



**STATE OF NEW MEXICO  
NEW MEXICO SCHOOL  
FOR THE DEAF**

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2015**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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State of New Mexico  
New Mexico School for the Deaf

**BOARD OF REGENTS**

June 30, 2015

Ms. Lynann Barbero	President
Mr. James Borrego	Vice-President
Mr. Kenneth Litherland	Secretary/Treasurer
Ms. Eugenia M. Kincaid	Member
Mr. Ricardo D. Gonzales	Member

**ADMINISTRATION**

Dr. Ronald Stern	Superintendent (retired June 30, 2015)
Rosemary Gallegos	Superintendent (started July 1, 2015)
Mr. Mark Apodaca	Director of Business and Finance
Ms. Joanne Corwin	Director of Early Intervention & Involvement
Mr. Roddy Cabbage	Director of Student Life
Ms. Cynthia Huff	Director of Educational Consultation and Training
Mr. Ron Ortiz Dinkel	Director of Human Resources



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Regents  
State of New Mexico – New Mexico School for the Deaf  
Santa Fe, New Mexico  
And  
Mr. Timothy Keller  
New Mexico State Auditor

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the New Mexico School for the Deaf (the School or NMSD) as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents. We also have audited the budgetary comparison statements, schedules 1, 2, 3, and 4 presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2015, 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the School as of June 30, 2015 and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons of the School for the year ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note B1, the financial statements of the New Mexico School for the Deaf 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 New Mexico School for the Deaf. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2015, 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 Agency's financial statements are included in the financial statements of the State of New Mexico.

As discussed in Note G to the financial statements, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*. As part of implementation of this statement, the School recorded its prorata share of unfunded liabilities for its pension participation in two separate plans, the Educational Retirement Board (ERB) and the Public Employees Retirement Association (PERA) and included disclosures required by the statement for both plans. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 18 and pension statements on pages 49 through 52 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 Supplemental Information*

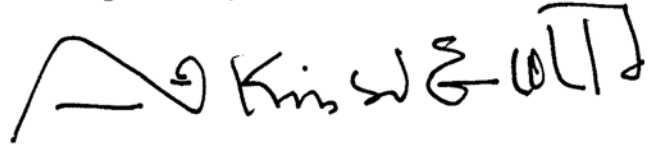
Our audit was conducted for the purpose of forming opinions on the financial statement schedules and the budgetary comparisons presented as supplementary information. The accompanying schedules of cash and investments, pledged collateral requirements, bonds,

appropriations and joint powers agreements required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Vendor Information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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 black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive style.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 13, 2015



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

For financial reporting purposes, the New Mexico School for the Deaf (the School or NMSD) is considered a special school providing public education for deaf and hard-of-hearing children. NMSD's financial statements have been presented using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Comparative information for the Management Discussion and Analysis is provided in this report.

**FINANCIAL STATEMENTS**

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position indicate the School's net position and how they have changed. The School's financial position is measured by its net position – the difference between assets and liabilities and the effects of deferred inflows and outflows, if any. Over time, the School's net position increases and decreases indicating whether its financial position is improving or deteriorating. These statements include all assets and liabilities using the accrual basis of accounting, which is consistent with accounting methods used by private sector institutions. All of the current year's revenues and expenses are recognized when earned or incurred, regardless of when cash is received or disbursed.

**FINANCIAL HIGHLIGHTS**

**USING THE BASIC FINANCIAL STATEMENTS**

There are three basic financial statements presented in this audit report and they are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

Statements of Net Position

This statement presents NMSD's assets, liabilities, and net position for the current fiscal year. On the assets side, for FY2015, total assets decrease by .6% or \$331,989 over FY2014. Current assets, which include cash, cash equivalents, short-term investments, accounts receivable and inventories, increased by .6% or \$44,727 while noncurrent assets, which includes restricted cash and cash equivalents and capital assets (buildings, equipment, and property) decrease by .8% or \$376,263 from the previous fiscal year.

For liabilities, total liabilities decreased by 8.6% or \$81,656. This was mostly due to current liabilities (accounts payable, accrued compensated absences, and payroll taxes) decreasing by 11.1% or \$86,756 from FY2014. Noncurrent liabilities, which includes accrued compensated absences and deposits from students, increased by only \$5,101 or 3.0% from FY2014.

Net position, the third part of the Statements of Net Position, includes investments in capital assets, restricted funds (scholarships and special events) and unrestricted funds (funds which cover the operation of the school). As of June 30, 2015, net position decreased by 1.0% or \$345,245 from FY2014.

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Net Position – Continued

ASSETS

	2015	2014	2013
Current assets	\$ 8,252,863	\$ 8,201,179	\$ 9,089,964
Non-current assets	45,271,532	45,647,795	40,590,318
Total assets	53,524,395	53,848,974	49,680,282

DEFERRED OUTFLOWS OF RESOURCES

	2,232,453	-	-
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LIABILITIES

Current liabilities	695,476	782,232	597,439
Non-current liabilities	175,442	170,341	145,615
Total liabilities	870,918	952,573	743,054

NET PENSION LIABILITY

	18,403,648	-	-
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DEFERRED INFLOWS OF RESOURCES

	3,599,450	-	-
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NET POSITION

Net investment in capital assets	42,310,042	42,395,462	37,780,723
Restricted	3,102,144	3,331,110	2,902,044
Unrestricted	(12,529,354)	7,169,829	8,254,461
Total net position	\$ 32,882,832	\$ 52,896,401	\$ 48,937,228

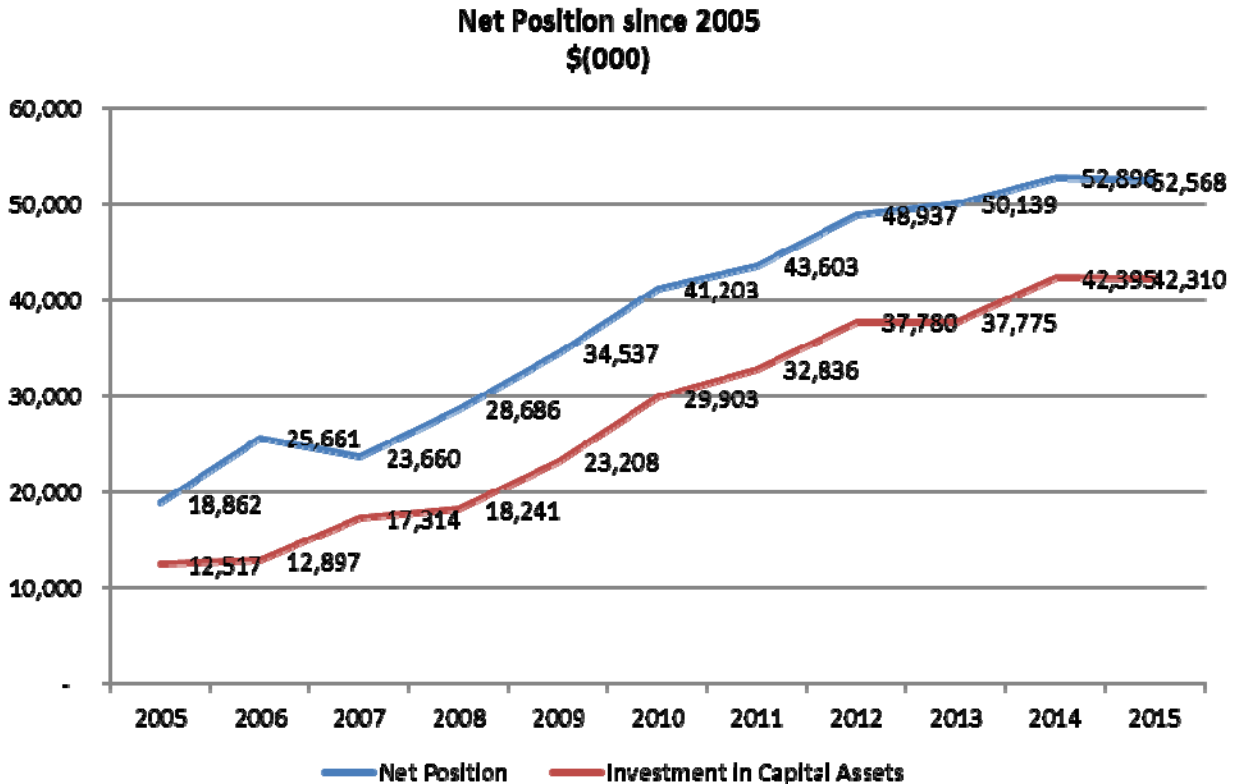
NMSD's net position has grown over the years due to the school's investment in capital assets. As stated in the chart on the next page, on June 30, 2005, net position and investment in capital assets were \$18,862,831 and \$12,517,124, respectively. Since the end of that fiscal year (FY2005) and before implementation of GASB 68, the school's net position and investment in capital assets had grown to \$52,568,723 and \$42,310,041, respectively. NMSD continues to have a strong net position base. After implementing GASB 68, the school's net position decreased due to recording net pension liability.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
 REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Net Position – Continued



Reported net position is before implementation of GASB 68 in 2015.

Statements of Revenues, Expenses, and Changes in Net Position

This statement covers four parts. The first is called operating revenues which covers federal grants and contracts, agreements such as the Joint Power Agreements, and other operating revenue. The next part covers operating expenses which includes expenditures from academic support, operation and maintenance of plant, instruction, student services, and institutional support. This section also includes depreciation and outside contracts and grants. If total operating revenues is greater than total operating expenses, there will be a net operating gain. If total operating expenses are greater than total operating revenue, then there will be a net operating loss. There is always a net operating loss, but non-operating revenues such as land and permanent fund, state appropriations, investment income and gain on disposal of capital assets offset the losses. The fourth part has to do with capital items such as bond proceeds appropriations. Bond proceeds appropriation covers revenues from General Obligation Bonds, Severance Tax Bonds, and funds from Public Schools Facility Authority. When the four parts are combined and show a gain, net position will increase. If there is a loss, then net position will decrease.

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Revenues, Expenses, and Changes in Net Position – Continued

Operating Revenues

Operating revenues for FY2015 was \$1,015,243, up 3.9% from FY2014. While revenues from federal grants and other operating revenues was more in FY2015 than FY2014, Joint Power Agreements revenues were 4.7% less in FY2015 than FY2014. Other operating revenues include income from rentals, cafeteria, auditorium, interpreter week, sign language classes, and other miscellaneous income.

Federal grants and contracts cover funds from AmeriCorps, IDEA-B, and Medicare. As for the JPA, NMSD received 4.7% less in funds from public schools in FY2015 than in FY2014. Most of the funds came from the Albuquerque Public Schools (\$82,280) and Santa Fe Public Schools (\$63,750) followed by seven other public schools districts.

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>Percent</u>
<b>OPERATING REVENUES</b>				
Federal grants and contracts	\$ 656,468	\$ 615,782	\$ 40,686	6.6%
Joint Powers Agreements	212,030	222,596	(10,566)	-4.7%
Other operating revenues	<u>146,745</u>	<u>138,514</u>	<u>8,231</u>	5.9%
 Total operating revenues	 1,015,243	 976,892	 38,351	 3.9%
<b>OPERATING EXPENSES</b>				
Instruction	3,662,296	3,808,797	(146,501)	-3.8%
Academic support	3,866,247	3,588,058	278,189	7.8%
Operation and maintenance of plant	2,991,610	3,028,118	(36,508)	-1.2%
Student services	2,821,689	2,765,352	56,337	2.0%
Institutional support	2,453,977	2,254,928	199,049	8.8%
Outside contracts and grants	1,550,201	1,564,119	(13,918)	-0.9%
Depreciation	<u>1,795,834</u>	<u>1,441,216</u>	<u>354,618</u>	24.6%
 Total operating expenses	 <u>19,141,854</u>	 <u>18,450,588</u>	 <u>691,266</u>	 3.7%
 Net operating loss	 (18,126,611)	 (17,473,696)	 (652,915)	 3.7%

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Revenues, Expenses, and Changes in Net Position – Continued

	<u>2015</u>	<u>2014</u>	<u>Variance</u>	<u>Percent</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Land and permanent fund income	12,243,802	11,041,337	1,202,465	10.9%
State appropriations	4,290,895	4,112,000	178,895	4.4%
Gain on disposal of capital assets	12,967	21,650	(8,683)	-40.1%
Investment income	(2,042)	(4,556)	2,514	-55.2%
	<u>16,545,622</u>	<u>15,170,431</u>	<u>1,375,191</u>	9.1%
Total non-operating revenues				
Change in net position before capital items	(1,580,989)	(2,303,265)	722,276	-31.4%
<b>CAPITAL ITEMS</b>				
Bond proceeds appropriations	1,243,968	5,060,003	(3,816,035)	-75.4%
Changes in net position	<u>\$ (337,021)</u>	<u>\$ 2,756,738</u>	<u>\$ (3,619,109)</u>	-112.2%
<b>NET POSITION</b>				
Beginning of year, as previously stated	\$ 52,896,401	\$ 50,139,663	\$ 2,756,738	5.5%
GASB 68 implementation	(19,676,548)	-	(19,676,548)	
Beginning of year, as restated	<u>33,219,853</u>	<u>50,139,663</u>	<u>(16,919,810)</u>	
Ending net position	<u>\$ 32,882,832</u>	<u>\$ 52,896,401</u>	<u>\$ (862,371)</u>	-37.8%

**Operating Expenses**

Operating expenses cover all aspects with operating NMSD's campuses in Santa Fe, Albuquerque, Las Cruces, and Farmington. Operating expenses include staff salaries and fringe benefits, supplies, travel, training, professional services, student transportation, groceries for dining hall, and maintenance costs. During FY2015, the school's operating expenses were \$19,150,078 and about 3.8% more than FY2014. Instruction and General covers academic support, instruction, student services, institutional support and operation and maintenance of plant. During FY2015, \$10,358,195 covered costs associated to students (instruction, academic support, and student support) which were 6.2% more than FY2014. However, of the total Instruction and General costs for FY2015, 62% covered instruction, academic support and student support. The rest (38%) covered institutional support and operation and maintenance of the plant.

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

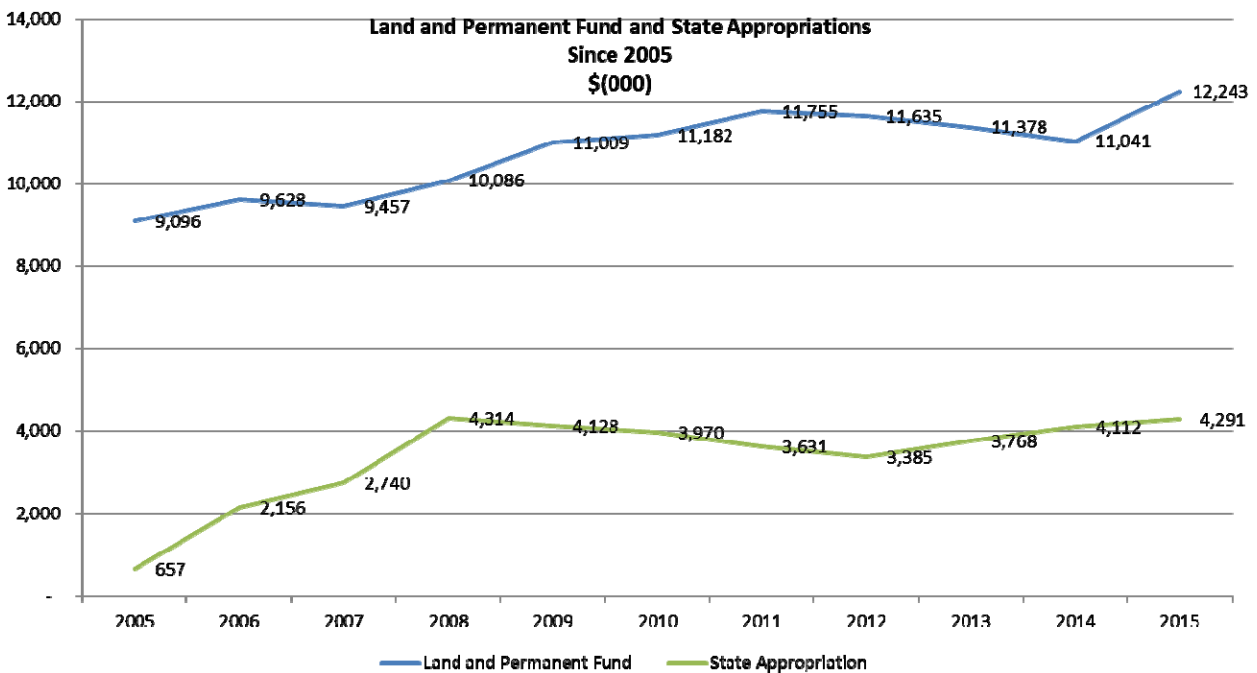
June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Revenues, Expenses, and Changes in Net Position – Continued

Non-operating Revenues

Revenues from land and permanent fund and state appropriations cover nearly 88% of NMSD’s total revenues (operating, non-operating and capital). During FY2015, NMSD received \$12,243,802 from the state’s land and permanent funds and \$4,290,895 from state appropriation. Revenues from the land and permanent fund were 10.9% higher than FY2014 while appropriations for FY2015 were higher than FY2014 by 4.4%. Below is a historical chart of the schools revenue from the land and permanent fund and state appropriation since June 30, 2005.



Interest income was earned from the schools investments in certificate of deposits and local government investment pool (LGIP). The school has CDs with the First National Bank of Santa Fe and LGIP is managed by the New Mexico State Treasurer’s Office. The balance as of June 30, 2015 for NMSD’s CD and LGIP accounts was \$337,665 and \$6,039,972, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Revenues, Expenses, and Changes in Net Position – Continued

Capital Items

During FY2015, NMSD was involved with new capital projects planning Delgado and Cartwright Halls and Site Improvements Phase II. The funds were covered by the Public Schools Facility Authority (PSFA). In addition, some costs involved the new Health Center. Total costs were \$1,243,968.

Effects of GASB 68

For the year ended June 30, 2015, net position decreased by \$345,245 or .7% from June 30, 2014. This brought the Schools net position to \$52,551,156 for the end of the fiscal year before the initial recording of unfunded pension liability. After recording the unfunded pension liability, in accordance with GASB 68, the net position was \$32,882,832.

Statements of Cash Flows

NMSD ended FY2015 with a cash and restricted cash equivalent balance of \$3,918,908. The cash flow statements are reported in four categories:

1. Cash flows from operating activities
2. Cash flows from non-capital financing activities
3. Cash flows from capital related financing activities
4. Cash flows from investing activities

The cash flow statements indicate the sources and uses of cash during the fiscal year. The first part is cash flows from operating activities:

	2015	2014	Net Increase (Decrease)	Percent
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Grants and contracts received	\$ 859,548	\$ 840,323	\$ 19,225	2.3%
Payments to suppliers	(3,151,943)	(2,923,181)	(228,762)	7.8%
Payments to employees and for employee benefits	(14,174,786)	(13,709,385)	(465,401)	3.4%
Other revenues	165,655	17,061	148,594	871.0%
Net cash used in operating activities	\$ (16,301,526)	\$ (15,775,182)	\$ (526,344)	3.3%

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Cash Flows – Continued

During FY2015, cash received from operating activities totaled \$1,025,203 which was 20% more compared to FY2014. Cash utilized during the same period was \$17,326,729 which was 4.1% more than in FY2014. The cash covered staff salaries, benefits, and operating costs such as supplies, travel, and professional services. In this category, more cash was utilized than what was received by \$16,301,526 which was 3.3% more than in FY2014.

The next category covers non-capital financing activities. This basically covers state appropriations and the land and permanent funds. Cash inflow increased in FY2015 by \$1,263,280 or 8.3% than FY2014. State appropriations increased by 4.4% while land and permanent fund was about 9.8% more.

	2015	2014	Net Increase (Decrease)	Percent
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	\$ 4,290,895	\$ 4,112,000	\$ 178,895	4.4%
Land and permanent fund income	12,139,236	11,054,851	1,084,385	9.8%
Net cash provided by noncapital financing activities	<u>\$ 16,430,131</u>	<u>\$ 15,166,851</u>	<u>\$ 1,263,280</u>	8.3%

Cash flows from capital related financing activities cover capital outlays which includes capital projects, vehicles, and technology. During FY2015, cash inflows were \$368,164. Most of the inflows were from bond proceeds. The outflows for FY2015 stood at \$468,488. Net cash decreased by \$100,324 for the fiscal year.

	2015	2014	Net Increase (Decrease)	Percent
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Bond and award proceeds	\$ 368,164	\$ 191,555	\$ 176,609	92.2%
Purchases, construction, and/or renovation of capital assets	(468,488)	(1,531,451)	1,062,963	-69.4%
Net cash (used in) provided by financing activities	<u>\$ (100,324)</u>	<u>\$ (1,339,896)</u>	<u>\$ 1,239,572</u>	-92.5%

The last category covers cash flows from investing activities. During FY2015, cash inflows were \$3,916 from interest from LGIP and CDs, down by 59.1% from FY2014.



State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**FINANCIAL HIGHLIGHTS – CONTINUED**

Statements of Cash Flows – Continued

	2015	2014	Net Increase (Decrease)	Percent
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	\$ 12,967	\$ 21,650	\$ (8,683)	-40.1%
Purchase of investments	(9,051)	(12,086)	3,035	-25.1%
Net cash provided by investing activities	<u>\$ 3,916</u>	<u>\$ 9,564</u>	<u>\$ (5,648)</u>	-59.1%

According to the State Treasurer’s office, NMSD’s LGIP funds are invested in US Government Obligations, Commercial Paper, and Money Market Funds.

**BUDGET COMPARISONS**

Within this CPA financial audit report, four schedules cover the budget vs. actuals:

1. All operations (unrestricted and restricted)
2. Unrestricted non-instruction and general
3. Unrestricted instruction and general
4. Restricted instruction and general

Schedule 1 is a combination of schedules 2, 3, and 4 where it covers all the School’s budgeted and actual revenues and expenditures for FY2015. Schedules 2 through 4 are covered here.

**Unrestricted Non-Instruction and General (Schedule 2)**

This schedule covers capital outlays and the Educational Consultation Training (ECT) department (formerly the School’s Outreach department). The capital projects included the planning and designing of Delgado and Cartwright Halls and Site Improvements Phase II. Capital outlays also included technology and vehicle purchases. Funding for capital projects came from PSFA.

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**BUDGET COMPARISONS – CONTINUED**

Statement of Revenues and Expenditures - Budget Comparison  
Unrestricted Non-I&G

	Final Budget	Actual	Over/(Under) Budget	Percent
Beginning fund balance	\$ 16,037,544	\$ 16,130,356	\$ 92,812	1%
<b>REVENUES</b>				
Bond proceeds	7,000,000	1,243,968	(5,756,032)	-82%
Interest income	-	949	949	0%
Government grants and contracts	21,175	-	(21,175)	-100%
Sales and services	-	40,348	40,348	0%
Other sources	-	6,142	6,142	0%
<b>Total revenues</b>	<b>7,021,175</b>	<b>1,291,407</b>	<b>(5,729,768)</b>	<b>-82%</b>
<b>EXPENDITURES</b>				
Instruction and general:				
Public service	1,124,500	955,336	169,164	-15%
Capital outlay	7,775,000	2,222,174	5,552,826	-71%
<b>Total instruction and general expenditures</b>	<b>8,899,500</b>	<b>3,177,510</b>	<b>5,721,990</b>	<b>-64%</b>
<b>TRANSFERS</b>				
Transfers in	1,100,000	1,100,000	-	0%
Transfers out	-	-	-	0%
<b>Total transfers</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>-</b>	<b>0%</b>
Ending fund balance	<u>\$ 15,259,219</u>	<u>\$ 15,344,253</u>	<u>\$ (85,034)</u>	1%

During FY2015, \$1,100,000 was transferred from Unrestricted Instruction and General to cover Educational Consultation Training salaries, benefits, and expenses. The total expenditures for ECT were \$955,381 and the difference was covered by the division's fund balance.

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**BUDGET COMPARISONS – CONTINUED**

**Unrestricted Current Funds – Instruction and General**

This schedule covers NMSD's instructional operations and its support. For the revenue side, NMSD was budgeted for \$16,410,832, but actuals were \$16,693,958. The budget for land and permanent fund was \$12,027,827, but actuals stood at \$12,243,802 which was favorable at \$215,974 or 2%. However, actuals from state appropriations balanced. Actuals from other sources ended at \$159,261, which was \$67,157 or 73% more than what was budgeted for. On the expenditure side, the final budget was \$16,076,142 and actuals were \$15,135,313 or 6% under the total budget.

Statement of Revenues and Expenditures - Budget Comparison  
Unrestricted I&G

	Final Budget	Actual	Over/(Under) Budget	Percent
Beginning fund balance	\$ 3,438,630	\$ 3,374,080		
<b>REVENUES</b>				
State appropriations	4,290,900	4,290,895	\$ (5)	0%
Endowments and land permanent funds	12,027,828	12,243,802	215,974	2%
Other sources	92,104	159,261	67,157	73%
Total revenues	16,410,832	16,693,958	283,126	2%
<b>EXPENDITURES</b>				
Instruction and general:				
Academic support	4,032,128	3,866,247	165,881	-4%
Instruction	3,989,497	3,649,390	340,107	-9%
Institutional support	2,643,987	2,453,977	190,010	-7%
Operation and maintenance of plant	2,578,701	2,355,218	223,483	-9%
Student services	2,831,829	2,802,312	29,517	-1%
Total instruction and general expenditures	16,076,142	15,127,144	948,998	-6%
<b>TRANSFERS</b>				
Transfers in	-	-	-	0%
Transfers out	(1,100,000)	(1,100,000)	-	0%
Total transfers	(1,100,000)	(1,100,000)	-	0%
Ending fund balance	\$ 2,673,320	\$ 3,840,894	\$ 1,232,124	45%

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**BUDGET COMPARISONS – CONTINUED**

Under the transfers section, \$1,100,000 was transferred to Public Service (Educational Consultant Training). This brought the ending fund balance to \$3,832,725, a 14% increase from what was the beginning fund balance.

**Restricted Current Funds – Instruction and General**

Schedule 4 covers funds which are restricted for instruction and public services. Under this report, revenues from federal government sources such as IDEA-B, AmeriCorps, and Medicare totaled \$607,438 which was over the budget by 72% or \$254,538. Revenues from Joint Partnership Agreements with public schools earned the school \$212,030, which was more than the final budget by 16% or \$29,150.

Statement of Revenues and Expenditures - Budget Comparison  
Restricted I&G

	Final Budget	Actual	Over/(Under) Budget	Percent
Beginning fund balance	\$ 79,749	\$ 124,329		
<b>REVENUES</b>				
Federal revenue sources	352,900	607,438	\$ 254,538	72%
Joint powers agreements	182,880	212,030	29,150	16%
Total revenues	535,780	819,468	283,688	53%
<b>EXPENDITURES</b>				
Instruction and general:				
Instruction	456,588	575,742	(119,154)	26%
Public service	102,900	71,497	31,403	-31%
Total instruction and general expenditures	559,488	647,239	(87,751)	16%
<b>TRANSFERS</b>				
Transfers in	-	-	-	0%
Transfers out	-	-	-	0%
Total transfers	-	-	-	0%
Changes net position	(23,708)	172,229	195,937	-826%
Ending fund balance	\$ 56,041	\$ 296,558	\$ 240,517	429%

State of New Mexico  
New Mexico School for the Deaf

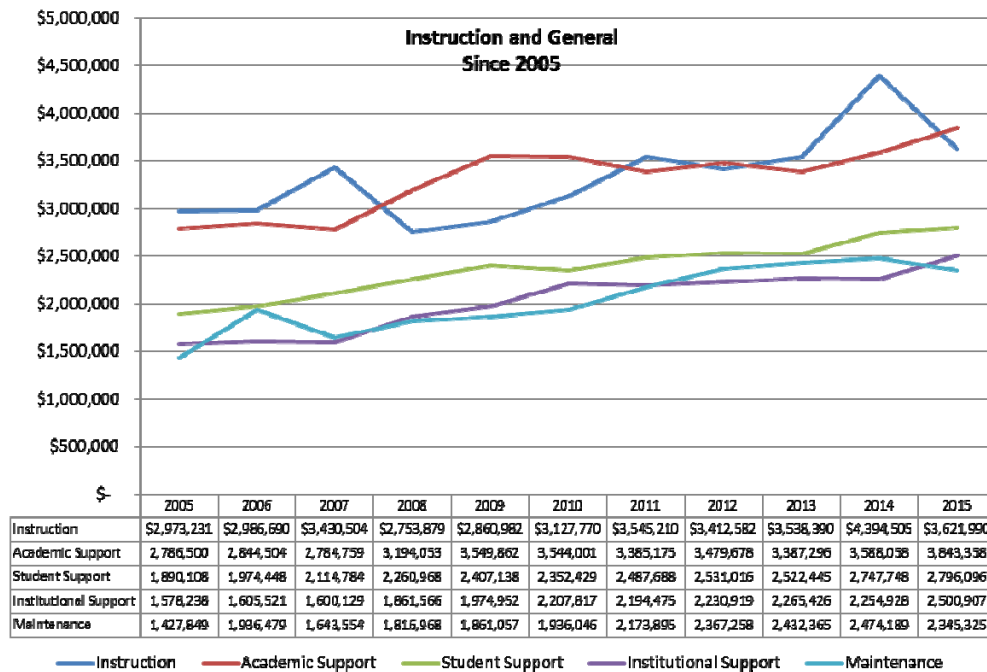
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**BUDGET COMPARISONS – CONTINUED**

The net position for Restricted Funds increased by \$172,219. The ending fund balance is \$296,548. By the end of FY2016, the fund balance should be brought down to zero since the federal contracts and grants have a different fiscal year than the State of New Mexico.

The next chart illustrates the trend in instruction and general funding since 2005. Instruction includes both unrestricted and restricted amounts.



**CAPITAL ASSETS**

At the end of the fiscal year June 30, 2015, the school's net capital assets stood at \$42,310,042. This was a net decrease of \$85,420 or .2% from 2014.

State of New Mexico  
New Mexico School for the Deaf

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED  
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2015

**CAPITAL ASSETS – CONTINUED**

	2015	2014	Net Increase (Decrease)	Percent
Buildings	\$ 39,126,883	\$ 30,797,810	\$ 8,329,073	27.0%
Land and improvements	1,623,400	1,623,400	-	-
Construction in progress	799,546	9,140,731	(8,341,185)	-91.3%
Vehicles	299,051	319,391	(20,340)	-6.4%
Artwork	209,550	209,550	-	-
Equipment and furniture	175,183	222,038	(46,855)	-21.1%
Infrastructure	76,429	81,524	(5,095)	-6.2%
Computer equipment	-	1,018	(1,018)	-100.0%
 Total capital assets, net	 <u>\$ 42,310,042</u>	 <u>\$ 42,395,462</u>	 <u>\$ (85,420)</u>	 -0.2%

**ECONOMIC OUTLOOK**

NMSD's economic outlook is closely related to its role as the only school for the deaf and hard-of-hearing in the State of New Mexico. The school serves over 600 students and children through its Santa Fe campus, and Farmington, Albuquerque, and Las Cruces preschools, and Center for Educational Consultation and Training and Early Intervention and Involvement Programs. With the increase in demand for services, funds from state appropriation and the land and permanent fund need to be stable or increased. During FY2016, a new superintendent was hired by the Board of Regents. For this reason, NMSD believes that the number of children and students will increase, thus there will be a greater demand for more services.

**CONTACT INFORMATION**

If you have questions about this report or need additional financial information, contact:

New Mexico School for the Deaf  
1060 Cerrillos Road  
Santa Fe, New Mexico 87505

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF NET POSITION**

June 30, 2015

**ASSETS**

CURRENT ASSETS

Cash and cash equivalents	\$	657,418
Certificates of deposit and short-term investments with LGIP		6,377,637
Accounts receivable, net of allowance for uncollectible amounts of \$11,074 for 2015 and 2014		1,165,213
Inventories		<u>52,595</u>
Total current assets		8,252,863

NONCURRENT ASSETS

Restricted cash and cash equivalents		2,961,490
Capital assets, net		<u>42,310,042</u>
Total noncurrent assets		<u>45,271,532</u>

Total assets		<u>53,524,395</u>
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DEFERRED OUTFLOWS OF RESOURCES		<u>2,232,453</u>
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The accompanying notes are an integral part of these financial statements.

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF NET POSITION - CONTINUED**

June 30, 2015

<b>CURRENT LIABILITIES</b>	
Accounts payable	393,279
Program advances	60,003
Accrued compensated absences - current portion	164,534
Payroll taxes and fringe benefits - accrued and withheld	<u>77,660</u>
Total current liabilities	695,476
<b>NONCURRENT LIABILITIES</b>	
Accrued compensated absences, less current portion	36,101
Deposits from students	<u>139,341</u>
Total noncurrent liabilities	<u>175,442</u>
Total liabilities	870,918
NET PENSION LIABILITY	18,403,648
DEFERRED INFLOWS OF RESOURCES	<u>3,599,450</u>
<b>NET POSITION</b>	
Net investment in capital assets	42,310,042
Restricted - expendable for:	
Other programs	2,961,490
Scholarships	118,630
Special events	22,024
Unrestricted (deficit)	<u>(12,529,354)</u>
Total net position	<u>\$ 32,882,832</u>

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



State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Year ended June 30, 2015

OPERATING REVENUES	
Federal grants and contracts	\$ 656,468
Joint Powers Agreements	212,030
Other operating revenues	<u>146,745</u>
Total operating revenues	1,015,243
OPERATING EXPENSES	
Academic support	3,866,247
Instruction	3,662,296
Operation and maintenance of plant	2,991,610
Student services	2,821,689
Institutional support	2,453,977
Depreciation	1,795,834
Outside contracts and grants	<u>1,550,201</u>
Total operating expenses	<u>19,141,854</u>
Net operating loss	(18,126,611)
NON-OPERATING REVENUES (EXPENSES)	
Land and permanent fund income	12,243,802
State appropriations	4,290,895
Investment income	12,967
(Loss) on disposal of capital assets	<u>(2,042)</u>
Total non-operating revenues	<u>16,545,622</u>
Change in net position before capital items	(1,580,989)
CAPITAL ITEMS	
Awards proceeds PSFA	<u>1,243,968</u>
Change in net position	(337,021)
NET POSITION	
Beginning of year, as previously stated	52,896,401
Restatement of beginning net position - adoption of GASB statement No. 68	<u>(19,676,548)</u>
Beginning of year, as restated	<u>33,219,853</u>
Ending net position	<u><u>\$ 32,882,832</u></u>

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

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF CASH FLOWS**

Year ended June 30, 2015

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Grants and contracts received	\$ 859,548
Payments to suppliers	(3,151,943)
Payments to employees and for employee benefits	(14,174,786)
Other revenues	<u>165,655</u>
Net cash used in operating activities	(16,301,526)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State appropriations	4,290,895
Land and permanent fund income	<u>12,139,236</u>
Net cash provided by noncapital financing activities	16,430,131
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond and award proceeds	368,164
Purchases, construction, and/or renovation of capital assets	<u>(468,488)</u>
Net cash (used in) financing activities	(100,324)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	12,967
Purchase of investments	<u>(9,051)</u>
Net cash provided by investing activities	<u>3,916</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>32,197</b>
Cash and restricted cash and cash equivalents	
- beginning of year	<u>3,586,711</u>
Cash and restricted cash and cash equivalents	
- end of year	<u><u>\$ 3,618,908</u></u>

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

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF CASH FLOWS - CONTINUED**

Year ended June 30, 2015

**RECONCILIATION OF NET OPERATING LOSS TO  
NET CASH USED IN OPERATING ACTIVITIES**

Operating loss	\$ (18,126,611)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	1,795,834
Changes in assets and liabilities:	
Operating accounts receivable	18,910
Inventory	(2,101)
Accounts payable	(71,265)
Accrued liabilities and compensated absences and deposits	(1,440)
Program advances	(8,950)
Change in net pension liability	(2,593,408)
Change in deferred outflows of resources	(911,945)
Change in deferred inflows of resources	<u>3,599,450</u>
Net cash used in operating activities	<u>\$ (16,301,526)</u>

**SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL  
AND RELATED FINANCING ACTIVITIES**

	<u>2015</u>
Capital assets acquired through payments made by Public Schools Facility Administration	<u>\$ 1,243,968</u>

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

**NOTE A – ORGANIZATION**

The New Mexico School for the Deaf (the School or NMSD) was established as a state educational institution by Section 21, Article VI, of the Constitution of the State of New Mexico, and is responsible for providing free public education for deaf and hard-of-hearing children. Pursuant to Section 13, Article XII of the Constitution, the State Legislature has provided for the control and management of the institution by a Board of Regents consisting of six members appointed by the Governor, who also serves as an ex-officio member of the Board.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Reporting Entity

The financial reporting entity as defined by Governmental Accounting Standards Board (GASB) consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government".

A primary government is any state government or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The School is not part of the primary government of the State of New Mexico, and its financial data is, therefore, not included with the financial data of the State. The School has no component units.

2. Basis of Presentation and Accounting

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This was followed by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* in November 1999; which applied GASB 34 to Public Colleges and Universities.

For financial reporting purposes, under GASB 34, GASB 35, and State Audit Rule, the School is considered a special-purpose government engaged only in business-type activities. Accordingly, the School's primary institution financial statements have been presented in a single column 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. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB Statement No. 63 introduces the term "net position" for reporting the residual of all elements in a statement of financial position. See Note G1 for more information on the implementation of GASB 68.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Basis of Presentation and Accounting - Continued

The School engages in federal grant programs commonly referred to as “reimbursement type” programs. These grant programs require that the recipient (the School) must incur allowable costs as defined by the grant agreement in order to draw down funds against the particular grant. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the School simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied. The School also received Medicaid Part C fees recorded under federal grants and contracts which are not subject to single audit requirements.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Government Accounting Standards Board (GASB) and the Higher Education Department’s Financial Reporting for Public Institutions in New Mexico.

The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the School’s assets, liabilities, deferred inflows and deferred outflows as applicable, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and any current investments, which are defined as investments that are readily convertible to cash or reach their original maturity date within three months. Cash restricted by grants, Joint Powers Agreements and collected for auxiliary projects is included in cash and cash equivalents.

4. Accounts Receivable

Accounts receivable includes services provided to students, faculty, and staff and amounts due from the federal government, state and local governments, with reimbursement of allowable expenditures. Accounts receivable are recorded net of estimated uncollectible amounts.

5. Inventories

Inventories consist of departmental inventories, classroom and laboratory supplies, teaching materials, food and related items, and office supply items which are consumed in the teaching and administrative process. Inventories are stated at the lower of cost or market, with cost being determined by the first in, first out basis.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. The School's capitalization policy is in compliance with Section 12-6-10 NMSA 1978 and includes all items with a unit cost in excess of \$5,000 beginning with the year ended June 30, 2006. For 2005 and earlier years, assets greater than \$1,000 were capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Certain buildings are componentized and depreciated based on the useful life of each individual component, such as flooring, structure, or roof with the depreciable lives ranging from 12 to 50 years. The School records depreciation over 6 or 15 years for equipment and 5 years for automotive equipment. Software is not reported as a separate line item, but rather is reported as included in the cost of hardware and depreciated along with associated hardware. Land and land improvements, artwork and construction in progress are not depreciated.

7. Annual and Sick Leave Policies

School policy allows accumulated annual leave for individuals employed by the School to be paid upon termination. The amount of annual leave that may be paid is 240 hours. Accumulated sick leave up to 400 hours (above 600 hours for 12-month employees, 550 for 11-month employees, 500 for 10-month employees and 450 hours for the remaining school year employees) is paid upon termination at one-half the employee's hourly rate.

8. Net Position

The School's net positions are classified as follows:

*Invested in capital assets:* This represents the School's capital assets less depreciation, net of any outstanding debt obligations related to those capital assets. Capital assets are defined as tangible or intangible assets that are used in operations and have a useful life beyond a single reporting period. The School had no debt related to capital assets for 2015.

*Restricted net position – expendable:* Restricted expendable net position include resources which the School is obligated to spend in accordance with restrictions imposed by external third parties. Restrictions imposed on asset use can be imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation, which includes a legally enforceable requirement that the resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party to use resources created by enabling legislation only for purposes specified by the legislation. The amount of net position restricted by enabling legislation and the amount of restricted net position from State sources are both \$0 at June 30, 2015.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

8. Net Position – Continued

*Restricted net position – nonexpendable:* Nonexpendable restricted net position consist of endowment and similar type assets for which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. There is no nonexpendable restricted net position at June 30, 2015.

*Unrestricted net position:* Unrestricted net position represents all other resources that are not restricted or invested in capital assets including those derived from student fees, State appropriations, sales and services. These resources are used for transactions relating to the educational and general operations of the School, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

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

9. Income Taxes

The income generated by the School, as an instrumentality of the State of New Mexico, is generally exempt from federal income tax under Section 115(a) of the Internal Revenue Code. However, taxes will be assessed at the normal corporate rates on income derived from business activities not substantially related to the School's exempt function (unrelated business income under Internal Revenue Code Section 511). Contributions to the School are deductible by donors as provided under Section 170 of the Internal Revenue Code.

10. Classification of Revenues

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

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees; (2) sales and services of auxiliary enterprises; and (3) most federal, state and local grants and contracts, and transactions arising from joint power agreements.

*Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, State appropriations, investment income, bond proceeds appropriations and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

11. Classification of Expenses

The School has classified its expenses as either operating or non-operating 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 expenses related to School property, plant, and equipment.

*Non-operating expenses:* Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

12. Budgetary Process

Operating budgets are submitted for approval by the Board of Regents, the New Mexico Higher Education Department (HED), and the New Mexico Department of Finance and Administration-State Budget Division (DFA). Similarly, budget adjustment requests are submitted to and approved by the Board of Regents, then forwarded to the HED and DFA.

These State-level agencies develop consolidated funding recommendations for all higher education institutions which are considered for appropriation during the annual legislative sessions. If total expenditures by branch are expected to exceed the approved budget, the School is required to submit a Board of Regents approved Budget Adjustment Request to the HED which is subsequently forwarded to the DFA. The legal level of budgetary control is at functional category levels as defined for higher education entities.

The budgetary basis, used by the School as confirmed with the Higher Education Department of the State of New Mexico is full accrual except for capital outlay and the utilization of bond proceeds. Annual depreciation is not budgeted. There is no restricted non instructional and general budget schedule applicable to the School.

The School exceeded its final budgeted amount of restricted expenditures for certain functional instruction categories for 2015. The School did submit a budget adjustment request to decrease projected expenditures for restricted accounts, however the final expenditures exceeded budget. The budget overages should not be reoccurring. The applicable functional categories will be closely monitored in the coming year.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

13. Appropriations

In general, unexpended State appropriations to the School do not revert at the end of each fiscal year. (None of the current appropriations received are subject to reversion. NMSA 1978 6-4-2.) The School received an annual non-reverting State General Fund appropriation of approximately \$4,290,895 for fiscal year 2015, Laws 2014, Chapter 63, Section 4. The appropriation was fully spent during the year. There is no remaining balance to bring forward to fiscal year 2016.

14. Permanent Land Income

The School is a beneficiary of the Ferguson legislation (1898) whereby lands of the State of New Mexico were allocated to the benefit of state educational institutions including income derived there from. NMSA 19-1-17 1978 is the enabling legislation to allocate specific lands to educational institutions including the School. Currently oil and gas royalties, coal royalties, and grazing fees produce investment income which is distributed monthly to beneficiaries based on their allocated lands.

15. Other Accrued Liabilities

Accrued liabilities include pension benefits accrued and withheld, certain insurance amounts payable, and miscellaneous payroll amounts accrued and withheld.

16. Use of Estimates

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

17. Pensions

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 positions of the Educational Retirement Board (ERB) and the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from ERB's and PERA's fiduciary net positions have been determined on the same basis as they are reported by ERB and PERA, on the economic resources measurement focus and accrual basis of accounting. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

18. Subsequent Events

Subsequent events have been evaluated through November 13, 2015, the date at which the financials were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2015. Management believes no material subsequent events have arisen that would require adjustment or disclosure.

19. New Accounting Standards

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 generally requires investments to be measured at fair value (exit price).

GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art and historical treasures. Certain investments not valued at fair value include money market investments in life insurance contracts and common stock meeting the criteria for applying the equity method. GASB 72 is applicable for financial statements for periods beginning after June 15, 2015 (FY 16). GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

GASB 74/75

Governmental Accounting Standard Board Statement No. 74/75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" (GASB 74/75) revises existing guidance for governments that provide their employees with postemployment benefits other than pensions. A principal change is the requirement to record a government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements for multiemployer cost sharing plan. The School is a participating member of the New Mexico Retiree Health Care Fund (RHCF) administered by the Retiree Health Care Authority (RHCA), a multiemployer cost sharing plan. Information to implement this standard will be developed by RHCA and the State of New Mexico. The implementation date for GASB 74/75 is fiscal year 2017. The FY 17 government wide financial statements will contain a material liability for participation in RHCF.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE C – CASH AND INVESTMENTS**

The Board of Regents of New Mexico School for the Deaf acts as the Board of Finance for the School under section 6-10-9, NMSA 1978. As such, it shall receive, handle, invest, and account, as provided by law, for all public monies received by it, and shall deposit the funds in a depository or depositories qualified in accordance with the requirements of the Public Money Act. The School does not have an investment policy apart from State statute.

Deposits (cash and certificates of deposits) are carried at cost, which approximates fair value. Bank deposits at June 30, 2015, (book balances) were \$3,618,908 and bank balances were \$5,130,739 of which \$3,372,450 are fully insured or collateralized with securities held by the bank's agent pledged to the School or the Federal Deposit Insurance Corporation (FDIC). At June 30, 2015, bank deposits not insured or collateralized were \$1,758,289. See also Schedules 5 and 6.

<b>Depository Account</b>	<b>Bank Balance</b>
Insured	\$ 250,000
Collateralized	
Collateral held by pledging bank's trust department in the School's name - par value	3,122,450
Uninsured and uncollateralized	1,758,289
Total deposits	\$ 5,130,739

**Disclosure**

*Custodial Credit Risk – Deposits*

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a deposit policy. As of June 30, 2015, \$1,758,289 of the School's bank balance of \$5,130,740 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,758,289
Total	\$ 1,758,289

The remaining balance of \$6,039,972 in the local government investment pool is valued by the State Treasurer. The School has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

The investment in the State Treasurer's investment pool is valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool (LGIP) is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other State investments. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the funds were invested. Participation in the local government investment pool is voluntary. The School has no control over the State Treasurer's investment pools and provides the following disclosure provided by the State Treasurer's Office concerning the School's investment in the *New Mexico* LGIP:

June 30, 2015

*New Mexico* LGIP AAAM rated \$6,039,972 [54.6] day WAR(R) and [77.7] day WAM(F)

**Uncertainty**

At June 30, 2015, The New Mexico School for the Deaf received its portion of distributions and wrote off the undistributed portion of its "reserve" contingency as reported by the State Treasurer's Office to the School. There are no amounts reserved at June 30, 2015.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE D – CAPITAL ASSETS**

Capital assets as detailed below are stated at cost, or if contributed, at fair market value at the date of gift. Changes in capital asset balances for the year ended June 30, 2015 were as follows:

Asset Description	2015				Balance at 6/30/2015
	Balance at 6/30/2014	Current Year Additions	Current Year Deletions	Reclass	
<b>Non-depreciable</b>					
Construction in progress	\$ 9,140,731	\$ 1,582,205	\$ -	\$ (9,923,390)	\$ 799,546
Land and improvements	1,623,400	-	-	-	1,623,400
Artworks	209,550	-	-	-	209,550
<b>Depreciable</b>					
Buildings	46,914,608	41,723	-	9,923,390	56,879,721
Equipment and furniture	952,255	-	162,914	-	789,341
Computers	225,476	-	83,581	-	141,895
Automotive equipment	1,226,843	88,528	-	-	1,315,371
Infrastructure	127,382	-	-	-	127,382
<b>Capital assets</b>	<b>60,420,245</b>	<b>1,712,456</b>	<b>246,495</b>	<b>-</b>	<b>61,886,206</b>
<b>Accumulated depreciation</b>					
Buildings	16,116,798	1,636,040	-	-	17,752,838
Equipment and furniture	730,217	44,813	160,872	-	614,158
Computers	224,458	1,018	83,581	-	141,895
Automotive equipment	907,452	108,868	-	-	1,016,320
Infrastructure	45,858	5,095	-	-	50,953
<b>Total accumulated depreciation</b>	<b>18,024,783</b>	<b>1,795,834</b>	<b>244,453</b>	<b>-</b>	<b>19,576,164</b>
<b>Total net capital assets</b>	<b>\$ 42,395,462</b>	<b>\$ (83,378)</b>	<b>\$ 2,042</b>	<b>\$ -</b>	<b>\$ 42,310,042</b>

Depreciation expense is \$1,795,834 for the year ending June 30, 2015.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE E – ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at June 30, 2015:

	2015
Land and permanent fund	\$ 989,788
Federal funding sources	171,734
Other receivables	14,765
Total receivables	1,176,287
Allowance for doubtful accounts	(11,074)
Net receivables	\$ 1,165,213

The allowance for doubtful accounts includes consideration for the credit risk associated with the various receivables. This allowance is attributed to accounts that have been deemed to be 100% uncollectible.

**NOTE F – LONG-TERM LIABILITIES**

On June 30, the School had the following accrued compensated absences:

	2014	Increase	Decrease	2015
Accrued sick leave	\$ 65,642	\$ 42,638	\$ 39,220	\$ 69,060
Accrued annual leave payable	150,718	157,576	176,719	131,575
Total accrued compensated absences	\$ 216,360	\$ 200,214	\$ 215,939	\$ 200,635

Amounts due within one year for the year ended June 30, 2015 is \$164,534. Current operations liquidate compensated absences liabilities.

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS**

The School offers the following retirement and benefit plans:

1. Educational Retirement Act

*Plan description:* ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates. Substantially all of the School's employees who are certified school instructors participate in ERB.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

*Benefits provided:* A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

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 or 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.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

retirees, the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

*Contributions:* The contribution requirements of defined benefit plan members and the School are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For the fiscal year ended June 30, 2015 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the School were \$590,835.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the School reported a liability of \$8,705,975 for its proportionate share of the net pension



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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

liability. The School's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the (School's) proportion was .15258 percent, which was an increase of .01701 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$877,879. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 129,684
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	791,386
Changes in proportion and differences between the School's contributions and proportionate share of contributions	792,507	-
The School's contributions subsequent to the measurement date	590,835	-
<b>Total</b>	<b>\$ 1,383,342</b>	<b>\$ 921,070</b>

\$590,835 reported as deferred outflows of resources related to pensions resulting from the School's contributions, subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 32,297
2017	32,297
2018	4,679
2019	(197,836)
2020	-
	<b>\$ (128,563)</b>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

*Actuarial assumption.* As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.70% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

Mortality 90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	<u>2014 Long-Term Expected Real Rate of Return</u>	<u>2013 Long-Term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

1. Educational Retirement Act – Continued

*Discount rate:* A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. 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 pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate:* The following table 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%)
NMSD's proportionate share of the net pension liability	\$ 11,845,241	\$ 8,705,797	\$ 6,083,421

*Pension plan fiduciary net position:* Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for the years ended June 30, 2014 and 2013, which are publicly available at [www.nmerb.org](http://www.nmerb.org).

*Payables to the pension plan:* There were no payables to the Plan from the School as of and for the year ended June 30, 2015.

2. PERA Retirement Plan

*Plan description:* The Public Employees Retirement Fund (PERA 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 Officer, 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 division. Eligibility for membership in the PERA Fund is set forth in the Public Employees

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

2. PERA Retirement Plan – Continued

Retirement Act (Chapter 10, Article 11, NMSA 1978) except as provided in the Volunteer's 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund. Substantially all of the School's full-time non-educational employees participate in PERA.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

*Benefits provided:* For a description of the benefits provided and recent changes to the benefits, see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

*Contributions:* The contribution requirements of defined benefit plan members and the School are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to the School is the State General. Statutorily required contributions to the pension plan from the School were \$849,111 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:* The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The School's proportion of the net pension liability for each

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

2. PERA Retirement Plan – Continued

membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division State General, at June 30, 2015, the School reported a liability of \$9,697,851 for its proportionate share of the net pension liability. At June 30, 2014, the School's proportion was .54 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference. For the year ended June 30, 2015, the School recognized PERA Fund Division State General pension expense of \$656,978. At June 30, 2015, the School reported PERA Fund Division State General Fund deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	329,607
Net difference between projected and actual earnings on pension plan investments	-	2,348,773
Changes in proportion and differences between the School's contributions and proportionate share of contributions	-	-
The School's contributions subsequent to the measurement date	849,111	-
<b>Total</b>	<b>\$ 849,111</b>	<b>\$ 2,678,380</b>

\$849,111 reported as deferred outflows of resources related to pensions resulting from the School contributions subsequent to the measurement date of June 30, 2014 will be recognized

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

2. PERA Retirement Plan – Continued

as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ 669,185
2017	669,185
2018	669,185
2019	669,185
2020	<u>1,640</u>
	<u>\$ 2,678,380</u>

*Actuarial assumptions:* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

2. PERA Retirement Plan – Continued

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
Total	<u>100.00%</u>	

*Discount rate:* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate:* The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the School's net pension liability in each PERA Fund Division that the School participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PERA Fund Division General State			
NMSD's proportionate share of the net pension liability	\$ 15,942,518	\$ 9,697,851	\$ 7,183,229

*Pension plan fiduciary net position:* Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

*Payables to the pension plan:* There were no payables to the Plan from the School as of and for the year ended June 30, 2015.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

3. IRC 125 – Cafeteria Plan

The School maintains an IRC Section 125 cafeteria plan for its employees. Qualified expenditures for the plan include:

- a. Health benefits
- b. Term life insurance
- c. Dependent term life insurance
- d. Dependent care
- e. Medical care expense reimbursement

The School is the plan administrator.

4. Tax Sheltered Annuity

The School maintains a tax sheltered annuity plan under Section 403(b) of the IRC. Neither the School nor the State makes any contributions to this plan.

5. Post Employment Benefits – State Retiree Health Care Plan

*Plan Description:* The New Mexico School for the Deaf, as an employer, 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 New Mexico Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during the period of time made contributions as a participant in RHCA's 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE G – RETIREMENT AND BENEFIT PROGRAMS – CONTINUED**

5. Post Employment Benefits – State Retiree Health Care Plan – Continued

*Funding Policy:* The New Mexico Retiree Health Care Act (NMRHCA) (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 NMRHCA 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 NMRHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, 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 School's contributions to the RHCA for the year ended June 30, 2015, 2014, and 2013 were \$185,435, \$176,670, and \$162,499, respectively, which equal the required contributions for each year.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE H – COMMITMENTS**

Construction Commitments and Financing

During 2015, the School has entered into contracts with Dekker/Perish/Sabitini and Bradbury Stamm for the School's Site Improvements Phase II (Project P13-008) Cartwright Hall (Project P15-010) and Delgado Hall (Project P15-011) projects. These projects will be completed during various times starting in fiscal year 2017. These projects are funded by general obligation and/or severance tax bonds and administered through the Public Schools Facility Authority (PSFA). The amount of the projects are approximately \$10,000,000.

**NOTE I – RISK MANAGEMENT ACTIVITIES**

The School participates in the State of New Mexico Risk Management Program (Risk Management), which provides liability, medical malpractice and physical damage insurance. The School pays premiums for its participation. From time-to-time the School is subject to lawsuits, including personnel and student liability matters in the ordinary course of business. No lawsuit settlements or outcomes have exceeded insurance coverage for the last 3 years.

**NOTE J – CONTINGENCY**

The School receives grants and other forms of reimbursement from various federal and state agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. School administration believes that the liability, if any, for reimbursement which may arise as the result of audits, would not be material.

**NOTE K – JOINT POWERS AGREEMENTS**

The School has entered into joint powers agreements to provide services to deaf and hard-of-hearing children in school districts throughout New Mexico. The school districts pay for services from the School to benefit children in their district. The school districts are considered governmental agencies and are required to have their own financial audit. These agreements are renewed annually.

The following is a list of participating school districts:

Albuquerque Public Schools  
Las Cruces Public Schools  
Rio Rancho Public Schools  
Santa Fe Public Schools  
Española Municipal Schools

Farmington Public Schools  
Aztec Public Schools  
Taos Public Schools  
Los Lunas Public Schools

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2015

**NOTE K – JOINT POWERS AGREEMENTS – CONTINUED**

The School has entered into a school district master joint powers agreement with the Public School Facility Authority (PSFA) whereby both parties will work together in completing capital outlay projects. The Public School Capital Outlay Act, Chapter 22, Article 24 NMSA 1978 is to ensure that the physical condition of public school facilities in New Mexico meets an adequate level to promote safe, functional and durable learning environments for student success. The PSFA is created pursuant to 22-24-9 NMSA 1978 and is empowered to work with school districts to validate requests for grants assistance, oversee contracts and provide oversight and management of planning construction and maintenance of school facilities.

**NOTE L – BOND ACCOUNTING**

Public Schools Finance Authority (PSFA)

The 2014 legislature appropriated \$7,038,365 under HB 55 Section 46 for New Mexico School for the Deaf Cartwright Hall project. The project is administered by the PSFA. The appropriation is from the unexpended proceeds of severance tax bonds issued for other projects. PSFA participates in the proposal and procurement process and pays approved invoices directly to the vendor. The New Mexico School for the Deaf records capital projects income based on approved amounts as reported on the PSFA website. The amount recorded as awards proceeds is \$1,243,968 for 2015.

**NOTE M – INTERAGENCY TRANSFERS**

During the year, the following cash transfers were made from the State of New Mexico's General Fund (SHARE Fund 85300) to the School.

	<u>2015</u>
General Fund Appropriations	<u>\$ 4,290,895</u>

**NOTE N – RESTATEMENT**

The New Mexico School for the Deaf implemented GASB Statement No. 68 for fiscal year 2015. The new statement required that the net pension liability be recorded for the pension plans in which the School participates. The School participates in two plans. Beginning net position is restated for the plans as follows:

Public Employees Retirement Association (PERA)	\$ 11,720,056
Educational Retirement Board (ERB)	<u>7,956,492</u>
	<u>\$ 19,676,548</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

State of New Mexico  
New Mexico School for the Deaf

**REQUIRED SUPPLEMENTARY INFORMATION - ERB**

June 30, 2015

**SCHEDULE OF THE NEW MEXICO SCHOOL FOR THE DEAF'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
Education Retirement Board (ERB) Plan  
Last 10 Fiscal Years\***

	2015
NMSD's proportion of the net pension liability (asset)	\$ 8,705,797
NMSD's proportionate share of the net pension liability (asset)	0.15258%
NMSD's covered-employee payroll	\$ 4,205,601
NMSD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentage of the total pension liability	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, the School will present information for those years for which information is available.

**SCHEDULE OF THE NEW MEXICO SCHOOL FOR THE DEAF'S CONTRIBUTIONS  
Education Retirement Board (ERB) Plan  
Last 10 Fiscal Years\*\***

	2015
Contractually required contribution	\$ 590,835
Contributions in relation to the contractually required contribution	590,835
Contribution deficiency (excess)	\$ -
NMSD's covered-employee payroll	\$ 4,205,601
Contributions as a percentage of covered-employee payroll	14.05%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - ERB**

June 30, 2015

*Changes of benefit terms:* The COLA and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

*Changes of assumptions:* ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.75% to 4.25%
  - b. Lower payroll growth from 3.75% to 3.50%
  - c. Minor changes to demographic assumptions
  - d. Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

State of New Mexico  
New Mexico School for the Deaf

**REQUIRED SUPPLEMENTARY INFORMATION - PERA**

June 30, 2015

**SCHEDULE OF THE NEW MEXICO SCHOOL FOR THE DEAF'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Division State General  
Last 10 Fiscal Years\*\*\***

	2015
NMSD's proportion of the net pension liability (asset)	\$ 9,697,851
NMSD's proportionate share of the net pension liability (asset)	0.54000%
NMSD's covered-employee payroll	\$ 4,996,304
NMSD's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	194%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*\*\* 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, the School will present information for those years for which information is available.

**SCHEDULE OF THE NEW MEXICO SCHOOL FOR THE DEAF'S CONTRIBUTIONS  
Public Employees Retirement Association (PERA) Plan  
PERA Fund Division State General  
Last 10 Fiscal Years\*\*\*\***

	2015
Contractually required contribution	\$ 849,111
Contributions in relation to the contractually required contribution	849,111
Contribution deficiency (excess)	\$ -
NMSD's covered-employee payroll	\$ 4,996,304
Contributions as a percentage of covered-employee payroll	16.99%

\*\*\*\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for those years for which information is available.



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PERA**

June 30, 2015

*Changes of benefit terms:* The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

*Changes of assumptions:* The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at the following website: [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20 PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

## **SUPPLEMENTARY INFORMATION**

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET COMPARISON  
UNRESTRICTED AND RESTRICTED - ALL OPERATIONS**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning fund balance	\$ 14,545,922	\$ 19,555,923	\$ 19,628,765	\$ 72,842
<b>REVENUES</b>				
State general fund appropriations	4,290,900	4,290,900	4,290,895	(5)
Land and permanent funds	12,162,476	12,027,828	12,243,802	215,974
Federal revenue sources	392,900	352,900	607,438	254,538
Joint Powers Agreements	206,086	182,880	212,030	29,150
Bond proceeds	7,000,000	7,000,000	1,243,968	(5,756,032)
Other sources	113,500	92,104	206,700	114,596
	<u>24,165,862</u>	<u>23,946,612</u>	18,804,833	<u>(5,141,779)</u>
Total revenues				
Revenues per GAAP basis			<u>18,804,833</u>	
<b>EXPENDITURES</b>				
Instruction and general:				
Instruction	4,668,463	4,446,085	4,225,132	220,953
Academic support	3,703,893	4,032,128	3,866,247	165,881
Institutional support	2,412,390	2,643,987	2,453,977	190,010
Operation and maintenance of plant	2,602,886	2,578,701	2,355,218	223,483
Student services	2,575,330	2,831,829	2,802,312	29,517
Public service	1,059,231	1,227,400	1,026,833	200,567
Capital outlay	7,775,000	7,775,000	2,222,174	5,552,826
Renewals and replacements	-	125,000	106,583	18,417
	<u>24,797,193</u>	<u>25,660,130</u>	<u>19,058,476</u>	<u>6,601,654</u>
Total instruction and general expenditures				
<b>TRANSFERS</b>				
Transfers in	1,100,000	1,100,000	1,100,000	-
Transfers out	(1,100,000)	(1,100,000)	(1,100,000)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers				
Changes in net position	<u>(631,331)</u>	<u>(1,713,518)</u>	<u>(253,643)</u>	<u>1,459,875</u>
Ending fund balance	<u>\$ 13,914,591</u>	<u>\$ 17,842,405</u>	<u>\$ 19,375,122</u>	<u>\$ 1,532,717</u>
Changes in net position (budgetary basis)			\$ (253,643)	
Capital outlay - construction in progress			1,582,205	
Capital outlay - equipment, vehicles, etc.			130,251	
Depreciation			<u>(1,795,834)</u>	
Change in net position - GAAP basis			<u>\$ (337,021)</u>	

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET COMPARISON  
UNRESTRICTED NON - INSTRUCTION AND GENERAL**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning fund balance	\$ 10,842,917	\$ 16,037,544	\$ 16,130,356	\$ 92,812
<b>REVENUES</b>				
PSFA proceeds	7,000,000	7,000,000	1,243,968	(5,756,032)
Interest income	-	-	949	949
Government grants and contracts	25,000	21,175	-	(21,175)
Sales and services	-	-	40,348	40,348
Other sources	-	-	6,142	6,142
<b>Total revenues</b>	<b>7,025,000</b>	<b>7,021,175</b>	<b>1,291,407</b>	<b>(5,729,768)</b>
<b>EXPENDITURES</b>				
Instruction and general:				
Public service	1,059,231	1,124,500	955,336	169,164
Capital outlay	7,775,000	7,775,000	2,222,174	5,552,826
Renewals and replacements	-	125,000	106,583	18,417
<b>Total instruction and general expenditures</b>	<b>8,834,231</b>	<b>9,024,500</b>	<b>3,284,093</b>	<b>5,740,407</b>
<b>TRANSFERS</b>				
Transfers in	1,100,000	1,100,000	1,100,000	-
Transfers out	-	-	-	-
<b>Total transfers</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>-</b>
Changes in net position (budgetary basis)	(709,231)	(903,325)	(892,686)	10,639
Ending fund balance	<u>\$ 10,133,686</u>	<u>\$ 15,134,219</u>	<u>\$ 15,237,670</u>	<u>\$ 103,451</u>
Changes in net position (budgetary basis)			\$ (892,686)	
Capital outlay - construction in progress			1,582,205	
Capital outlay - equipment, vehicles, etc.			64,218	
Depreciation			<u>(1,795,834)</u>	
Changes in net position - GAAP basis			<u>\$ (1,042,097)</u>	

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET COMPARISON  
UNRESTRICTED CURRENT FUNDS - INSTRUCTION AND GENERAL**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning fund balance	\$ 3,698,038	\$ 3,438,630	\$ 3,374,080	\$ (64,550)
<b>REVENUES</b>				
State appropriations	4,290,900	4,290,900	4,290,895	(5)
Endowments and land permanent funds	12,162,476	12,027,828	12,243,802	215,974
Other sources	113,500	92,104	159,261	67,157
Total revenues	<u>16,566,876</u>	<u>16,410,832</u>	<u>16,693,958</u>	<u>283,126</u>
<b>EXPENDITURES</b>				
Instruction and general:				
Academic support	3,703,893	4,032,128	3,866,247	165,881
Instruction	4,172,377	3,989,497	3,649,390	340,107
Institutional support	2,412,390	2,643,987	2,453,977	190,010
Operation and maintenance of plant	2,602,886	2,578,701	2,355,218	223,483
Student services	2,575,330	2,831,829	2,802,312	29,517
Total instruction and general expenditures	<u>15,466,876</u>	<u>16,076,142</u>	<u>15,127,144</u>	<u>948,998</u>
<b>TRANSFERS</b>				
Transfers in	-	-	-	-
Transfers out	(1,100,000)	(1,100,000)	(1,100,000)	-
Total transfers	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>	<u>-</u>
Changes in net position (budgetary basis)	<u>-</u>	<u>(765,310)</u>	<u>466,814</u>	<u>1,232,124</u>
Ending fund balance	<u>\$ 3,698,038</u>	<u>\$ 2,673,320</u>	<u>\$ 3,840,894</u>	<u>\$ 1,167,574</u>

State of New Mexico  
New Mexico School for the Deaf

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET COMPARISON  
RESTRICTED CURRENT FUNDS - INSTRUCTION AND GENERAL**

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
Beginning fund balance	\$ 4,967	\$ 79,749	\$ 124,329	\$ 44,580
<b>REVENUES</b>				
Federal revenue sources	392,900	352,900	607,438	254,538
Joint powers agreements	206,086	182,880	212,030	29,150
Total revenues	<u>598,986</u>	<u>535,780</u>	<u>819,468</u>	<u>283,688</u>
<b>EXPENDITURES</b>				
Instruction and general:				
Instruction	496,086	456,588	575,742	(119,154)
Public service	102,900	102,900	71,497	31,403
Total instruction and general expenditures	<u>598,986</u>	<u>559,488</u>	<u>647,239</u>	<u>(87,751)</u>
<b>TRANSFERS</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position (budgetary basis)	<u>-</u>	<u>(23,708)</u>	<u>172,229</u>	<u>195,937</u>
Ending fund balance	<u>\$ 4,967</u>	<u>\$ 56,041</u>	<u>\$ 296,558</u>	<u>\$ 240,517</u>
Changes in net position (budgetary basis)			\$ 172,229	
Capital outlay - equipment, vehicles, etc.			<u>66,033</u>	
Changes in net position - GAAP basis			<u>\$ 238,262</u>	

State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF CASH AND INVESTMENTS**

June 30, 2015

	First National Bank of Santa Fe	State Treasurer's Office	Total
<b>CASH</b>			
Operational checking	\$ 4,793,075	\$ -	\$ 4,793,075
Less outstanding checks	(1,177,117)	-	(1,177,117)
Plus petty cash	2,950	-	2,950
	<u>\$ 3,618,908</u>	<u>\$ -</u>	<u>\$ 3,618,908</u>
<b>INVESTMENTS</b>			
Certificate of deposits	\$ 337,665	\$ -	\$ 337,665
Local government investment pool	-	6,039,972	6,039,972
	<u>\$ 337,665</u>	<u>\$ 6,039,972</u>	<u>\$ 6,377,637</u>

State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF PLEDGED COLLATERAL REQUIREMENTS**

June 30, 2015

	<u>First National Bank of Santa Fe</u>
Total bank balance - demand deposits	\$ 4,793,074
Less FDIC coverage	<u>(250,000)</u>
Uninsured balance of demand deposits	4,543,074
Total bank balance - time and savings deposits	337,665
Less FDIC coverage	<u>-</u>
Uninsured balance of time and savings deposits	<u>337,665</u>
Total uninsured bank balance	<u>4,880,739</u>
Collateralization requirement (102%)	4,978,354
Pledged securities:	
Government National Mortgage Association II CUSIP# 36225FBC2 (par value which approximates market value)	<u>3,122,450</u>
Amount under collateralized	<u><u>\$ (1,855,904)</u></u>



State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF APPROPRIATIONS**

June 30, 2015

Description	Authority	Appropriation Period	Total Appropriation	Prior Year Expenditures	Current Year Expenditures	Prior Year Reversion Amount	Current Year Reversion Amount	Unencumbered Balance
GENERAL FUND								
General Operation	Laws 2014 Senante Bill 313 Chapter 63 Section 4	2015	\$ 4,290,895	\$ -	\$ 4,290,895	\$ -	\$ -	\$ -
	Total appropriations		<u>\$ 4,290,895</u>	<u>\$ -</u>	<u>\$ 4,290,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF JOINT POWERS AGREEMENTS**

June 30, 2015

- 1) Participant: Albuquerque Public Schools (APS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$82,280  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: APS & NMSD
  
- 2) Participant: Las Cruces Public Schools (LCPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$14,000  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: LCPS & NMSD
  
- 3) Participant: Rio Rancho Public Schools (RRPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$15,000  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: RRPS & NMSD
  
- 4) Participant: Santa Fe Public Schools (SFPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$63,750  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: SFPS & NMSD

State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF JOINT POWERS AGREEMENTS – CONTINUED**

June 30, 2015

- 5) Participant: Espanola Municipal Schools (EMS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$7,500  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: EMS & NMSD
- 6) Participant: Farmington Public Schools (FPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$7,000  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: FPS & NMSD
- 7) Participant: Aztec Public Schools (APS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$7,500  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: APS & NMSD
- 8) Participant: Taos Public Schools (TPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$7,500  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: TPS & NMSD

State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF JOINT POWERS AGREEMENTS – CONTINUED**

June 30, 2015

- 9) Participant: Los Lunas Public Schools (LLPS)  
Party responsible for operations: NMSD  
Purpose: Educational services  
Dates of Agreement: 7/1/14-6/30/15  
Total estimated amount of project: Dependent upon number of students  
Amount agency contributed in the fiscal year: \$7,500  
Audit responsibility: NMSD  
Fiscal agent: NMSD  
Agency where revenues/expenditures are reported: LLPS & NMSD

State of New Mexico  
 New Mexico School for the Deaf  
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT) (unaudited)  
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name: DAVID PADILLA

Title: SR. ACCOUNT TECHNICIAN

Date: 10/22/2015

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2015-001	Construction	Bradbury Stamm	\$ 8,853,788.69		Bradbury Stamm 7110 2nd Street NW, Albuquerque NM 87107  AUI Inc. 7420 Reading Ave. SE Albuquerque, NM 87105  Pavilion Construction LLC 7820 Pan American Freeway East NE Suite 4 Albuquerque, NM 87109	Y	N/A	CONSTRUCTION OF DILLON HALL AND OTHER PROJECTS AT NMSD
14-0010.001	Construction	Dekker/Perich/Sabatini	\$ 670,200.00		Dekker/Perich/Sabatini 7601 Jefferson St. NE, Albuquerque NM 87109  FBT Architect 6501 Americas Pkwy NE #300, Albuquerque, NM 87110  Integrated Design & Architecture 906 1/2 Park Ave SW, Albuquerque, NM 87102  Torres & Associates  Wilson & Company 4900 Lang Ave NE Albuquerque, NM 87109	Y	N/A	CONSTRUCTION OF DILLON HALL AND OTHER PROJECTS AT NMSD



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

The Board of Regents  
State of New Mexico – New Mexico School for the Deaf  
Santa Fe, New Mexico  
And  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Mexico School for the Deaf (the School) as of and for the year ended June 30, 2015, and the related notes to the financial statements as listed in the table of contents and have issued our report thereon dated November 13, 2015. We have also audited the budgetary comparison statements, listed as schedules 1, 2, 3, and 4, presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

**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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

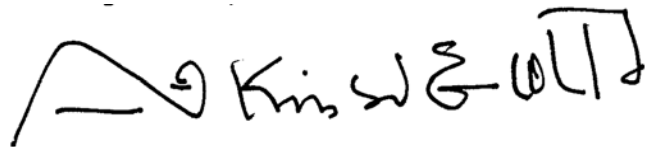
As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC which are described in the accompanying schedule of findings and responses as items 2010-001, 2015-001, and 2015-002.

### **The School's Responses to Finding**

The School's responses to the finding 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 it.

### **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 results 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 the audit performed in accordance with *Government Auditing Standards* in considering the Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive style.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
November 13, 2015

**SCHEDULE OF FINDINGS AND RESPONSES**

June 30, 2015

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

**Internal control over financial reporting:**

Material weakness identified? No

Significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to financial statements: No

**FINANCIAL STATEMENT FINDINGS**

None

**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER**

2010-001 (10-01) Budget Violations – modified and repeated  
2015-001 Under-Collateralized Deposits (Other Noncompliance)  
2015-002 Chief Procurement Officer (Other Noncompliance)

**PRIOR YEAR FINDINGS**

2010-001 (10-01) Budget Violations – modified and repeated



State of New Mexico  
New Mexico School for the Deaf

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

June 30, 2015

**CURRENT YEAR FINDINGS**

**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER NONCOMPLIANCE**

**2010-001 (10-01) BUDGET VIOLATIONS – MODIFIED AND REPEATED**

**CONDITION**

The level of budgetary control is at the functional category level. The School exceeded budgeted items as follows:

Restricted Funds – Instructional and General

	Original Budget	Final Budget	Actual	Variance Favorable/ (Unfavorable)
<b>EXPENDITURES</b>				
Instruction and general:				
Instruction	\$ 496,086	\$ 456,588	\$ 575,742	\$ (119,154)
Public service	102,900	102,900	71,497	31,403
Total instruction and general expenditures	<u>\$ 598,986</u>	<u>\$ 559,488</u>	<u>\$ 647,239</u>	<u>\$ (87,751)</u>

Progress was made by the School in that all unrestricted operating funds were on budget which was a priority.

**CRITERIA**

According to NMAC 6.20.2.9 A, budget preparation standards for public schools, over-expenditure of a function shall not be allowed. The School has progressed in relation to clearing its budget finding so that only a single budget overage occurred at the functions category level for FY2015. A BAR was submitted for projected increases in restricted fund expenditures and it was decreased. The point of contact for this finding is the Director of Business and Finance.

**CAUSE**

The School did submit a Budget Adjustment Request (BAR) to decrease the projected expenditures for restricted accounts; however, the actual increase was not expected to cause final expenditures to exceed the BAR amount.

**EFFECT**

The School over expended their approved budget by approximately \$119,164 for those specific budgeted items; however, the overall budget was not over expended.

**RECOMMENDATION**

We recommend that management establish procedures that will establish an approved legal budget for restricted and unrestricted funds at expected amounts.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

June 30, 2015

**CURRENT YEAR FINDINGS – CONTINUED**

**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER NONCOMPLIANCE –  
CONTINUED**

**2010-001 (10-01) BUDGET VIOLATIONS – MODIFIED AND REPEATED – CONTINUED**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

Overall, total instruction had a favorable variance of \$220,707 and the percent used was 95%, which meant that the actuals were less than the budget by 5%. The total instruction is divided into two parts, unrestricted and restricted. For the final budget, unrestricted funds made up 90% of the total while restricted was 10%. For actuals, it was 86% and 14%, respectively.

Restricted funds included grants from JPA, the NM Health Department, Medicaid, PED IDEA-B, Navajo Nation, and AmeriCorps. Per general ledger details, unexpected expenditures for IDEA-B, and funds from the NM Health Department did not happen until the final weeks of June 2015. One of the Medicaid programs did not have a budget because the responsible department bills the agency after services take place and as it was a new revenue source, didn't have a method for projecting overall revenues. The final BAR for the final budget was submitted to NM HED on May 1, 2015.

To ensure that actuals will not exceed the budget for restricted funds, each department will have to submit an inter-BAR to the Finance Department by March 31. The Director of Finance will also have monthly meetings with the Directors to review the status of the budget vs. actuals. A template for all restricted fund budgets will be used. Each respective department must receive approval from the Director of Finance and the Superintendent before the grant/program can be implemented.

**2015-001 UNDER-COLLATERALIZED DEPOSITS (OTHER NONCOMPLIANCE)**

**CONDITION**

Bank account deposits for the School as public funds are required to be collateralized to a level required by State Statutes. The combined checking account and certificates of deposit for the School was under-collateralized in comparison to the required level at June 30, 2015 (102%).

**CRITERIA**

6-10-17 NMSA 1978 requires deposits in public institutions to be collateralized to at least 50% of the deposit balance. 6-10-20 NMSA 1978 requires additional collateral from bank institutions above 50% if so designated by the State Treasurer.

**EFFECTS**

The School's checking account and certificates of deposit were under-collateralized at June 30, 2015.

**CAUSE**

The basic requirement of 50% collateralization was in place but the School was unaware of the additional requirement of 102% specific to their bank institution.

**SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED**

June 30, 2015

**CURRENT YEAR FINDINGS – CONTINUED**

**FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER NONCOMPLIANCE – CONTINUED**

**2015-001 UNDER-COLLATERALIZED DEPOSITS (OTHER NONCOMPLIANCE) – CONTINUED**

**RECOMMENDATION**

We recommend that the additional collateral be secured as soon as practical and that a monitoring procedure is set up to ensure adequate collateral in the future.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The Director of Business and Finance will meet with representatives from First National Bank – Santa Fe to get the collateral rate increased to 102% per the State of New Mexico Treasurer requirement. The New Mexico Treasurer's website will be monitored.

**2015-002 CHIEF PROCUREMENT OFFICER (OTHER NONCOMPLIANCE)**

**CONDITION**

The School was not able to provide the name and certification of the chief procurement officer.

**CRITERIA**

13-1-95.2 NMSA 1978 and state purchasing regulations 1.4.1 NMAC requires the school to have a certified chief procurement officer.

**EFFECTS**

The School does not have a chief procurement officer as required by state regulations and does not have person certified to make determinations, issue purchase orders, authorize small purchases, and approve any procurement according to the procurement code.

**CAUSE**

The School did not enroll in and complete the program during fiscal year 2015.

**RECOMMENDATION**

We recommend that the school complete the training and necessary certification in order to have a chief procurement officer.

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

One staff, as well as the Director of Business and Finance, will explore the program and go through training in order to obtain the certificate.

State of New Mexico  
New Mexico School for the Deaf

**EXIT CONFERENCE**

For the year ended June 30, 2015

An exit conference was held at the New Mexico School for the Deaf campus on November 13, 2015, with the following individuals in attendance:

**New Mexico School for the Deaf**

Ms. Lynann Barbero  
Mr. Mark Apodaca  
Rosemary Gallegos

Board President  
Director of Business and Finance  
Superintendent

**Atkinson & Co., Ltd.**

Martin Mathisen, CPA, CGFM  
David Thomas, CPA

Audit Director  
Audit Manager

Presentation: The accompanying financial statements are the responsibility of the School and are based on information from the School's financial records. Atkinson & Co., Ltd. prepared the financial statements with assistance provided by the School.

ATKINSON & CO. LTD.  
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