014	284,000	123,038	-	160,962
State Appropriation - BR&R	2015	284,000	-	-	284,000
State Appropriation - BR&R	2016	84,000	-	-	84,000
Totals		<u>\$ 1,220,000</u>	<u>\$ 661,243</u>	<u>\$ -</u>	<u>\$ 558,757</u>

NOTE 15. Construction and Other Significant Commitments

The School has committed to pay for several construction contracts that were not completed at June 30, 2017 in the amount of \$1,338,213 as follows:

Contract	Year Ending	Amount
Health Services/Jack Hall Buldings Project (P13-019)	2017	\$ 135,668
Quimby Gymnassium/Natatorium Project (P14-019)	2017	167,284
Ditzler Auditorium/Recreation Center Project (P14-021)	2017	60,356
Old Watkins Education Center Project (P14-025)	2017	974,905
Total Outstanding Commitments		<u>\$ 1,338,213</u>

NOTE 16. Concentrations

The School depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the School is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

NOTE 17. Contingent Liabilities

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

The School is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the School.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is October 18, 2017 which is the date on which the financial statements were available to be issued.

NOTE 19. Prior Period Restatement

Management has restated capital assets in the amount of \$11,280 to adjust for beginning balance errors in the cost of assets and related accumulated depreciation.

NOTE 20. Subsequent Accounting Standard Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The School expects this pronouncement to have a material effect on the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The standard will be implemented during the fiscal year ended June 30, 2020. The School is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. The School is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The School does not expect this pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: For reporting periods beginning after December 15, 2019. The School does not expect this pronouncement to have a material effect on the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LAIBILITY
EDUCATIONAL RETIREMENT PLAN (ERB) PENSION PLAN
LAST 10 FISCAL YEARS***

Schedule A-1

	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
New Mexico School for the Blind and Visually Impaired proportion of the net pension liability (asset)	0.23171%	0.2266%	0.2207%
New Mexico School for the Blind and Visually Impaired proportionate share of the net pension liability (asset)	\$ 16,674,856	\$ 14,677,485	\$ 12,589,686
New Mexico School for the Blind and Visually Impaired covered-employee payroll	6,614,833	6,419,179	6,078,047
New Mexico School for the Blind and Visually Impaired proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252%	229%	207%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, New Mexico School for the Blind and Visually Impaired will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT PLAN (ERB) PENSION PLAN
LAST 10 FISCAL YEARS***

Schedule A-2

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 963,837	\$ 919,462	\$ 892,265
Contributions in relation to the contractually required contribution	<u>963,837</u>	<u>919,462</u>	<u>892,265</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 New Mexico School for the Blind and Visually Impaired covered-employee payroll	 6,936,486	 6,614,833	 6,419,179
 Contribution as a percentage of covered-employee payroll	 13.90%	 13.90%	 13.90%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, New Mexico School for the Blind and Visually Impaired will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LAIBILITY
PUBLIC EMPLOYEES RETIREMENTASSOCIATION OF NM (PERA) PENSION PLAN
LAST 10 FISCAL YEARS***

Schedule A-3

	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
New Mexico School for the Blind and Visually Impaired proportion of the net pension liability (asset)	0.21778%	0.2200%	0.2200%
New Mexico School for the Blind and Visually Impaired proportionate share of the net pension liability (asset)	\$ 7,142,678	\$ 5,393,439	\$ 4,479,267
New Mexico School for the Blind and Visually Impaired covered-employee payroll	2,027,304	2,001,838	1,861,282
New Mexico School for the Blind and Visually Impaired proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	352%	269%	241%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	68.50%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, New Mexico School for the Blind and Visually Impaired will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NM (PERA) PENSION PLAN
LAST 10 FISCAL YEARS***

Schedule A-4

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 343,387	\$ 344,439	\$ 339,961
Contributions in relation to the contractually required contribution	<u>343,387</u>	<u>344,439</u>	<u>339,961</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 New Mexico School for the Blind and Visually Impaired covered-employee payroll	 2,021,115	 2,027,304	 2,001,838
 Contribution as a percentage of covered-employee payroll	 16.99%	 16.99%	 16.98%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, New Mexico School for the Blind and Visually Impaired will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

ERB

Changes of benefit terms and assumptions.

There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

PERA

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

See independent auditors' report.
See notes to required supplementary information.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
BUDGET (MODIFIED ACCRUAL) AND ACTUAL - ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Statement A-5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Operating revenues</i>				
Medicaid	\$ 713,000	\$ 985,045	\$ 910,363	\$ (74,682)
Intergovernmental revenue:				
Federal sources	140,510	151,286	165,907	14,621
State sources	1,600	5,969	1,859	(4,110)
Other operating revenues	500	64,100	57,507	(6,593)
Charges for services	24,400	35,400	23,115	(12,285)
State appropriations - operations	1,541,500	1,464,400	1,464,400	-
Land income	726,300	476,300	534,322	58,022
State permanent fund income	12,063,200	12,063,200	11,918,496	(144,704)
State appropriations - capital	-	206,715	206,715	-
PSFA severance tax bonds	-	6,271,196	2,156,967	(4,114,229)
State board of finance capital outlay	-	4,993,419	3,748,092	(1,245,327)
<i>Total operating revenues</i>	<u>15,211,010</u>	<u>26,717,030</u>	<u>21,187,743</u>	<u>(5,529,287)</u>
<i>Operating expenses</i>				
Instruction	5,499,983	5,410,095	4,988,579	421,516
Academic support	4,049,885	4,159,638	3,928,893	230,745
Student support	2,364,636	2,634,238	2,035,538	598,700
Institutional support	2,704,403	2,776,038	2,419,376	356,662
Plant operations	1,904,397	1,914,534	1,617,199	297,335
Capital outlay	300,000	12,512,233	6,435,738	6,076,495
<i>Total operating expenses</i>	<u>16,823,304</u>	<u>29,406,776</u>	<u>21,425,323</u>	<u>7,981,453</u>
<i>Operating (loss) income</i>	(1,612,294)	(2,689,746)	(237,580)	2,452,166
<i>Nonoperating revenue (expenses)</i>				
Investment income	250	5,250	7,388	2,138
Other income	23,150	28,411	27,837	(574)
Donations	55,500	75,449	35,202	(40,247)
Net transfers in (out)	1,085,671	-	-	-
<i>Total nonoperating revenue (expenses)</i>	<u>1,164,571</u>	<u>109,110</u>	<u>70,427</u>	<u>(38,683)</u>
<i>Change in net position</i>	(447,723)	(2,580,636)	(167,153)	2,413,483
<i>Net position - beginning of year</i>	<u>1,156,401</u>	<u>4,085,739</u>	<u>4,084,693</u>	<u>(1,046)</u>
<i>Net position - end of year</i>	<u>\$ 708,678</u>	<u>\$ 1,505,103</u>	<u>\$ 3,917,540</u>	<u>\$ 2,412,437</u>

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

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
BUDGET (MODIFIED ACCRUAL) AND ACTUAL - UNRESTRICTED
FOR THE YEAR ENDED JUNE 30, 2017

Statement A-6

	Original Budget	Final Budget	Actual	Variance
<i>Operating revenues</i>				
Medicaid	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal sources	2,128	2,128	22,633	20,505
State sources	-	-	-	-
Other operating revenues	500	-	-	-
Charges for services	24,400	35,400	23,115	(12,285)
State appropriations - operations	1,541,500	1,314,400	1,314,400	-
Land income	726,300	476,300	534,322	58,022
State permanent fund income	12,063,200	12,063,200	11,918,496	(144,704)
State appropriations - capital	-	206,715	206,715	-
PSFA severance tax bonds	-	6,271,196	2,156,967	(4,114,229)
State board of finance capital outlay	-	4,993,419	3,748,092	(1,245,327)
<i>Total operating revenues</i>	<u>14,358,028</u>	<u>25,362,758</u>	<u>19,924,740</u>	<u>(5,438,018)</u>
<i>Operating expenses</i>				
Instruction	5,325,883	5,183,373	4,835,002	348,371
Academic support	3,623,503	3,654,684	3,461,297	193,387
Student support	2,061,636	1,941,193	1,492,537	448,656
Institutional support	2,704,403	2,776,038	2,419,376	356,662
Plant operations	1,904,397	1,914,534	1,617,199	297,335
Capital outlay	300,000	12,512,233	6,435,738	6,076,495
<i>Total operating expenses</i>	<u>15,919,822</u>	<u>27,982,055</u>	<u>20,261,149</u>	<u>7,720,906</u>
<i>Operating (loss) income</i>	(1,561,794)	(2,619,297)	(336,409)	2,282,888
<i>Nonoperating revenue (expenses)</i>				
Investment income	250	5,250	7,388	2,138
Other income	23,150	28,411	27,837	(574)
Donations	5,000	5,000	2,717	(2,283)
Net transfers in (out)	1,085,671	-	-	-
<i>Total nonoperating revenue (expenses)</i>	<u>1,114,071</u>	<u>38,661</u>	<u>37,942</u>	<u>(719)</u>
<i>Change in net position</i>	(447,723)	(2,580,636)	(298,467)	2,282,169
<i>Net position - beginning of year</i>	<u>1,097,723</u>	<u>4,026,702</u>	<u>4,026,702</u>	<u>-</u>
<i>Net position - end of year</i>	<u>\$ 650,000</u>	<u>\$ 1,446,066</u>	<u>\$ 3,728,235</u>	<u>\$ 2,282,169</u>

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

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
BUDGET (MODIFIED ACCRUAL) AND ACTUAL - RESTRICTED
FOR THE YEAR ENDED JUNE 30, 2017**

Statement A-7

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Operating revenues</i>				
Medicaid	\$ 713,000	\$ 985,045	\$ 910,363	\$ (74,682)
Intergovernmental revenue:				
Federal sources	138,383	149,158	143,274	(5,884)
State sources	1,600	5,969	1,859	(4,110)
Other operating revenues	-	64,100	57,507	(6,593)
State appropriations - operations	-	150,000	150,000	-
<i>Total operating revenues</i>	<u>852,983</u>	<u>1,354,272</u>	<u>1,263,003</u>	<u>(91,269)</u>
<i>Operating expenses</i>				
Instruction	174,100	226,722	153,577	73,145
Academic support	426,383	504,954	467,596	37,358
Student support	303,000	693,045	543,001	150,044
Institutional support	-	-	-	-
Plant operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>903,483</u>	<u>1,424,721</u>	<u>1,164,174</u>	<u>260,547</u>
<i>Operating (loss) income</i>	(50,500)	(70,449)	98,829	169,278
<i>Nonoperating revenue (expenses)</i>				
Donations	50,500	70,449	32,485	(37,964)
<i>Total nonoperating revenue (expenses)</i>	<u>50,500</u>	<u>70,449</u>	<u>32,485</u>	<u>(37,964)</u>
<i>Change in net position</i>	-	-	131,314	131,314
<i>Net position - beginning of year</i>	<u>58,678</u>	<u>59,037</u>	<u>57,991</u>	<u>(1,046)</u>
<i>Net position - end of year</i>	<u>\$ 58,678</u>	<u>\$ 59,037</u>	<u>\$ 189,305</u>	<u>\$ 130,268</u>

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

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
 RECONCILIATION OF BUDGETARY STATEMENTS TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2017

Statement A-8

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "operating revenues" from the budgetary statement	\$ 21,187,743
Differences - Budget to GAAP:	
Land income - non operating	(534,322)
State appropriations - non operating	(1,671,115)
State permanent fund income - non operating	(11,918,496)
State board of finance - capital outlay - non operating	(3,748,092)
PSFA severance tax bonds - non operating (capital)	(2,156,967)
Miscellaneous non budgeted revenue	-
Total operating revenues as reported on the statement of revenues, expenses, and changes in net position	<u><u>\$ 1,158,751</u></u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "operating expenses" from the budgetary statement	\$ 21,425,323
The School budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes	(6,397,343)
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes	691,962
Pension expense was adjusted to the June 30, 2016 contributions (measurement date) plus additional expenses to fairly present net pension liabilities	1,316,551
Total operating expenses as reported on the statement of revenues, expenses, and changes in net position	<u><u>\$ 17,036,493</u></u>

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "non-operating revenues" from the budgetary statement	\$ 70,427
Investment income from NM State Investment Council (not budgeted)	1,053,545
Land income - non operating	534,322
State appropriations - non operating	1,671,115
State permanent fund income - non operating	11,918,496
State board of finance - capital outlay - non operating	3,748,092
PSFA severance tax bonds - non operating (capital)	2,156,967
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net position	<u><u>\$ 21,152,964</u></u>

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

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SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF DEPOSITS AND INVESTMENTS
JUNE 30, 2017**

Schedule I

<u>Bank Account Type/ Name</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Cash Deposits:		
Checking - General Fund	\$ 897,260	\$ 897,260
Checking - Money Market Account	5,000	5,000
Checking - Payroll Account	1,864,352	1,864,352
Checking - Activity Account	12,116	12,116
Total Cash Deposits	<u>2,778,728</u>	<u>2,778,728</u>
Total Deposits	2,778,728	2,778,728
Reconciling items	<u>(865,193)</u>	<u>(865,193)</u>
Plus: Cash on hand		<u>850</u>
<i>Reconciled balance June 30, 2017</i>	<u>\$ 1,913,535</u>	<u>\$ 1,914,385</u>

Reconciliation to financial statements:

Cash and cash equivalents:		
Statement of net position		\$ 1,903,058
Statement of fiduciary assets and liabilities		<u>11,327</u>
<i>Cash and cash equivalents per Financial Statements</i>		<u>\$ 1,914,385</u>

Component Unit

<u>Bank Account Type/ Name</u>	<u>First National Bank</u>	<u>Sandia Laboratory FCU</u>	<u>Total</u>
Cash Deposits:			
Checking	\$ 50,085	\$ -	\$ 50,085
Money Market Account	100	-	100
Savings	-	142	142
Checking	-	27,750	27,750
Total Cash Deposits	<u>50,185</u>	<u>27,892</u>	<u>78,077</u>
Total Deposits	50,185	27,892	78,077
Endowed investments	-	-	<u>105,430</u>
<i>Reconciled balance June 30, 2017</i>	<u>\$ 50,185</u>	<u>\$ 27,892</u>	<u>\$ 183,507</u>

Reconciliation to financial statements:

Cash and investments:		
Statement of net position		<u>\$ 183,507</u>

See independent auditors' report.

STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
 JUNE 30, 2017

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2017</u>
Wells Fargo	FMAC FGPC 3.500%	3/1/2042	3132GRZP9	\$ 11,985
	FNMA FNMS 2.500%	5/1/2031	3140F43X2	<u>368,327</u>
			Total Wells Fargo	<u><u>\$ 380,312</u></u>

Name and location of safekeeper for above pledged collateral:
 Bank of New York Mellon, One Wall Street Fourth Floor, New York, New York

See independent auditors' report.

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STATE OF NEW MEXICO
 NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017

Schedule III

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Activity Funds	\$ 10,389	\$ 871	\$ -	\$ 11,260
Student Deposits	17	50	-	67
Accounts Receivable	40	163	-	203
Federal Quota Funds	55,581	158,706	207,488	6,799
Accounts Payable	(399)	(409)	-	(808)
Total net due to others	<u>\$ 65,628</u>	<u>\$ 159,381</u>	<u>\$ 207,488</u>	<u>\$ 17,521</u>

See independent auditors' report.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Board of Regents and Management
New Mexico School for the Blind and Visually Impaired
Timothy Keller
New Mexico State Auditor
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 and the discretely presented component unit of New Mexico School for the Blind and Visually Impaired (the School), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and related budgetary comparisons of the School presented as supplementary information, and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School'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.

Our consideration of internal control was for the limited purpose described on the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness 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. 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. See item FS 2017-001.

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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items NM 2017-001 and NM 2017-002.

School's Responses to Findings

The School's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The School'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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 18, 2017

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

SECTION II - FINANCIAL STATEMENT FINDINGS

ES 2017-001 Deficiencies of IT Controls – User Access (Significant Deficiency)

Condition: During our audit, we noted that adequate controls for access to various modules in Visions (the School's accounting system) were not implemented by management to include the following:

- Restrict access to properly authorized individuals. All requests or modifications for access to the network, application, and database environments are not set up in response to properly authorized requests from management.
- Periodic review of user access rights within the various modules was not performed

Criteria: According to NMAC 1.12, provides guidance on an Enterprise Security Policy for the protection of information technology (IT) assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information. In addition, the Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of good internal controls over IT general computer controls within the organization.

Effect: Lack of policies and user access internal controls, access restriction, and monitoring increases the risk of fraud or errors in the day to day operations of the accounting and human resources departments. Adequate protection has not been implemented to ensure proper user access, within Visions, which considers changes within the organization's structure and personnel.

Cause: The School was not made aware of these internal control deficiencies in prior years.

Auditors' Recommendations: The School should consider implementing the following recommendations:

- Establish written policies governing the periodic review of user access controls, specifically in Visions.
- Set permissions within Visions to restrict the access of computer users to only the modules required by job title and job function. The Payroll and Human Resources functions should not have equal permissions (access) within Visions and they should not all have full access rights to each respective department. They should be able to have full access only the modules necessary to perform their duties.
- A management level position in the accounting department should perform a review of the user access at a minimum on a semi-annual basis. This review should be documented and take into consideration any new positions filled, vacancies, and promotions within the School's organizational structure.

Agency's Response: NMSBVI management (Director of Business and Finance and HR Director) will place into practice and document on a semi-annual basis a review and update of the School's accounting system user access rights, and permissions by job title and job function.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IV

SECTION III – SECTION 12-6-5 NMSA FINDINGS

NM 2017-001 Financial Close and Reporting – Foundation (Component Unit) (Findings that do not rise to the level of significant deficiency)

Condition: During our audit over the component unit we noted the following:

- There is no accounting system with subsidiary ledgers to reconcile the underlying statement of net position accounts and corresponding income and expenses.
- The foundation's trial balance was not in balance by an inconsequential amount.
- The investments in the endowment were not accounted or disclosed in conformity with generally accepted accounting standards.

Criteria: The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles.

Effect: Without a general ledger and system of accounting for the day to day transactions, the users of the financial statements may not be provided with timely or accurate financial information.

Cause: Management has not yet completed the process of implementing an accounting system and internal controls procedures to ensure accurate financial statements.

Auditors' Recommendations: We recommend that the Foundation 1) implement and utilize an accounting system to record and account for all transactions of the foundation and 2) ensure that a review of subsidiary ledgers agree to the reconciled financial statements on a monthly basis.

Agency's Response: In response to the audit findings, the Foundation will institute an improved ledger system to meet the audit expectations by the end of 2017, and the person charged with implementing it will be our Treasurer, with the assistance of the Vice-President and Board President.

STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017

SECTION III – SECTION 12-6-5 NMSA FINDINGS (continued)

NM 2017-002 Controls and Compliance over Payroll and Human Resources (Findings that do not rise to the level of significant deficiency)

Condition: During testwork over payroll and the human resource functions we noted that there is no review after each payroll is processed.

Criteria: All organizations should establish effective control procedures over the review and approval of reconciliations for significant transaction cycles and accounts.

Effect: The School has increased risk of errors or fraud after the processing of each payroll.

Cause: The School was not made aware of this matter in prior years.

Auditors' Recommendations: We recommend that the School implement a review of the payroll from an individual (someone other than the individual that processes payroll) that has working knowledge of the payroll transaction cycle.

Agency's Response: NMSBVI (Human Resources Director and HR Budget Specialist during Fiscal Year 2018) will look at our current payroll practice and develop an internal review process to be conducted by someone who has a working knowledge of the payroll transaction cycle.

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

SECTION IV. PRIOR YEAR AUDIT FINDINGS

None

**STATE OF NEW MEXICO
NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED
OTHER DISCLOSURES
JUNE 30, 2017**

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 26, 2017 in a closed executive session. In attendance were the following:

Representing New Mexico School for the Blind and Visually Impaired:

Alicia McAninch – Board President
Christine Hall – Board Vice-President
Cathy Gray – Board Secretary
Agnes Vallejos – Board Member
Patricia Beecher – Acting Superintendent
Sylvia Hartley – Director of Business and Finance
Veronica Hernandez – Human Resources Director

Representing New Mexico School for the Blind and Visually Impaired Foundation:

Stuart Butzier – Board President

Representing Cordova CPAs LLC:

Robert Cordova, CPA – Principal
Robert Gonzales, CPA – Principal

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of New Mexico School for the Blind and Visually Impaired from the original books and records asserted by management of New Mexico School for the Blind and Visually Impaired. The responsibility for the financial statements remains with New Mexico School for the Blind and Visually Impaired.