

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
JUNE 30, 2018



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2018
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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2018

<u>Name</u>		<u>Title</u>
	<u>School Board</u>	
Max Cordova		President
Jim Danner		Vice-President
Elizabeth Chavez		Secretary
Yvonne McCloud		Member
Larry Lindberg		Member
	<u>District Officials</u>	
Max Perez		Superintendent
Diane Vallejos		Assistant Superintendent
Paul McCarty		Director of Finance & Business
Yvonne Tabet		Director of Human Resources

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FINANCIAL SECTION



Manning Accounting and Consulting Services, LLC

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor
And the Board of Education of
Belen Consolidated School District No. 2
Belen, NM

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Belen Consolidated School District No. 2 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires the Schedules I through IV and the notes to the Required Supplementary Information on pages 53 through 57 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplemental information required by 2.2.2 NMAC, Schedules V through IX are presented for the purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and Schedules V through IX on pages 86 through 93, required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Schedules V through IX required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages 1 though 3 and the Summary Schedule of Prior Audit Findings on pages 125 through 132 have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018 on our consideration of the District'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 District's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland
November 6, 2018

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
<i>Current assets:</i>	
Cash and cash equivalents	\$ 15,797,569
Receivables (net of allowance for uncollectibles)	4,432,921
Inventory	197,080
<i>Total current assets</i>	<u>20,427,570</u>
<i>Noncurrent assets:</i>	
Restricted Cash	5,714,139
Capital assets (net of accumulated depreciation):	
Land and land improvements	11,540,527
Buildings and building improvements	101,430,642
Furniture, fixtures and equipment	2,514,206
Vehicles	5,378,489
Construction in progress	1,083,342
Less: accumulated depreciation	(57,244,851)
<i>Total noncurrent assets</i>	<u>70,416,494</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred costs on debt refunding	94,089
Deferred outflows - pensions	27,038,369
Deferred outflows - other post-employment benefits	414,734
<i>Total deferred outflows</i>	<u>27,547,192</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 118,391,256</u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 688,787
Accrued payroll liabilities	3,260,831
Accrued interest payable	359,107
Unearned revenue	1,088
Current maturities of:	
Bonds payable	3,275,000
Compensated absences	288,577
<i>Total current liabilities</i>	<u>7,873,390</u>
<i>Noncurrent liabilities:</i>	
Bond premiums, net of amortization of \$609,397	609,314
Bonds payable	30,620,000
Compensated absences	14,902
Net pension liability	82,241,887
Net other post-employment benefits liability	22,362,447
<i>Total noncurrent liabilities</i>	<u>135,848,550</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on debt refunding	279,886
Deferred inflows - pensions	2,376,489
Deferred inflows - other post-employment benefits	5,089,640
<i>Total deferred inflows</i>	<u>7,746,015</u>
NET POSITION	
Invested in capital assets	30,292,130
Restricted for:	
Debt service	7,290,016
Capital projects	10,844,869
Other purposes - special revenue	2,049,327
Unrestricted	(83,553,041)
<i>Total net position</i>	<u>(33,076,699)</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 118,391,256</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expenses) Revenues and Changes in Net Position	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary Government					
Governmental activities:					
Instruction	\$ 26,376,885	\$ 244,473	\$ 4,383,469	\$ -	\$ (21,748,943)
Support services:					
Students	4,894,285	-	722,082	-	(4,172,203)
Instruction	888,690	-	204,204	-	(684,486)
General administration	1,813,549	-	-	-	(1,813,549)
School administration	2,414,999	-	-	-	(2,414,999)
Other	3,515	-	-	-	(3,515)
Central services	1,276,834	252,470	2,403	-	(1,021,961)
Operation & maintenance of plant	6,021,019	18,301	-	-	(6,002,718)
Student transportation	2,401,370	-	1,579,492	-	(821,878)
Food services operations	3,317,998	106,678	2,617,968	-	(593,352)
Community services	293,494	-	-	-	(293,494)
Interest on long-term debt	789,235	-	-	-	(789,235)
Facilities materials, supplies, & other services	2,571,971	-	-	247,560	(2,324,411)
Total Primary Government	<u>\$ 53,063,844</u>	<u>\$ 621,922</u>	<u>\$ 9,509,618</u>	<u>\$ 247,560</u>	<u>(42,684,744)</u>

General Revenues:

Property taxes:	
Levied for general purposes	219,978
Levied for debt service	4,710,566
Levied for capital projects	1,267,046
State Equalization Guarantee	29,594,592
Unrestricted investment earnings	44,579
Loss on disposal of fixed assets	(22,038)
Miscellaneous	672,720
Total general revenues	<u>36,487,443</u>
Change in net position	<u>(6,197,301)</u>
Net position - beginning of year	(316,367)
Restatement - change in accounting principle	<u>(26,563,031)</u>
Net position - beginning of year, restated	<u>(26,879,398)</u>
Net position - end of year	<u>\$ (33,076,699)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit B-1

	General Fund			Title I IASA 24101
	Operational 11000	Transportation 13000	Instructional Materials 14000	
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1,200,346	\$ 138,485	\$ 291,126	\$ -
Accounts receivable				
Taxes	100,973	-	-	-
Due from other governments	-	-	-	794,950
Interfund receivables	2,446,335	-	-	-
Inventory	99,798	-	-	-
<i>Total assets</i>	<u>\$ 3,847,452</u>	<u>\$ 138,485</u>	<u>\$ 291,126</u>	<u>\$ 794,950</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ 122,081	\$ -	\$ -	\$ -
Accrued payroll liabilities	2,593,087	135,852	-	173,906
Interfund payables	-	167,832	-	655,161
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>2,715,168</u>	<u>303,684</u>	<u>-</u>	<u>829,067</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	91,501	-	-	-
Unavailable revenues - other	-	-	-	377,576
<i>Total deferred inflows of resources</i>	<u>91,501</u>	<u>-</u>	<u>-</u>	<u>377,576</u>
FUND BALANCES				
Nonspendable	99,798	-	-	-
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	291,126	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	585,333	-	-	-
Unassigned	355,652	(165,199)	-	(411,693)
<i>Total fund balances</i>	<u>1,040,783</u>	<u>(165,199)</u>	<u>291,126</u>	<u>(411,693)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,847,452</u>	<u>\$ 138,485</u>	<u>\$ 291,126</u>	<u>\$ 794,950</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Exhibit B-1

	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 9,597,836	\$ 5,714,139	\$ 4,569,776	\$ 21,511,708
Accounts receivable				
Taxes	-	1,855,763	517,325	2,474,061
Due from other governments	-	-	1,163,910	1,958,860
Interfund receivables	-	-	-	2,446,335
Inventory	-	-	97,282	197,080
<i>Total assets</i>	<u>\$ 9,597,836</u>	<u>\$ 7,569,902</u>	<u>\$ 6,348,293</u>	<u>\$ 28,588,044</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ 549,502	\$ -	\$ 17,204	\$ 688,787
Accrued payroll liabilities	-	-	357,986	3,260,831
Interfund payables	-	-	1,623,342	2,446,335
Unearned revenue	-	-	1,088	1,088
<i>Total liabilities</i>	<u>549,502</u>	<u>-</u>	<u>1,999,620</u>	<u>6,397,041</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	1,664,872	467,480	2,223,853
Unavailable revenues - other	-	-	123,653	501,229
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>1,664,872</u>	<u>591,133</u>	<u>2,725,082</u>
FUND BALANCES				
Nonspendable	-	-	97,282	197,080
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	-	291,126
Grant mandates	-	-	1,393,579	1,393,579
Capital projects	4,372,250	-	968,819	5,341,069
Debt service	-	4,411,230	-	4,411,230
Assigned	4,676,084	1,493,800	1,888,248	8,643,465
Unassigned	-	-	(590,388)	(811,628)
<i>Total fund balances</i>	<u>9,048,334</u>	<u>5,905,030</u>	<u>3,757,540</u>	<u>19,465,921</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 9,597,836</u>	<u>\$ 7,569,902</u>	<u>\$ 6,348,293</u>	<u>\$ 28,588,044</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Exhibit B-2

	Governmental Funds
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental funds	\$ 19,465,921
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
The cost of capital assets is	121,947,206
Accumulated depreciation is	(57,244,851)
Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet.	
Delinquent property taxes	2,223,853
Grant revenues	501,229
Deferred outflows and inflows of resources related to bond refunding and pensions are applicable to future periods and therefore, are not reported in governmental funds.	
Deferred outflows of resources related to deferred costs on refunding	94,089
Deferred outflows of resources - pensions	27,038,369
Deferred outflows of resources - other post-employment benefits	414,734
Deferred inflows of resources related to deferred gains on refunding	(279,886)
Deferred inflows of resources - pensions	(2,376,489)
Deferred inflows of resources - other post-employment benefits	(5,089,640)
Bond issuance costs, including original issue discounts and premiums are not financial resources and therefore are not reported in the funds	
Bond premiums net of accumulated amortization	(609,314)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of:	
Accrued interest payable	(359,107)
Bonds payable	(33,895,000)
Accrued compensated absences	(303,479)
Net pension liability	(82,241,887)
Net other post-employment benefits liability	(22,362,447)
Total net position - governmental activities	\$ (33,076,699)

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-3

	General Fund			Title I IASA 24101
	Operational 11000	Transportation 13000	Instructional Materials 14000	
<i>Revenues:</i>				
Property taxes	\$ 217,845	\$ -	\$ -	\$ -
State grants	29,594,592	1,491,952	124,170	-
Federal grants	3,230	-	-	1,905,385
Miscellaneous	666,760	-	-	-
Charges for services	377,500	-	-	-
Investment Income	133	-	-	-
<i>Total revenues</i>	<u>30,860,060</u>	<u>1,491,952</u>	<u>124,170</u>	<u>1,905,385</u>
<i>Expenditures:</i>				
Current:				
Instruction	16,387,570	-	101,725	834,285
Support services				
Students	2,814,972	-	-	608,808
Instruction	551,352	-	-	59,353
General administration	1,021,831	-	-	202,996
School administration	1,842,068	-	-	584
Central services	990,311	-	-	-
Operation & maintenance of plant	5,628,684	-	-	-
Student transportation	154,941	1,481,562	-	-
Other support services	3,515	-	-	-
Food services operations	-	-	-	-
Community services	257,455	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,652,699</u>	<u>1,481,562</u>	<u>101,725</u>	<u>1,706,026</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1,207,361</u>	<u>10,390</u>	<u>22,445</u>	<u>199,359</u>
<i>Other financing sources (uses):</i>				
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	1,207,361	10,390	22,445	199,359
<i>Adjusted fund balances - beginning of year</i>	<u>(166,578)</u>	<u>(175,589)</u>	<u>268,681</u>	<u>(611,052)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,040,783</u>	<u>\$ (165,199)</u>	<u>\$ 291,126</u>	<u>\$ (411,693)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>				
Property taxes	\$ -	\$ 4,674,547	\$ 1,222,050	\$ 6,114,442
State grants	-	-	1,387,423	32,598,137
Federal grants	-	-	4,359,771	6,268,386
Miscellaneous	300	-	110	667,170
Charges for services	-	-	247,152	624,652
Investment Income	43,452	620	374	44,579
<i>Total revenues</i>	<u>43,752</u>	<u>4,675,167</u>	<u>7,216,880</u>	<u>46,317,366</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	1,832,390	19,155,970
Support services				
Students	-	-	888,135	4,311,915
Instruction	-	-	83,246	693,951
General administration	-	46,499	225,539	1,496,865
School administration	-	-	2,171	1,844,823
Central services	-	-	2,403	992,714
Operation & maintenance of plant	-	-	155	5,628,839
Student transportation	-	-	38,959	1,675,462
Other support services	-	-	-	3,515
Food services operations	-	-	2,871,666	2,871,666
Community services	-	-	-	257,455
Capital outlay	2,121,251	-	1,376,830	3,498,081
Debt service				
Principal	-	3,645,000	-	3,645,000
Interest	-	857,778	-	857,778
<i>Total expenditures</i>	<u>2,121,251</u>	<u>4,549,277</u>	<u>7,321,494</u>	<u>46,934,034</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,077,499)</u>	<u>125,890</u>	<u>(104,614)</u>	<u>(616,668)</u>
<i>Other financing sources (uses):</i>				
Proceeds from bond issues	4,500,000	-	-	4,500,000
<i>Total other financing sources (uses)</i>	<u>4,500,000</u>	<u>-</u>	<u>-</u>	<u>4,500,000</u>
<i>Net changes in fund balances</i>	2,422,501	125,890	(104,614)	3,883,332
<i>Adjusted fund balances - beginning of year</i>	<u>6,625,833</u>	<u>5,779,140</u>	<u>3,862,154</u>	<u>15,582,589</u>
<i>Fund balances - end of year</i>	<u>\$ 9,048,334</u>	<u>\$ 5,905,030</u>	<u>\$ 3,757,540</u>	<u>\$ 19,465,921</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B-4

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 3,883,332
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(2,915,327)
Capital outlays	2,615,635
Loss on disposal of capital assets	(22,038)
Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were:	
Unavailable revenue related to the property taxes receivable	83,148
Other unavailable revenues	501,229
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first, whereas these amounts are deferred and amortized in the Statement of Activities:	
Amortization of bond discounts	(367)
Amortization of bond premium	102,607
Amortization of deferred gain on debt refunding	68,543
Amortization of deferred loss on debt refunding	(32,246)
Accrued interest payable	(68,373)
Accrued compensated absences	(6,879)
Bond proceeds	(4,500,000)
Bond principle payments	3,645,000
Bonds are refunded when a financial advantage would result to the District. The resulting savings is capitalized as a deferred gain and is amortized over the life of the new bonds. This amortization will be recorded in the Statement of Activities.	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense.	
Pension contributions - current year	2,882,714
Pension expense	(11,959,957)
Other post-employment benefits contributions - current year	414,734
Other post-employment benefits expense	(889,056)
Change in net position - total governmental activities	<u>\$ (6,197,301)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
OPERATIONAL FUND (11000)
FOR THE YEAR ENDING JUNE 30, 2018

Exhibit C-1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ 219,479	\$ 219,479	\$ 215,648	\$ (3,831)
State grants	29,147,806	29,590,280	29,594,592	4,312
Federal grants	-	3,230	3,230	-
Miscellaneous	567,903	567,903	717,924	150,021
Charges for services	218,554	218,554	377,500	158,946
Interest	-	-	133	133
<i>Total revenues</i>	<u>30,153,742</u>	<u>30,599,446</u>	<u>30,909,027</u>	<u>309,581</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	17,002,244	16,757,553	15,999,983	757,570
Support services				
Students	3,015,103	3,015,282	2,814,972	200,310
Instruction	508,357	483,357	551,352	(67,995)
General administration	956,676	981,676	1,013,194	(31,518)
School administration	1,812,760	1,812,760	1,842,068	(29,308)
Central services	939,844	939,844	990,311	(50,467)
Operation & maintenance of plant	5,703,340	5,912,881	5,515,240	397,641
Student transportation	197,338	197,338	154,941	42,397
Other support services	104,201	104,201	3,515	100,686
Food services operations	-	-	-	-
Community services	201,542	434,196	257,455	176,741
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>30,441,405</u>	<u>30,639,088</u>	<u>29,143,031</u>	<u>1,496,057</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(287,663)</u>	<u>(39,642)</u>	<u>1,765,996</u>	<u>1,805,638</u>
<i>Other financing sources (uses):</i>				
Designated cash	287,663	39,642	-	(39,642)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>287,663</u>	<u>39,642</u>	<u>-</u>	<u>(39,642)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,765,996</u>	<u>1,765,996</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,880,685</u>	<u>1,880,685</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,880,685</u>	<u>1,880,685</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,646,681</u>	<u>\$ 3,646,681</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 1,765,996	
Adjustments to revenues			(48,967)	
Adjustments to expenditures			(509,668)	
Net change in fund balance (GAAP basis)			<u>\$ 1,207,361</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TRANSPORTATION FUND (13000)
FOR THE YEAR ENDING JUNE 30, 2018

Exhibit C-2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,491,952	1,491,952	1,491,952	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,491,952</u>	<u>1,491,952</u>	<u>1,491,952</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	1,491,952	1,491,952	1,353,468	138,484
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,491,952</u>	<u>1,491,952</u>	<u>1,353,468</u>	<u>138,484</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>138,484</u>	<u>138,484</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>138,484</u>	<u>138,484</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(167,831)</u>	<u>(167,831)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(167,831)</u>	<u>(167,831)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,347)</u>	<u>\$ (29,347)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 138,484	
Adjustments to revenues			-	
Adjustments to expenditures			(128,094)	
Net change in fund balance (GAAP basis)			<u>\$ 10,390</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
INSTRUCTIONAL MATERIALS FUND (14000)
FOR THE YEAR ENDING JUNE 30, 2018

Exhibit C-3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	108,999	108,999	124,170	15,171
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>108,999</u>	<u>108,999</u>	<u>124,170</u>	<u>15,171</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	108,999	108,999	101,725	7,274
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>108,999</u>	<u>108,999</u>	<u>101,725</u>	<u>7,274</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>22,445</u>	<u>22,445</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>22,445</u>	<u>22,445</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>268,681</u>	<u>268,681</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>268,681</u>	<u>268,681</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,126</u>	<u>\$ 291,126</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 22,445	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 22,445</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
TITLE I IASA SPECIAL REVENUE FUND (24101)
FOR THE YEAR ENDING JUNE 30, 2018

Exhibit C-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	2,051,067	2,282,961	2,176,192	(106,769)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>2,051,067</u>	<u>2,282,961</u>	<u>2,176,192</u>	<u>(106,769)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,183,326	1,411,220	1,235,686	175,534
Support services				
Students	580,809	580,809	608,808	(27,999)
Instruction	74,750	74,750	59,353	15,397
General administration	210,410	210,410	202,996	7,414
School administration	1,772	5,772	584	5,188
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,051,067</u>	<u>2,282,961</u>	<u>2,107,427</u>	<u>175,534</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>68,765</u>	<u>68,765</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>68,765</u>	<u>68,765</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(723,926)</u>	<u>(723,926)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(723,926)</u>	<u>(723,926)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (655,161)</u>	<u>\$ (655,161)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 68,765	
Adjustments to revenues			(270,807)	
Adjustments to expenditures			401,401	
Net change in fund balance (GAAP basis)			<u>\$ 199,359</u>	

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2018

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ 408,187
<i>Total assets</i>	<u>\$ 408,187</u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	\$ 408,187
<i>Total liabilities</i>	<u>\$ 408,187</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies

The Belen Consolidated School Board was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements.

During the year ended June 30, 2018, the District adopted the following GASB statements.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.
- GASB Statement No. 85 *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.
- GASB Statement No. 86 *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

These pronouncements are not expected to have a material effect on the District except for GASB Statement No. 75. The more significant accounting policies of the District are described below.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies (Continued)

A. *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basis, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District does not have a component unit and is not a component unit of another government agency.

B. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred Outflows of Resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets; therefore, it is not recognized as an outflow of resources (expense) until then.

Deferred Inflows of Resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities; therefore, it is not recognized as an inflow of resources (revenue) until that time.

Net Position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the Operational, Transportation, and Instructional Materials Funds.

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *Operational Fund* (11000) accounts for the primary revenues and expenditures of the District, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* (13000) accounts for state equalization funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* (14000) accounts for funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

Title I IASA (24101) This fund is used to account for the major objectives of the Title I programs are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The *Bond Building Fund* (31100) is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

The *Debt Service Fund* (41000) is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

Additionally, the government reports the following fund types:

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The fiduciary funds are for student activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Cash and Temporary Investments: The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Restricted Assets: The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies - (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

The District receives monthly income from a tax levy in Socorro County and Valencia County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Socorro and Valencia County Treasurer's in July and August 2018 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2018. Certain special revenue Funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory: The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Food Services Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the New Mexico Public Schools Facilities Authority are appropriately included in the District's capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2018. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Land Improvements	10-25 years
Buildings/building improvements	10-50 years
Furniture and equipment	5-20 years
Vehicles	8-10 years

Unearned Revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the special revenue funds are shown as unearned revenues. At June 30, 2018, the District's unearned revenues were \$1,088.

Deferred Outflows of Resources – Pensions: The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2018. Contributions of \$2,882,714 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District also has two other deferred outflows which arise due to the implementation of GASB 68; change in assumptions \$24,008,023 and actuarial experience \$147,632.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 **Summary of Significant Accounting Policies - (Continued)**

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)*

Deferred Outflows of Resources – OPEB: The government-wide financial statements report other post-employment benefits related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2017. Contributions of \$414,734 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 75; change in proportion; change in assumptions; investment experience; and actuarial experiences which have no balances in the current year.

Compensated Absences: Twelve (12) month employees at the professional level or a classified administrator will be on duty from July 1 through June 30 and will be entitled to sixteen and one quarter (16.25) working days of annual leave which may accumulate to a total of forty (40) days including the current year. An employee who terminates will be paid for all earned leave; however, payment for earned leave may not exceed twenty (20) days. Annual leave will accumulate at a rate of 0.6250 days per pay period. Total compensated absences were \$303,479 at June 30, 2018.

Classified employees who work full time are entitled to a period of annual leave ranging from thirteen (13) to fifteen (15) working days per year depending upon the length of service with the Belen Consolidated Schools. Annual leave may accumulate to a total of forty (40) days of earned vacation. Twelve (12) days paid leave will be allowed for completing each full year of employment up to ten (10) years. Annual leave will accumulate at a rate of 0.50 days per pay period. Sixteen and one quarter (16.25) days of paid vacation will be allowed annually after completing ten (10) full years of employment. Annual leave will accumulate at a rate of 0.6250 days per pay period. If a classified employee terminates, the employee will be paid for all earned annual leave time; however, payments for earned leave may not exceed twenty (20) days salary. No classified employee will be paid for annual leave upon termination before completing six (6) months of employment.

The Board of Education has determined that there are instances in which employees suffer from catastrophic or unusual illnesses or injuries, or disabilities from performing the usual duties of the employee's job, which may not be sufficiently covered by existing board policies relating to sick leave and leaves of absence. As a result, and so that employees not suffer undue economic hardship as the result of such catastrophic or unusual illness, injury or disability, the Board of Education hereby authorizes the creation of a Sick Leave Bank (SLB). This SLB will be used to establish an available pool of sick leave days upon which eligible employees may draw, and into which participating employees may contribute accrued and unused sick leave to be made available to participating employees in the event of catastrophic or unusual illness, injury, or disability. The Sick Leave Bank shall be available only to employees participating in the Sick Leave Bank program.

Employees participating in the SLB are entitled to use the days within the SLB when a catastrophic or unusual illness or injury occurs that requires extended hospitalization or home confinement of the employee or members of his or her immediate family, or results in the employee's disability from performing the usual duties of his or her job. Prior to use of the Sick Leave Bank, an eligible and participating employee must use all accrued sick, personal, or vacation leave. The Board of Education hereby delegates to the Administration the authority to adopt reasonable regulations, guidelines, procedures, and forms for implementing the Sick Leave Bank consistent with the provision adopted in this policy, and to define the relevant conditions for eligibility and grant of benefits under the Sick Leave Bank program. Decisions of the Administration with regard to applications for use of Sick Leave Bank shall not be subject to review.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the district-wide statement of net position.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 **Summary of Significant Accounting Policies - (Continued)**

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)*

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2014, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable of \$33,895,000 at June 30, 2018 are reported net of the applicable bond premium or discount. Bond insurance issuance costs will be reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability: The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico's Employee Retirement Board pension plan. For the year ended June 30, 2018 net pension liability \$82,241,887.

Deferred Inflows of Resources – Unavailable Revenues: Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and the corresponding unavailable revenue is recorded as well. Total unavailable revenues of \$2,223,853 for property tax was recorded at June 30, 2018.

Deferred Inflows of Resources – Deferred Gains on Refunding: Refunding of debt may result in a net reduction of debt payments for the District when considering total principal and interest payments of the original debt compared to the new debt. The net present value of that gain is deferred and amortized over the life of the original debt or the new debt, whichever is shorter.

Deferred Inflows of Resources – Pensions: Changes in actuarial experience \$1,267,014, and change proportion \$1,098,193 for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

Deferred Inflows of Resources – OPEB: Changes in actuarial experience (\$858,152), change in assumptions (\$3,909,789), and change in investment experience (\$321,699) for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.

Net Position or Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District's fund balances is presented in Note 10. In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position is restricted for "debt service or capital projects."

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 **Summary of Significant Accounting Policies - (Continued)**

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)*

Unrestricted Net Position: All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications. In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either; (a) not in spendable form, or (b) Legally or contractually required to be maintained intact. The “net in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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 position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. 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.

Post-Employment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. *Revenues*

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 **Summary of Significant Accounting Policies - (Continued)**

E. Revenues - (Continued)

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined in Chapter 22, Section 825, NMSA 1978 is at least equal to the District's program cost. A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$29,594,592 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements, which is within 60 days of year-end. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2018 were \$6,114,442, there were no amounts collected for oil and gas taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$1,491,952 in transportation distributions during the year ended June 30, 2018.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2018 totaled \$124,170.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 Summary of Significant Accounting Policies - (Continued)

E. Revenues - (Continued)

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District did not receive any state SB-9 matching funds during the year ended June 30, 2018.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L). Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During the year ended June 30, 2018, the District received \$247,260.00 public school capital outlay funds and no special capital outlay funds.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as special revenue funds. Each program operated under its own budget, which has been approved by the federal department or the flowthrough agency (usually the New Mexico Public Education Department). The various budgets are approved by the local school board and the New Mexico Public Education Department. The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2 Stewardship, Compliance and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget at the function level, the level of budgetary control for districts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local board of education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division. The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 Stewardship, Compliance and Accountability – (Continued)

Budgetary Information – (Continued)

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital projects funds.

The board of education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non- GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018, is presented on each fund’s Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 Cash and Cash Equivalents

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico. According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor’s requirements in reporting the insured portion of the deposits.

	US Bank	Wells Fargo	Total
Total amounts of deposits	\$ 13,079,304	\$ 5,003,087	\$ 18,082,391
FDIC coverage	250,000	250,000	\$ 500,000
Total uninsured public funds	<u>12,829,304</u>	<u>4,753,087</u>	<u>17,582,391</u>
Collateral requirement (50% of uninsured public funds)	6,414,652	2,376,544	8,791,196
Pledged security	<u>6,414,652</u>	<u>2,865,040</u>	<u>\$ 9,279,692</u>
Total over (under) collateralized	<u>\$ -</u>	<u>\$ 488,496</u>	<u>\$ 488,496</u>

The funds are maintained in a combination of interest bearing and non-interest bearing checking accounts.

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

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 government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Deposits – The risk exists when a portion of the District’s deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (District’s) name.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 Cash and Cash Equivalents (Continued)

At June 30, 2018, \$17,582,391 of the District's bank balance of \$18,082,391 was exposed to custodial credit risk as it was uninsured and not in the District's name as the collateral for Wells Fargo Bank is held at Bank of New York Mellon and US Bank's collateral is held by itself in Cincinnati.

Reconciliation of Cash to the Financial Statements

The carrying amount of deposits and investments shown above are included in the District's Statement of Net Position as follows:

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$ 21,511,708
Statement of Fiduciary Net Position - Cash per Exhibit D-1	<u>408,187</u>
Total per financial statements	21,919,895
Add outstanding checks and other reconciling items	705,316
Less: funds held in trust investments	<u>(4,542,820)</u>
Bank balance of deposits	<u><u>\$ 18,082,391</u></u>

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2018. The 24000's through 26000's funds are federal funds, and 13000, 22000's, and 27000's through 31400's funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2018:

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 Cash and Cash Equivalents (Continued)

Fund #	Major Funds:		
13000	Transportation	\$	29,347
24101	Title I IASA		655,161
Fund #	Special Revenue Funds:		
22000	Athletics		197,190
24106	IDEA-B Entitlement		543,567
24107	IDEA-B Discretionary		5,040
24109	IDEA-B Preschool		303
24118	Fresh Fruits and Vegetables		58,766
24132	IDEA-B Results Plan		101,182
24153	English Language Acquisition		44,952
24154	Teacher/Principal Training & Recruiting		115,716
24162	Title I School Improvement		17,558
24174	Carl D. Perkins Secondary - Current		2,418
27107	2012 Go Bonds Student Library Fund (SB66)		112,463
27128	Recruitment Support Fund		2,403
27141	Truancy Initiative		54,388
27149	PreK Initiative		7,336
27166	Kindergarten Three Plus		2,340
27183	NM Grown Fresh Fruits and Vegetables		581
28189	GRADS - Child Care		8,364
28190	GRADS - Instruction		17,707
	Capital Projects Fund:		
31400	Special Capital Outlay - State		14,423
	Total	<u>\$</u>	<u>1,991,205</u>

Temporary Investments

At June 30, 2018, the District had \$41,781 held in trust by the Bank of Albuquerque. Those funds are held in a U.S. Treasury Money Market Fund. The District does not have the legal authority to move these funds from the trust institution. Information regarding the fund is as follows:

<u>Fund</u>	<u>CUSIP</u>	<u>WAM</u>	<u>Ratings</u>		<u>Net Assets</u>
			<u>S&P</u>	<u>Moody's</u>	
Premier U.S. Government Money Portfolio	00142W843	20 days	AAAm	Aaa-mf	\$6.14 Billion

Interest Rate Risk for Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

Credit Risk. State law limits investments to bonds or negotiable securities of the U.S. Government, the State, municipalities, or school district securities issued by the U.S. Government (or its agencies, either direct obligations or backed and guaranteed by the U.S. Government) and repurchase agreements with banks, savings and loan associations or credit unions. The District has no investment policy that would further limit its investment choices.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 Cash and Cash Equivalents (Continued)

Concentration of Credit. The District places no limit on the amount the District may invest in any one issuer. Investments which are over 5% of total investments are the amounts invested in the Lipper Institutional U.S. Treasury Money Market Funds which are invested by the trust institution Bank of Albuquerque.

NOTE 4 Receivables

Receivables as of June 30, 2018 are as follows:

	Major Funds				Total Governmental Funds
	Operational 11000	Title I IASA 24101	Debt Service 41000	Other Governmental Funds	
Property taxes	\$ 100,973	\$ -	\$ 1,855,763	\$ 517,325	\$ 2,474,061
Due from other governments	-	794,950	-	1,163,910	1,958,860
Total receivables	\$ 100,973	\$ 794,950	\$ 1,855,763	\$ 1,681,235	\$ 4,432,921

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$2,223,853 were not collected within the period of availability and have been reclassified as unavailable revenue in the governmental fund financial statements.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 Interfund Receivables, Payables, and Transfers

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2018 is as follows:

Governmental Activities	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Operational (11000)	\$ 2,446,335	\$ -
Transportation (13000)	-	167,832
Title I IASA (24101)	-	655,161
Non-major Funds:		
Food Service (22000)	-	197,190
IDEA-B Entitlement (24106)	-	672,097
IDEA-B Discretionary (24107)	-	5,040
IDEA-B Preschool (24109)	-	304
Education of the Homeless (24113)	-	2,824
Fresh Fruits and Vegetables (24118)	-	58,766
IDEA-B Results Plan (24132)	-	102,405
English Language Acquisition (24153)	-	44,954
Teacher/Principal Training & Recruiting (24154)	-	134,344
Title I School Improvement (24162)	-	17,934
Carl D. Perkins Secondary - Current (24174)	-	2,418
Student Support and Academic Enrichment (24189)	-	26,395
Title XIX Medicaid 0/2 Years (25152)	-	53,600
2012 Go Bonds Student Library Fund (SB66) (27107)	-	112,463
Recruitment Support Fund (27128)	-	2,403
Truancy Initiative (27141)	-	81,391
PreK Initiative (27149)	-	7,336
Breakfast for Elementary Students (27155)	-	35,265
2013 PreK Classrooms (27166)	-	2,341
After School and Summer Enrichment (27168)	-	21,831
NM Grown Fresh Fruits and Vegetables (27183)	-	581
GRADS - Child Care	-	8,364
GRADS - Instruction (28190)	-	18,672
Special Capital Outlay - State (31400)	-	14,423
Capital Improvements SB-9 - State (31700)	-	1
	<u>\$ 2,446,335</u>	<u>\$ 2,446,335</u>
Totals		

All interfund balances are expected to be repaid within one year.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land and construction in progress is not subject to depreciation.

Capital assets used in governmental activities:	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 2,634,999	\$ -	\$ -	\$ -	\$ 2,634,999
Construction in progress	158,853	2,227,943	(1,303,454)	-	1,083,342
Total capital assets not being depreciated	<u>2,793,852</u>	<u>2,227,943</u>	<u>(1,303,454)</u>	<u>-</u>	<u>3,718,341</u>
Capital assets being depreciated:					
Land improvements	8,708,677	196,851	-	-	8,905,528
Buildings and building improvements	100,340,755	1,122,187	(32,300)	-	101,430,642
Furniture, fixtures, and equipment	2,389,704	299,616	(175,114)	-	2,514,206
Vehicles	5,540,273	72,492	(234,276)	-	5,378,489
Total capital assets being depreciated	<u>116,979,409</u>	<u>1,691,146</u>	<u>(441,690)</u>	<u>-</u>	<u>118,228,865</u>
Less accumulated depreciation:					
Land improvements	5,040,098	396,075	-	-	5,436,173
Buildings and building improvements	43,923,428	2,111,111	(32,300)	-	46,002,239
Furniture, fixtures, and equipment	1,655,093	160,895	(157,216)	-	1,658,772
Vehicles	4,130,557	247,246	(230,136)	-	4,147,667
Total accumulated depreciation	<u>54,749,176</u>	<u>2,915,327</u>	<u>(419,652)</u>	<u>-</u>	<u>57,244,851</u>
Total capital assets, net of depreciation	<u>\$ 65,024,085</u>	<u>\$ 1,003,762</u>	<u>\$ (1,325,492)</u>	<u>\$ -</u>	<u>\$ 64,702,355</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 2,541,867
Support services - students	5,463
Support services - instruction	1,413
School administration	2,807
Operation and maintenance of plant	49,685
Student transportation	307,041
Food services	7,051
Total depreciation	<u>\$ 2,915,327</u>

At June 30, 2018, the District had \$15,500,000 in construction commitments for the construction of a new elementary school.

The Schedule of Capital Assets Used by Source, and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 Long-Term Debt

During the year ended June 30, 2018 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance at 06/30/17	Additions	Deletions	Balance at 06/30/18	Due Within One Year
General Obligation Bonds	\$ 33,040,000	\$ 4,500,000	\$ 3,645,000	\$ 33,895,000	\$ 3,275,000
Compensated Absences	296,600	295,456	288,577	303,479	288,577
Total	\$ 33,336,600	\$ 4,795,456	\$ 3,933,577	\$ 34,198,479	\$ 3,563,577

Compensated Absences: Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased \$6,879 over the prior year accrual. See Note 1 for more details.

General Obligations Bonds: General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. As of June 30, 2018, all general obligation bonds are for governmental activities.

The District issued a refunding bond in the prior year to advance refund \$3,450,000 of the series 2008 bond with an interest rate of 2.00%. The remaining portion of the 2008 series bond in the amount of \$200,000 was paid by the District in August 2017. The District placed \$3,578,337 in escrow to refund the principal and interest on the outstanding bonds and interest until retired in August 2017. The difference between the net carry amount and the reacquisition price resulted in deferred interest cost of \$126,335 which have been recorded as deferred outflows of resources which will be amortized through 2022. The advance refunding reduced total debt service payments over the next 7 years by \$497,135. This results in an economic gain of \$416,972 and a 6.892% savings on the refunded debt.

The District issued a new bond in the amount of \$4,500,000 issued on 10/6/17 through the New Mexico Finance Authority (NMFA) with a variable interest rate which will range from 0.1% to 2.66%. The bond will mature on 8/1/31.

Bonds outstanding at June 30, 2018 are comprised of the following:

The annual requirements to amortize the General Obligation Bonds as of June 30, 2018, including interest payments are as follows:

	Series 2005 GO Bonds 3/29/2005	Series 2008 GO Bonds 12/2/2008	Series 2009 GO Bonds 12/2/2008
Original Issue	\$9,620,000	\$5,000,000	\$5,000,000
Maturity Date	8/1/2017	8/1/2022	8/1/2022
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	3.25% - 5.00%	4.00% - 5.00%	4.00% - 5.00%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 Long-Term Debt – (Continued)

	Series 2013 GO Bonds	Series 2014 GO Bonds	Series 2015 GO Bonds
Issue Date	<u>9/17/2013</u>	<u>12/30/2014</u>	<u>12/15/2015</u>
Original Issue	\$13,250,000	\$9,500,000	\$6,195,000
Maturity Date	8/1/2027	8/1/2026	8/1/2022
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	2.00%-4.00%	2.00%-3.00%	2.00%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb
	Series 2016A GO Bonds	Series 2016B GO Bonds	Series 2017 GO Bonds
Issue Date	<u>9/13/2016</u>	<u>9/13/2016</u>	<u>10/6/2017</u>
Original Issue	\$5,200,000	\$3,560,000	\$4,500,000
Maturity Date	8/1/2030	8/1/2022	10/6/2017
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	2.00%-2.75%	2.00%	0.1% - 2.66%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb

Fiscal Year Ending June 30,	Total General Obligation Bonds		Total Debt
	Principal	Interest	Service
2019	\$ 3,275,000	\$ 827,600	\$ 4,102,600
2020	3,350,000	747,812	4,097,812
2021	3,370,000	669,612	4,039,612
2022	3,210,000	600,818	3,810,818
2023	3,040,000	534,278	3,574,278
2024-2028	15,035,000	1,367,295	16,402,295
2029-2033	<u>2,615,000</u>	<u>82,560</u>	<u>2,697,560</u>
Totals	<u>\$ 33,895,000</u>	<u>\$ 4,829,974</u>	<u>\$ 38,724,974</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Operating Leases: The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

Deferred Costs, Deferred Gains, and Bond Premiums: In prior years, the District has issued bonds and refunding bonds which have resulted in premiums, deferred inflows, and deferred outflows being amortized over the life of those bonds. At June 30, 2018, deferred outflows have a balance of \$94,089; deferred inflows have a balance of \$279,886; and bond premiums have a balance of \$609,314.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 Unearned Revenue

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The following funds had unearned revenues at June 30, 2018:

Fund #	Special Revenue Funds:	Amount
24113	Education of the Homeless	\$ 883
24157	Safe & Drug Free Schools & Community	<u> 205</u>
	Total	<u><u>\$ 1,088</u></u>

NOTE 9 Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for faithful performance. A limit of \$250,000 applies to depositor's forgery, credit card forgery and money orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible. In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2018:

Fund #	Major Funds:	Amount
13000	Transportation	165,199
24101	Title I-IASA	411,693
Fund # Special Revenue Funds:		
22000	Athletics	197,216
24107	IDEA-B Discretionary	5,040
24109	IDEA-B Preschool	303
24118	Fresh Fruits and Vegetables	16,921
24132	IDEA-B Results Plan	26,299
24153	English Language Acquisition	32,952
24154	Teacher/Principal Training & Recruiting	134,023
24162	Title I School Improvement	10,296
24174	Carl D Perkins Secondary - Current	549
27107	2012 GO Bonds Student Library Fund (SB66)	112,463
27141	Truancy Initiative	373
27149	PreK Initiative	11,677
27166	Kindergarten - Three Plus	1,201
27183	NM Grown Fresh Fruits and Vegetables	581
28189	GRADS - Child Care	8,364
28190	GRADS - Instruction	17,707
Fund # Capital Projects Funds:		
31400	Special Capital Outlay - State	14,423
	Total	<u>\$ 1,167,280</u>

- B. Excess of expenditures over appropriations: The District had the following funds which reported expenditures over appropriations. See page 103 for additional information.

Fund #	Fund and Function	Amount
Major Funds:		
31701	Capital Improvements SB-9 (Local) - General Administration	\$ 29
41000	Debt Service - General Administration	999
Non-Major Funds:		
21000	Food Service - General Administration	111,449
22000	Athletics - Instruction	136,607
24109	IDEA-B PreSchool - Instruction	761
27149	Pre-K Initiative - Student Transportation	3,661
	Total	<u>\$ 253,506</u>

See page 103 for additional information on this issue.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10. Other Required Individual Fund Disclosures (Continued)

C. Three funds had designated cash appropriations in excess of available balances for the year ended June 30, 2018. See page 103 for additional information.

		Original	Actual	
		Cash Budget	Cash	Difference
25152	Title XIX Medicaid 0/2 Years	\$ 711,206	\$ 654,341	\$ (56,865)
31100	Bond Building	10,340,708	6,875,833	(3,464,875)
31701	Capital Improvements SB-9 (Local)	913,249	256,257	(656,992)
	Total	<u>\$ 913,249</u>	<u>\$ 256,257</u>	<u>\$ (656,992)</u>

See page 103 for additional information on this issue.

NOTE 11. General Information on the Pension Plan – Educational Retirement Act

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

The Plan is a cost-sharing, multiple-employer pension plan established to provide retirement and disability benefits for certified teachers and other employees of the state’s public schools, institutions of higher learning, and agencies providing educational programs. Additional tenets of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended. The Plan is considered a component unit of the State’s financial reporting entity. The ERA assigns the authority to establish and amend benefit provisions to a seven-member Board of Trustees (Board); the state legislature has authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions.

The Plan does not receive General Fund Appropriations from the State of New Mexico. All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employments, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, are required to be members of the Plan, unless specifically excluded.

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

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

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

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 General Information on the Pension Plan – Educational Retirement Act (Continued)

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

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

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

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

Benefit Options. The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is not continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

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

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NOTE 11 General Information on the Pension Plan – Educational Retirement Act (Continued)

As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions. For the fiscal years ended June 30, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule:

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase Over Prior Year</u>
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico legislature. For the fiscal years ended June 30, 2018 and 2017, the District paid employee and employer contributions of \$4,583,379 and \$5,074,603 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2018, the District reported a liability of \$82,241,887 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017, using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer’s portion was established as of the measurement date of June 30, 2017. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. June 30, 2017, the District’s proportion was 0.74002%, which was a decrease of 0.01351% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$9,077,243. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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NOTE 11 General Information on the Pension Plan – Educational Retirement Act (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net (Inflows) Outflows</u>
Differences between expected and actuarial experience	\$ 147,632	\$ (1,267,014)	\$ (1,119,382)
Changes of assumptions	24,008,023	-	24,008,023
Net difference between projected and actual earnings on pension plan investments	-	(11,282)	(11,282)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	(1,098,193)	(1,098,193)
District's contributions subsequent to the measurement date	<u>2,882,714</u>	<u>-</u>	<u>2,882,714</u>
Total	<u>\$ 27,038,369</u>	<u>\$ (2,376,489)</u>	<u>\$ 24,661,880</u>

Deferred outflows of resources of \$2,882,714 related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2019	\$ 8,077,253
2020	8,953,772
2021	5,425,341
2022	(677,200)
2023	-
Thereafter	-
Total	<u>\$ 21,779,166</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%										
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.										
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.										
Average of Expected Remaining Service Lives	<table border="0" style="margin-left: 20px;"> <tr> <td style="padding-right: 20px;">Fiscal Year</td> <td style="padding-right: 20px;"><u>2017</u></td> <td style="padding-right: 20px;"><u>2016</u></td> <td style="padding-right: 20px;"><u>2015</u></td> <td style="padding-right: 20px;"><u>2014</u></td> </tr> <tr> <td>Service life in years</td> <td style="text-align: center;">3.35</td> <td style="text-align: center;">3.77</td> <td style="text-align: center;">3.92</td> <td style="text-align: center;">3.88</td> </tr> </table>	Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	Service life in years	3.35	3.77	3.92	3.88
Fiscal Year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>							
Service life in years	3.35	3.77	3.92	3.88							
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, not set back. Generational mortality improvements with Scale BB from the table's base year of 2000.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p>										

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NOTE 11 General Information on the Pension Plan – Educational Retirement Act (Continued)

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	1.90% per year, compounded annually.
Payroll Growth	3.00% per year (with no allowance for membership growth).
Contribution Accumulation	The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balance in the past as well as future.
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
Total	100%	7.25%

Discount rate: A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the

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NOTE 11 General Information on the Pension Plan – Educational Retirement Act (Continued)

plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90%) or 1-percentage-point higher (6.90%) than the current rate:

1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
\$ 107,058,485	\$ 82,241,887	\$ 61,956,338

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

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2018 the contributions due and payable by the District were \$986,320 which were paid subsequent to year end.

NOTE 12 Post-Employment Benefits – State Retiree Health Care Act

Plan Description: Employees of the District are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided: The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms – At June 30, 2017, the Fund’s measurement date, the following employees were covered by the benefit terms:

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NOTE 12 Post-Employment Benefits – State Retiree Health Care Act (Continued)

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
Total	<u><u>160,035</u></u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
Total	<u><u>97,349</u></u>

Contributions - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the District were \$573,676 for the year ended June 30, 2018.

At June 30, 2018, the District reported a liability of \$22,362,447 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017, the District's proportion was 0.49347%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$474,322. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actual experience	\$ -	\$ (858,152)	\$ (858,152)
Changes of assumptions	-	(3,909,789)	(3,909,789)
Net difference between projected and actual earnings on pension plan investments	-	(321,699)	(321,699)
District's contributions subsequent to the measurement date	<u>414,734</u>	<u>-</u>	<u>414,734</u>
Total	<u><u>\$ 414,734</u></u>	<u><u>\$ (5,089,640)</u></u>	<u><u>\$ (4,674,906)</u></u>

Deferred outflows of resources totaling \$414,734 represent the District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

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NOTE 12 Post-Employment Benefits – State Retiree Health Care Act (Continued)

Year ended June 30,

2019	\$ (1,082,093)
2020	(1,082,093)
2021	(1,082,093)
2022	(1,082,093)
2023	(761,268)
Thereafter	-
Total	<u><u>\$ (5,089,640)</u></u>

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis.
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB, 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

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NOTE 12 Post-Employment Benefits – State Retiree Health Care Act (Continued)

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

Discount Rate: The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates: The following presents the net OPEB liability of the School, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

<u>1% Decrease (2.81%)</u>	<u>Current Discount Rate (3.81%)</u>	<u>1% Increase (4.81%)</u>
\$ 27,125,300	\$ 22,362,447	\$ 18,625,561

The following presents the net OPEB liability of the District, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 19,020,801	\$ 22,362,447	\$ 24,968,104

OPEB plan fiduciary net position: Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

Payable changes in the net OPEB liability: At June 30, 2018, the District reported a payable of \$123,400 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 Unavailable Revenues

The District had \$2,223,853 in unavailable revenues from uncollected taxes and \$501,229 from grant revenues. As such, the amounts are recorded as a receivable and a deferred inflows of resources in the funds statements; however, for the government-wide statements the amounts are recorded as a receivable and a revenue at June 30, 2018.

NOTE 14 Contingent Liabilities

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

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

NOTE 15 Concentrations

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

NOTE 16 Tax Abatement Disclosures

GASB Statement No. 77 requires government agencies to identify any tax abatement agreements that affect the government agency and disclose the amount of tax which was abated. The Valencia County Assessor responded to our request for any tax abatements that may affect the District in the affirmative that there was a payment-in-lieu-of-taxes (PILOT). However, the county could not provide us with any details regarding the PILOT and what effect it had or did not have on the District or what entity it related to. Additionally, the District is unaware of any PILOT and received no payments directly from an outside company. As such, we are unable to provide any details regarding the PILOT and if a PILOT actually exists for the District.

NOTE 17 Subsequent Accounting Standard Pronouncements

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

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NOTE 17 **Subsequent Accounting Standard Pronouncements (Continued)**

In June 2017, GASB Statement No. 87 *Leases*, was issued. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* was issued. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In August 2018, GASB Statement No. 90 *Majority Equity Interests – An Amendment of GASB Statement No. 14 and No. 61*, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 Restatement – Change in Accounting Principle

During the year ended June 30, 2018, there was a restatement in the District's financial statements due to the implementation of GASB 75 resulting in a reduction in net position in the amount of \$26,563,031. This includes the District's proportionate share of the beginning net OPEB liability of \$26,986,714 less the 2017 contributions to the pension plan in the amount of \$423,683.

NOTE 19 Subsequent Events

A review of subsequent events through November 6, 2018, the date the financial statements were available to be issued, indicated nothing of audit significance.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT ACT (ERA) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2018

Schedule I

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net Pension Liability (NPL)	District's Proportionate Share of the NPL	District's Covered- Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	2017	0.74002%	\$ 82,241,887	\$ 21,023,949	391.18%	52.95%
2017	2016	0.75353%	\$ 54,227,286	\$ 21,484,867	252.40%	61.58%
2016	2015	0.75889%	\$ 49,155,326	\$ 21,417,573	229.51%	63.97%
2015	2014	0.77807%	\$ 44,394,571	\$ 21,332,232	208.11%	66.54%

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF PENSION CONTRIBUTIONS
EDUCATIONAL RETIREMENT ACT (ERA) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2018

Schedule II

Fiscal Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2018	\$ 2,882,714	\$ 2,882,714	\$ -	\$ 20,723,010	13.91%
2017	\$ 2,927,723	\$ 2,927,723	\$ -	\$ 21,023,949	13.93%
2016	\$ 2,990,306	\$ 2,990,306	\$ -	\$ 21,484,867	13.92%
2015	\$ 2,997,372	\$ 2,997,372	\$ -	\$ 21,417,573	13.99%

* Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
JUNE 30, 2018

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, The Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET OTHER POST-EMPLOYMENT BENEFITS (OPEB)
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS*
JUNE 30, 2018

Fiscal Year Ended June 30,	Measurement Date - Year Ended June 30,	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	2017	0.49347%	\$ 22,362,447	\$ 21,184,237	105.56%	11.34%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10 year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS
 RETIREE HEALTH CARE AUTHORITY (RHCA)
 LAST 10 FISCAL YEARS*
 JUNE 30, 2018

Schedule IV

Fiscal Year Ended June 30,	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	District's covered- employee payroll	Contributions as a percentage of covered- employee payroll
2018	414,734	\$ 414,734	\$ -	\$ 20,736,700	2.00%

* Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2018, the year the statement's requirements became effective.

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Statement A-1

	Special Revenue	Capital Projects	Total
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ 3,259,657	\$ 1,310,119	\$ 4,569,776
Accounts receivable			
Taxes	-	517,325	517,325
Due from other governments	1,163,910	-	1,163,910
Interfund receivables	-	-	-
Other	-	-	-
Inventory	97,282	-	97,282
	<u>\$ 4,520,849</u>	<u>\$ 1,827,444</u>	<u>\$ 6,348,293</u>
<i>Total assets</i>			
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	\$ 719	\$ 16,485	\$ 17,204
Accrued payroll liabilities	357,986	-	357,986
Interfund payables	1,608,918	14,424	1,623,342
Unearned revenue	1,088	-	1,088
	<u>1,968,711</u>	<u>30,909</u>	<u>1,999,620</u>
<i>Total liabilities</i>			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	-	467,480	467,480
Unavailable revenues - other	123,653	-	123,653
	<u>123,653</u>	<u>467,480</u>	<u>591,133</u>
<i>Total deferred inflows of resources</i>			
FUND BALANCES			
Nonspendable	97,282	-	97,282
Restricted for:			
Grant mandates	1,393,579	-	1,393,579
Capital projects	-	968,819	968,819
Debt service	-	-	-
Assigned	1,513,589	374,659	1,888,248
Unassigned	(575,965)	(14,423)	(590,388)
	<u>2,428,485</u>	<u>1,329,055</u>	<u>3,757,540</u>
<i>Total fund balances</i>			
<i>Total liabilities, deferred inflows of resources, and fund balances</i>			
	<u>\$ 4,520,849</u>	<u>\$ 1,827,444</u>	<u>\$ 6,348,293</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Statement A-2

	Special Revenue	Capital Projects	Total
<i>Revenues:</i>			
Property taxes	\$ -	\$ 1,222,050	\$ 1,222,050
State grants	1,140,163	247,260	1,387,423
Federal grants	4,359,771	-	4,359,771
Miscellaneous	110	-	110
Charges for services	247,152	-	247,152
Investment Income	286	88	374
<i>Total revenues</i>	<u>5,747,482</u>	<u>1,469,398</u>	<u>7,216,880</u>
<i>Expenditures:</i>			
<i>Current:</i>			
Instruction	1,832,390	-	1,832,390
Support services			
Students	888,135	-	888,135
Instruction	83,246	-	83,246
General administration	213,386	12,153	225,539
School administration	2,171	-	2,171
Central services	2,403	-	2,403
Operation & maintenance of plant	155	-	155
Student transportation	38,959	-	38,959
Other support services	-	-	-
Food services operations	2,871,666	-	2,871,666
Community service	-	-	-
Capital outlay	-	1,376,830	1,376,830
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>5,932,511</u>	<u>1,388,983</u>	<u>7,321,494</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(185,029)</u>	<u>80,415</u>	<u>(104,614)</u>
<i>Other financing sources (uses):</i>			
Proceeds from bond issues	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(185,029)	80,415	(104,614)
<i>Fund balances - beginning of year</i>	<u>2,613,514</u>	<u>1,248,640</u>	<u>3,862,154</u>
<i>Fund balances - end of year</i>	<u>\$ 2,428,485</u>	<u>\$ 1,329,055</u>	<u>\$ 3,757,540</u>

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

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SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2018

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. Special Revenue Funds include:

Food Services (21000) – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

IDEA-B Entitlement (24106) – To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420. No minimum balance required according to legislation.

IDEA-B Discretionary (24107) – To provide grants to states that flow-through to schools to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420. No minimum balance required according to legislation.

IDEA-B Preschool (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

Education of the Homeless (24113) – To provide tutoring and remedial academic services to homeless children and youth within the District. Funding and authorization are by the McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B. No minimum balance required according to legislation.

Fresh Fruits and Vegetables (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769. No minimum balance required according to legislation.

IDEA-B Results Plan (24132) – This account is to support the individual school site's Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is the NMPED. No minimum balance required according to legislation.

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. No minimum balance required according to legislation.

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. No minimum balance required according to legislation.

Safe & Drug Free Schools & Community (24157) – To establish a local program of alcohol and drug abuse education and prevention coordinated with related community efforts and resources. Authorized by the Elementary and Secondary Education Act, Title IV, Part A Subpart 1, as amended. 20 U.S.C. 7111-7118. No minimum balance required according to legislation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2018

Title I School Improvement (24162) – To account for funds used to provide financial assistance to districts to purchase and install educational materials and systems to help improve the quality of teaching and learning in their schools. (Authority: PL 100-297) No minimum balance required according to legislation.

Reading First (24167) – To account for federal resources administered by the New Mexico Public Education Department for a comprehensive reading approach which will incorporate research-based materials, intensive and systematic on-site professional development and an assessment-teaching-learning cycle that feeds assessment data into dynamic instructional decision-making (Authority: P.L. 100-297) No minimum balance required according to legislation.

Carl D Perkins Secondary – Current (24174) – To account for federal funds to provide vocational and technical education for secondary education. (Authority: P.L. 105-332). No minimum balance required according to legislation.

Carl D Perkins Secondary – Redistribution (24176) – Redistribution for the program as described above in (24174). (Authority: P.L. 105-332). No minimum balance required according to legislation.

Student Support and Academic Enrichment (24189) – To account for a Federal grant – Title IV Student Support and Academic Enrichment Grants – awarded through the Public Education Department. Authorized by the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

GRADS Child Care CYFD (25149) – To account for a Public Education Department grant through Children, Youth, and Families Department to provide for the maintenance and expansion of the teen parent programs. Authorized by the School Board and the New Mexico Public Education Department.

Title XIX Medicaid 0/2 Years (25152) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. (Authorization: P.L. 105-33) No minimum balance required according to legislation.

Child Care Block Grant (25157) – To account for funds received for the transition assistance program funding through the Children, Youth and Families Department and the State of New Mexico. Authorized by the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

TANF/GRADS (25162) – To assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193.

Dual Credit Instructional Materials (27103) – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school. No minimum balance required according to legislation.

2012 GO Bonds Student Library Fund (SB66) (27107) – Funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute. No minimum balance required according to legislation.

New Mexico Reads to Lead K-3 Reading Initiative (27114) – The purpose of this grant is to provide funding for reading initiative activities for grades K-3. Funds accounted for in this fund are received from the State of New Mexico. The authority for creation of this fund is the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

Technology for Education PED (27117) – The purpose of this grant is to assist the District to develop and implement a strategic, long-term plan for utilizing educational technology in the school system. Funds accounted for in this fund are received from the State of New Mexico. The authority for creation of this fund is NMSA 22-15A-1 to 22-15A-10. No minimum balance required according to legislation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2018

Recruitment Support Fund (27128) – To account for monies received to help districts offset the costs of teacher recruiting costs. No minimum balance required according to legislation.

Truancy Initiative PED (27141) – To account for monies received to help students who are truant from school to be required to perform community service rather than being suspended from school. No minimum balance required according to legislation. No minimum balance required according to legislation.

PreK Initiative (27149) – The Pre-K Initiative program provides high-quality early childhood services (in accordance with the NM Pre-K standards) to four year old children in need. Authorized through 32A-23-1 NMSA 1978. No minimum balance required according to legislation.

Beginning Teacher Mentoring Program (27154) – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority from creation of this fund is NMSA 22-2-8-10.

Breakfast for Elementary Students (27155) – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation. No minimum balance required according to legislation.

Kindergarten – Three Plus (27166) – In 2007, Representative Mimi Stewart sponsored House Bill 198 to establish a fund to allow New Mexico public schools and districts to develop a six year pilot project that extends to the school year for kindergarten through third grade by up to two months for participating students to measure the effect of additional time on literacy, numeric and social skills development. No minimum balance required according to legislation.

After School and Summer Enrichment Program (27168) – The purpose of this award is to create learning centers that will provide students with a broad range of exceptional, school-linked learning and developmental opportunities, designed to complement the students' regular academic program. Funding for this program is provided through the New Mexico Public Education Department, Special Appropriation Fund. No minimum balance required according to legislation.

NM Grown Fresh Fruits and Vegetables (27183) – To account for funds provided by New Mexico Public Education Department to purchase New Mexico locally grown fresh fruits and vegetables for school meal programs. No minimum balance required according to legislation.

School Library Material Fund FY 08 (27549) – Funds awarded to the District by the Instructional Materials Bureau in accordance with 2008 Senate Bill 471 for purchases of library books. Authorized by the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

GRADS – Child Care (28189) – Partially fund the salary and benefits for a teacher participating in the GRADS program. Authority for the creation of this fund is the New Mexico Public Education Department. No minimum balance required according to legislation.

GRADS – Instruction (28190) – To assist in the cost for caps and gowns for students who are graduating. Authority for the creation of this fund is the New Mexico Public Education Department. No minimum balance required according to legislation.

GRADS Plus (28203) – To account for funds provided through the New Mexico Public Education Department to assist with support for high school mothers and mothers-to-be. No minimum balance required according to legislation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Discretionary 24107
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1,843,986	\$ -	\$ 128,530	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	673,054	-
Interfund receivables	-	-	-	-
Inventory	97,282	-	-	-
<i>Total assets</i>	<u>\$ 1,941,268</u>	<u>\$ -</u>	<u>\$ 801,584</u>	<u>\$ -</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	134,199	26	126,983	-
Interfund payables	-	197,190	672,097	5,040
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>134,199</u>	<u>197,216</u>	<u>799,080</u>	<u>5,040</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	97,282	-	-	-
Restricted for:				
Grant mandates	268,622	-	2,504	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	1,441,165	-	-	-
Unassigned	-	(197,216)	-	(5,040)
<i>Total fund balances</i>	<u>1,807,069</u>	<u>(197,216)</u>	<u>2,504</u>	<u>(5,040)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,941,268</u>	<u>\$ -</u>	<u>\$ 801,584</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	IDEA-B Preschool 24109	Education of the Homeless 24113	Fresh Fruits and Vegetables 24118	IDEA-B Results Plan 24132
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1	\$ 883	\$ -	\$ 1,223
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	2,824	41,845	76,106
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 1</u>	<u>\$ 3,707</u>	<u>\$ 41,845</u>	<u>\$ 77,329</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	1,223
Interfund payables	304	2,824	58,766	102,405
Unearned revenue	-	883	-	-
<i>Total liabilities</i>	<u>304</u>	<u>3,707</u>	<u>58,766</u>	<u>103,628</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	(303)	-	(16,921)	(26,299)
<i>Total fund balances</i>	<u>(303)</u>	<u>-</u>	<u>(16,921)</u>	<u>(26,299)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1</u>	<u>\$ 3,707</u>	<u>\$ 41,845</u>	<u>\$ 77,329</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	English Language Acquisition 24153	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Community 24157	Title I School Improvement 24162
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 2	\$ 18,628	\$ 205	\$ 376
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	12,000	123,653	-	7,638
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	\$ 12,002	\$ 142,281	\$ 205	\$ 8,014
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	18,307	-	376
Interfund payables	44,954	134,344	-	17,934
Unearned revenue	-	-	205	-
<i>Total liabilities</i>	44,954	152,651	205	18,310
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	123,653	-	-
<i>Total deferred inflows of resources</i>	-	123,653	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	(32,952)	(134,023)	-	(10,296)
<i>Total fund balances</i>	(32,952)	(134,023)	-	(10,296)
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 12,002	\$ 142,281	\$ 205	\$ 8,014

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Reading First 24167	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary - Redistribution 24176	Student Support and Academic Enrichment 24189
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 1,869	\$ -	\$ 1,159
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	26,395
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ -</u>	<u>\$ 27,554</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	1,159
Interfund payables	-	2,418	-	26,395
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>2,418</u>	<u>-</u>	<u>27,554</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(549)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(549)</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ -</u>	<u>\$ 27,554</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	GRADS Childcare CYFD 25149	Title XIX Medicaid 0/2 Years 25152	Child Care Block Grant 25157	TANF/GRADS HSD 25162
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 804,392	\$ 182,541	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	53,318	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 857,710</u>	<u>\$ 182,541</u>	<u>\$ -</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ 719	\$ -	\$ -
Accrued payroll liabilities	-	38,604	344	-
Interfund payables	-	53,600	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>92,923</u>	<u>344</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	693,231	182,197	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	71,556	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>764,787</u>	<u>182,197</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 857,710</u>	<u>\$ 182,541</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Dual Credit Instructional Materials 27103	2012 GO Bonds Student Library Fund (SB66) 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114	Technology for Education PED 27117
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 3,133	\$ -	\$ 1,055	\$ 1,314
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	\$ 3,133	\$ -	\$ 1,055	\$ 1,314
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	112,463	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	-	112,463	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	3,133	-	1,055	1,314
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(112,463)	-	-
<i>Total fund balances</i>	3,133	(112,463)	1,055	1,314
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 3,133	\$ -	\$ 1,055	\$ 1,314

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Recruitment Support Fund 27128	Truancy Initiative PED 27141	PreK Initiative 27149	Beginning Teacher Mentoring Program 27154
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 27,003	\$ -	\$ 6,629
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	2,403	80,956	5,483	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 2,403</u>	<u>\$ 107,959</u>	<u>\$ 5,483</u>	<u>\$ 6,629</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	26,941	9,824	-
Interfund payables	2,403	81,391	7,336	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>2,403</u>	<u>108,332</u>	<u>17,160</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	6,629
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(373)	(11,677)	-
<i>Total fund balances</i>	<u>-</u>	<u>(373)</u>	<u>(11,677)</u>	<u>6,629</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,403</u>	<u>\$ 107,959</u>	<u>\$ 5,483</u>	<u>\$ 6,629</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	After School and Summer Enrichment Program 27168	NM Grown Fresh Fruits and Vegetables 27183
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 64,602	\$ 1	\$ 158,025	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	35,265	1,139	21,831	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 99,867</u>	<u>\$ 1,140</u>	<u>\$ 179,856</u>	<u>\$ -</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	35,265	2,341	21,831	581
Unearned revenue	-	-	-	-
	<u>35,265</u>	<u>2,341</u>	<u>21,831</u>	<u>581</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	64,602	-	158,025	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(1,201)	-	(581)
	<u>64,602</u>	<u>(1,201)</u>	<u>158,025</u>	<u>(581)</u>
<i>Total fund balances</i>				
	<u>64,602</u>	<u>(1,201)</u>	<u>158,025</u>	<u>(581)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 99,867</u>	<u>\$ 1,140</u>	<u>\$ 179,856</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	School Library Material Fund FY 08 27549	GRADS - Child Care 28189	GRADS - Instruction 28190	GRADS Plus 28203
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 6,452	\$ -	\$ 965	\$ 6,683
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 6,452</u>	<u>\$ -</u>	<u>\$ 965</u>	<u>\$ 6,683</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	8,364	18,672	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>8,364</u>	<u>18,672</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	-	-
Unavailable revenues - other	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	6,452	-	-	5,815
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	868
Unassigned	-	(8,364)	(17,707)	-
<i>Total fund balances</i>	<u>6,452</u>	<u>(8,364)</u>	<u>(17,707)</u>	<u>6,683</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 6,452</u>	<u>\$ -</u>	<u>\$ 965</u>	<u>\$ 6,683</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

Statement B-1

	Total
ASSETS	
<i>Current assets:</i>	
Cash and temporary investments	\$ 3,259,657
Accounts receivable	-
Taxes	-
Due from other governments	1,163,910
Interfund receivables	-
Inventory	97,282
<i>Total assets</i>	\$ 4,520,849
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 719
Accrued payroll liabilities	357,986
Interfund payables	1,608,918
Unearned revenue	1,088
<i>Total liabilities</i>	1,968,711
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	-
Unavailable revenues - other	123,653
<i>Total deferred inflows of resources</i>	123,653
FUND BALANCES	
Nonspendable	97,282
Restricted for:	
Grant mandates	1,393,579
Capital projects	-
Debt service	-
Assigned	1,513,589
Unassigned	(575,965)
<i>Total fund balances</i>	2,428,485
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 4,520,849

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Discretionary 24107
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	577,284	-	-	-
Federal grants	1,905,735	-	1,118,834	-
Miscellaneous	-	110	-	-
Charges for services	106,678	140,474	-	-
Investment Income	285	1	-	-
<i>Total revenues</i>	<u>2,589,982</u>	<u>140,585</u>	<u>1,118,834</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	141,407	880,878	-
Support services				
Students	-	-	75,093	-
Instruction	-	-	80,369	-
General administration	111,449	-	40,652	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	27,208	-
Other support services	-	-	-	-
Food services operations	2,649,177	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,760,626</u>	<u>141,407</u>	<u>1,104,200</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(170,644)</u>	<u>(822)</u>	<u>14,634</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(170,644)	(822)	14,634	-
<i>Fund balances - beginning of year</i>	<u>1,977,713</u>	<u>(196,394)</u>	<u>(12,130)</u>	<u>(5,040)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,807,069</u>	<u>\$ (197,216)</u>	<u>\$ 2,504</u>	<u>\$ (5,040)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	IDEA-B Preschool 24109	Education of the Homeless 24113	Fresh Fruits and Vegetables 24118	IDEA-B Results Plan 24132
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	17,707	14,892	134,949	138,840
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>17,707</u>	<u>14,892</u>	<u>134,949</u>	<u>138,840</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	17,707	3,703	-	138,183
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	134,949	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>17,707</u>	<u>3,703</u>	<u>134,949</u>	<u>138,183</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>11,189</u>	<u>-</u>	<u>657</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	11,189	-	657
<i>Fund balances - beginning of year</i>	<u>(303)</u>	<u>(11,189)</u>	<u>(16,921)</u>	<u>(26,956)</u>
<i>Fund balances - end of year</i>	<u>\$ (303)</u>	<u>\$ -</u>	<u>\$ (16,921)</u>	<u>\$ (26,299)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	English Language Acquisition 24153	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Community 24157	Title I School Improvement 24162
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	28,193	185,265	-	19,279
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>28,193</u>	<u>185,265</u>	<u>-</u>	<u>19,279</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	27,477	298,519	-	19,279
Support services				
Students	-	632	-	-
Instruction	-	2,200	-	-
General administration	715	7,247	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>28,192</u>	<u>308,598</u>	<u>-</u>	<u>19,279</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>1</u>	<u>(123,333)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	1	(123,333)	-	-
<i>Fund balances - beginning of year</i>	<u>(32,953)</u>	<u>(10,690)</u>	<u>-</u>	<u>(10,296)</u>
<i>Fund balances - end of year</i>	<u>\$ (32,952)</u>	<u>\$ (134,023)</u>	<u>\$ -</u>	<u>\$ (10,296)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Reading First 24167	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary - Redistribution 24176	Student Support and Academic Enrichment 24189
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	12,138	13,162	2,218	26,395
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>12,138</u>	<u>13,162</u>	<u>2,218</u>	<u>26,395</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	1,698	-
Support services				
Students	-	-	-	26,395
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	259	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>1,957</u>	<u>26,395</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>12,138</u>	<u>13,162</u>	<u>261</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	12,138	13,162	261	-
<i>Fund balances - beginning of year</i>	<u>(12,138)</u>	<u>(13,711)</u>	<u>(261)</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (549)</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	GRADS Childcare CYFD 25149	Title XIX Medicaid 0/2 Years 25152	Child Care Block Grant 25157	TANF/GRADS HSD 25162
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	3,000	722,082	11,416	5,666
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>3,000</u>	<u>722,082</u>	<u>11,416</u>	<u>5,666</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	20,124	8,835	-
Support services				
Students	-	595,288	-	-
Instruction	-	677	-	-
General administration	-	43,777	-	-
School administration	-	1,912	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	155	-	-
Student transportation	-	2,692	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>664,625</u>	<u>8,835</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>3,000</u>	<u>57,457</u>	<u>2,581</u>	<u>5,666</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	3,000	57,457	2,581	5,666
<i>Fund balances - beginning of year</i>	<u>(3,000)</u>	<u>707,330</u>	<u>179,616</u>	<u>(5,666)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 764,787</u>	<u>\$ 182,197</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Dual Credit Instructional Materials 27103	2012 GO Bonds Student Library Fund (SB66) 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114	Technology for Education PED 27117
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	8,794	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>8,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	8,794	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>3,133</u>	<u>(112,463)</u>	<u>1,055</u>	<u>1,314</u>
<i>Fund balances - end of year</i>	<u>\$ 3,133</u>	<u>\$ (112,463)</u>	<u>\$ 1,055</u>	<u>\$ 1,314</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Recruitment Support Fund 27128	Truancy Initiative PED 27141	PreK Initiative 27149	Beginning Teacher Mentoring Program 27154
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	2,403	192,788	78,049	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>2,403</u>	<u>192,788</u>	<u>78,049</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	86,629	-
Support services				
Students	-	190,727	-	-
Instruction	-	-	-	-
General administration	-	-	633	-
School administration	-	-	-	-
Central services	2,403	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	1,825	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,403</u>	<u>190,727</u>	<u>89,087</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>2,061</u>	<u>(11,038)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	2,061	(11,038)	-
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(2,434)</u>	<u>(639)</u>	<u>6,629</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (373)</u>	<u>\$ (11,677)</u>	<u>\$ 6,629</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	After School and Summer Enrichment Program 27168	NM Grown Fresh Fruits and Vegetables 27183
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	87,540	147,771	45,534	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>87,540</u>	<u>147,771</u>	<u>45,534</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	140,536	36,621	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	8,913	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	7,234	-	-
Other support services	-	-	-	-
Food services operations	87,540	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>87,540</u>	<u>147,770</u>	<u>45,534</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	1	-	-
<i>Fund balances - beginning of year</i>	<u>64,602</u>	<u>(1,202)</u>	<u>158,025</u>	<u>(581)</u>
<i>Fund balances - end of year</i>	<u>\$ 64,602</u>	<u>\$ (1,201)</u>	<u>\$ 158,025</u>	<u>\$ (581)</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	School Library Material Fund FY 08 27549	GRADS - Child Care 28189	GRADS - Instruction 28190	GRADS Plus 28203
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	2,000	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	(2,000)	-
<i>Fund balances - beginning of year</i>	<u>6,452</u>	<u>(8,364)</u>	<u>(15,707)</u>	<u>6,683</u>
<i>Fund balances - end of year</i>	<u>\$ 6,452</u>	<u>\$ (8,364)</u>	<u>\$ (17,707)</u>	<u>\$ 6,683</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Total
<i>Revenues:</i>	
Property taxes	\$ -
State grants	1,140,163
Federal grants	4,359,771
Miscellaneous	110
Charges for services	247,152
Investment Income	286
<i>Total revenues</i>	5,747,482
<i>Expenditures:</i>	
<i>Current:</i>	
Instruction	1,832,390
Support services	
Students	888,135
Instruction	83,246
General administration	213,386
School administration	2,171
Central services	2,403
Operation & maintenance of plant	155
Student transportation	38,959
Other support services	-
Food services operations	2,871,666
Community service	-
Capital outlay	-
Debt service	
Principal	-
Interest	-
<i>Total expenditures</i>	5,932,511
<i>Excess (deficiency) of revenues</i>	
<i>over (under) expenditures</i>	(185,029)
<i>Other financing sources (uses):</i>	
Operating transfers	-
<i>Total other financing sources (uses)</i>	-
<i>Net changes in fund balances</i>	(185,029)
<i>Fund balances - beginning of year</i>	2,613,514
<i>Fund balances - end of year</i>	\$ 2,428,485

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

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CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
CAPITAL PROJECTS FUNDS DESCRIPTION
JUNE 30, 2018

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Public School Capital Outlay (31400) – The purpose of this fund is to account for funding provided to the District the State of New Mexico for capital improvement projects approved by the Public School Capital Outlay Council. Funding is authorized by NMAC 6.20.2 through the New Mexico Public Education Department. No minimum balance required according to legislation.

Special Capital Outlay – State (31400) – The purpose of this fund is to account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996. No minimum balance required according to legislation.

Capital Improvements SB-9 (State Match) (31700) – The purpose of this fund is to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978). No minimum balance required according to legislation.

Capital Improvements SB-9 (Local) (31701) – The purpose of this fund is to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978). No minimum balance required according to legislation.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

Statement C-1

	Public School Capital Outlay 31200	Special Capital Outlay - State 31400	Capital Improvements SB-9 (State Match) 31700	Capital Improvements SB-9 (Local) 31701	Total
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ -	\$ -	\$ 968,820	\$ 341,299	\$ 1,310,119
Accounts receivable					
Taxes	-	-	-	517,325	517,325
Due from other governments	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,820</u>	<u>\$ 858,624</u>	<u>\$ 1,827,444</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ 16,485	\$ 16,485
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	14,423	1	-	14,424
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>14,423</u>	<u>1</u>	<u>16,485</u>	<u>30,909</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	467,480	467,480
Unavailable revenues - other	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>467,480</u>	<u>467,480</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	-	-	-	-	-
Capital projects	-	-	968,819	-	968,819
Debt service	-	-	-	-	-
Assigned	-	-	-	374,659	374,659
Unassigned	-	(14,423)	-	-	(14,423)
<i>Total fund balances</i>	<u>-</u>	<u>(14,423)</u>	<u>968,819</u>	<u>374,659</u>	<u>1,329,055</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 968,820</u>	<u>\$ 858,624</u>	<u>\$ 1,827,444</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Public School Capital Outlay 31200	Special Capital Outlay - State 31400	Capital Improvements SB-9 (State Match) 31700	Capital Improvements SB-9 (Local) 31701	Total
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ 1,222,050	\$ 1,222,050
State grants	247,260	-	-	-	247,260
Federal grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Charges for services					
Investment Income	-	-	-	88	88
<i>Total revenues</i>	<u>247,260</u>	<u>-</u>	<u>-</u>	<u>1,222,138</u>	<u>1,469,398</u>
<i>Expenditures:</i>					
<i>Current:</i>					
Instruction	-	-	-	-	-
Support services					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General administration	-	-	-	12,153	12,153
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Food services operations	-	-	-	-	-
Community service	-	-	-	-	-
Capital outlay	247,260	-	-	1,129,570	1,376,830
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>247,260</u>	<u>-</u>	<u>-</u>	<u>1,141,723</u>	<u>1,388,983</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,415</u>	<u>80,415</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	80,415	80,415
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>(14,423)</u>	<u>968,819</u>	<u>294,244</u>	<u>1,248,640</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (14,423)</u>	<u>\$ 968,819</u>	<u>\$ 374,659</u>	<u>\$ 1,329,055</u>

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

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OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2018

Schedule V

	Balance June 30, 2017	Additions	Deletions	Adjustments	Balance June 30, 2018
Belen High School	\$ 197,236	\$ 205,072	\$ 175,044	\$ -	\$ 227,264
Belen Middle School	44,626	30,850	36,720	-	38,756
Central Elementary	7,773	16,071	18,507	-	5,337
Dennis Chavez Elementary	7,431	12,641	15,770	-	4,302
Gil Sanchez Elementary	11,323	24,830	28,426	-	7,727
Jaramillo Elementary	26,405	25,172	22,201	-	29,376
La Merced Elementary	28,650	47,451	50,303	-	25,798
La Promesa Elementary	6,091	13,061	15,240	-	3,912
Rio Grande Elementary	3,494	22,914	23,287	-	3,121
Infinity High School	7,559	2,530	647	-	9,442
Logsdon Middle School	4,769	-	-	-	4,769
Family School	2,789	3,782	1,181	-	5,390
Administration	46,368	24,187	27,562	-	42,993
Total	\$ 394,514	\$ 428,561	\$ 414,888	\$ -	\$ 408,187

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF PLEDGED COLLATERAL
FOR THE YEAR ENDED JUNE 30, 2018

Schedule VI

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2018</u>
US Bank:				
	FHLB Letter of Credit	7/2/2018		\$ 6,414,652
Total US Bank				<u>\$ 6,414,652</u>
The securities are held, not in the District's name, at:				
FHLB Cincinnati				
221 East Fourth Street				
Suite 600				
Cincinnati, OH 45202				
Wells Fargo Bank				
	FNMA FNMS	5/1/2036	3138WG2Y9	\$ 2,854,612
	FNMA FNMS	3/1/2043	3138WMXJ5	10,429
Total Wells Fargo Bank				<u>\$ 2,865,041</u>

The securities are held, not in the District's name, at:

BNY Mellon
 Broker/Dealer Services
 One Wall Street, Fourth Floor
 New York, NY 10286

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2018

Schedule VII

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
US Bank						
Federal Programs	Checking	\$ 31,818	\$ -	\$ -	\$ -	\$ 31,818
Student Nutrition	Checking	2,195,999	-	-	-	2,195,999
Capital Projects	Checking	4,817,873	-	-	-	4,817,873
Capital Improvement	Checking	698,533	-	-	-	698,533
Athletics	Checking	6,521	-	-	-	6,521
Debt Service	Checking	5,039,522	-	-	-	5,039,522
Activity Fund	Checking	289,037	1,325	(83)	-	290,281
Accounts Payable Clearing	Checking	-	-	-	-	-
Payroll Clearing	Checking	-	-	-	-	-
Total US Bank		<u>\$ 13,079,303</u>	<u>\$ 1,325</u>	<u>\$ (83)</u>	<u>\$ -</u>	<u>\$ 13,080,547</u>
Wells Fargo Bank N.A.						
Operational	Checking	\$ 3,391,759	\$ -	\$ -	\$ -	\$ 3,391,759
Accounts Payable Clearing	Checking	335,540	-	(420,775)	-	(85,235)
Payroll Clearing	Checking	1,275,788	-	(3,496,096)	3,210,312	990,004
Total Wells Fargo Bank		<u>\$ 5,003,087</u>	<u>\$ -</u>	<u>\$ (3,916,871)</u>	<u>\$ 3,210,312</u>	<u>\$ 4,296,528</u>
Bank of Albuquerque						
Construction	Trust	\$ 4,542,820	\$ -	\$ -	\$ -	\$ 4,542,820
Total Bank of Albuquerque		<u>\$ 4,542,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,542,820</u>
Total		<u>\$ 22,625,210</u>	<u>\$ 1,325</u>	<u>\$ (3,916,954)</u>	<u>\$ 3,210,312</u>	<u>\$ 21,919,895</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Exhibit A-1						21,511,708
Fiduciary funds - Exhibit D-1						408,187
Total						<u>\$ 21,919,895</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
CASH RECONCILIATION
JUNE 30, 2018

Schedule VIII

Primary Government

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Cash, June 30, 2017	\$ 1,880,685	\$ (167,831)	\$ 268,681	\$ 1,812,873
Add:				
Current year revenues	30,909,027	1,491,952	124,170	2,491,029
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	167,832	-	-
Total cash available	32,789,712	1,491,953	392,851	4,303,902
Less:				
Current year expenditures	(29,143,031)	(1,353,468)	(101,725)	(2,459,916)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	(2,446,335)	-	-	-
Cash, June 30, 2018	<u>\$ 1,200,346</u>	<u>\$ 138,485</u>	<u>\$ 291,126</u>	<u>\$ 1,843,986</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
CASH RECONCILIATION
JUNE 30, 2018

Schedule VIII

Primary Government

	Athletics 22000	Federal Flowthrough 24000	Federal Direct 25000	State Flowthrough 27000
Cash, June 30, 2017	\$ (196,368)	\$ (1,246,990)	\$ 834,156	\$ (20,076)
Add:				
Current year revenues	140,585	3,444,961	737,045	563,042
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	197,190	1,722,642	53,600	263,611
Total cash available	141,407	3,920,613	1,624,801	806,577
Less:				
Current year expenditures	(141,407)	(3,767,737)	(637,868)	(538,363)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	-
Cash, June 30, 2018	<u>\$ -</u>	<u>\$ 152,876</u>	<u>\$ 986,933</u>	<u>\$ 268,214</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
CASH RECONCILIATION
JUNE 30, 2018

Schedule VIII

Primary Government

	State Direct 28000	Bond Building 31100	Public School Capital Outlay 31200	Special Capital Outlay-State 31400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash, June 30, 2017	\$ (26,168)	\$ 6,875,833	\$ -	\$ (14,423)
Add:				
Current year revenues	8,780	4,543,752	-	-
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	27,036	-	-	14,423
	<u>9,648</u>	<u>11,419,585</u>	<u>-</u>	<u>-</u>
Total cash available	9,648	11,419,585	-	-
Less:				
Current year expenditures	(2,000)	(1,821,749)	-	-
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2018	<u>\$ 7,648</u>	<u>\$ 9,597,836</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
CASH RECONCILIATION
JUNE 30, 2018

Schedule VIII

Primary Government

	Capital Improvements SB-9 (State Match) 31700	Capital Improvements SB-9 (Local) 31701	Debt Service 41000	Total
Cash, June 30, 2017	\$ 778,735	\$ 256,257	\$ 5,612,790	\$ 16,648,154
Add:				
Current year revenues	190,084	1,215,357	4,650,626	50,510,410
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	1	-	-	2,446,335
Total cash available	968,820	1,471,614	10,263,416	69,604,899
Less:				
Current year expenditures	-	(1,130,315)	(4,549,277)	(45,646,856)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	(2,446,335)
Cash, June 30, 2018	<u>\$ 968,820</u>	<u>\$ 341,299</u>	<u>\$ 5,714,139</u>	<u>\$ 21,511,708</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2018

Schedule IX

Title:	School Resource Officer (SRO)
Participants:	City of Belen and Belen Consolidated School District
Responsible Party:	City of Belen and Belen Consolidated School District
Description:	To assist the Belen Consolidated School District in providing a safe learning environment and improve relationships between law enforcement officers and today's youth.
Dates of Operation:	Fiscal year 2017-2018
Projected Cost:	Not to exceed \$50,000
Audit Responsibility:	City of Belen and Belen Consolidated School District
Fiscal Agent:	All actual costs to the Belen Police Department associated with the SRO were paid by Belen Consolidated School District

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

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COMPLIANCE SECTION



Manning Accounting and Consulting Services, LLC

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

INDEPENDENT AUDITORS REPORT

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Belen Consolidated School District No. 2
Belen, NM

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 governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the Belen Consolidated School District No. 2 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District presented as supplementary information, and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. (FS 2010-004, and FS 2016-005)

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. We

consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (FS 2017-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 which are described in the accompanying Schedule of Findings and Questioned Costs as items NM 2017-001, NM 2017-003, NM 2017-005, NM 2017-007, NM 2017-011, and NM 2017-012.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 6, 2018

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FEDERAL FINANCIAL ASSISTANCE



Manning Accounting and Consulting Services, LLC

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor
The Office of Management and Budget
And the Board of Education of
Belen Consolidated School District No. 2
Belen, NM

Report on Compliance for Each Major Federal Program

We have audited the Belen Consolidated School District No. 2's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned costs as items FA 2015-002 and FA 2017-002. Our Opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items FA 2015-002, and FA 2017-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
November 6, 2018

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

Federal Grantor or Pass-Through Grantor / Program Title	Passthrough Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
<i>Passthrough State of New Mexico Public Education Department</i>			
Special Education Cluster (IDEA)			
IDEA B - Entitlement (1)	24106	84.027	\$ 1,104,200
IDEA-B Results Plan (1)	24132	84.027	138,183
Subtotal CFDA # 84.027			<u>1,242,383</u>
IDEA-B Preschool (1)	24109	84.173	17,707
Total Special Education Cluster (IDEA)			<u>1,260,090</u>
Other Programs (Treated individually for major program determination)			
Carl D Perkins Secondary - Redistribution	24176	84.048	1,957
Title I IASA	24101	84.010	1,706,026
Education of the Homeless	24113	84.196	3,703
English Language Acquisition	24153	84.365A	28,192
Teacher / Principal Training & Recruiting	24154	84.367	308,598
Title I School Improvement	24162	84.377A	19,279
Student Support and Academic Enrichment	24189		26,395
Total Other Programs			<u>2,094,150</u>
<i>Subtotal - Passthrough State of New Mexico Public Education Department</i>			
			<u>3,354,240</u>
Total U.S. Department of Education			
			<u>3,354,240</u>
U.S. Health and Human Services			
<i>Direct U. S. Health and Human Services</i>			
Child Care Block Grant	25157	93.575	8,835
Total U.S. Health and Human Services			<u>8,835</u>
U.S. Department of Agriculture			
<i>Direct U.S. Department of Agriculture</i>			
Other Programs (Treated individually for major program determination)			
Forest Reserve	11000	10.672	3,230
<i>Subtotal - Direct U.S. Department of Agriculture</i>			<u>3,230</u>
<i>Passthrough State of New Mexico Public Education Department</i>			
Other Programs (Treated individually for major program determination)			
Fresh Fruit and Vegetables	24118	10.582	134,949
Child Nutrition Cluster			
USDA School Breakfast Program (1)	21000	10.553	862,182
National School Lunch Program (1)	21000	10.555	1,743,819
<i>Passthrough State of New Mexico Department of Health and Human Services</i>			
Food Distribution (Commodities) (1)	21000	10.553/10.555	154,625
Total Child Nutrition Cluster			<u>2,760,626</u>
<i>Subtotal - Passthrough State of New Mexico Public Education Department</i>			
			<u>2,740,950</u>
<i>Subtotal - Passthrough State of Department of Health and Human Services</i>			
			<u>154,625</u>
Total U.S. Department of Agriculture			
			<u>2,898,805</u>
Total Federal Financial Assistance			
			<u>\$ 6,261,880</u>

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule X

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal award programs administered by the District which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year

3. Non Cash Federal Assistance

The District receives USDA commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2018 was \$154,625 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA numbers 10.553 and 10.555. Commodities are recorded as revenues and expenditures in the Food Service Fund.

4. Indirect Cost Rate

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon a rate established by the State of New Mexico, and the District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance applied to overall expenditures. The District's indirect cost rate for the year was 4.62%

5. Matching Costs

Matching costs (the District's share of certain program costs) are not included in the reported expenditures. The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

6. Insurance

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

7. Loan or Loan Guarantees

There were no loans or loan guarantees outstanding at year-end.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 6,261,880
Total expenditures funded by other sources	<u>40,672,154</u>
Total expenditures	<u><u>\$ 46,934,034</u></u>

(1) Denotes Major Federal Financial Assistance Program

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

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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness in internal control identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to financial statements noted? | None noted |

Federal Awards:

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR-200.5169(a)? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
10.553 and 10.555 84.027 and 84.173	Child Nutrition Cluster Special Education Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Section II – Financial Statement Findings

FS 2010-004 [FS 10-04] – Internal Controls over District Cash and Bank Reconciliations (Material Weakness) Repeated and Revised

Criteria: The New Mexico Public Education Department issued regulation 6.20.2 NMAC governing budgeting and accounting for New Mexico public schools. This regulation applies to public school districts, charter schools and regional education cooperatives in the State of New Mexico. Per Section 6.20.2.14.K. NMAC, “**all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration**”. Also, per Section 6.20.14.L NMAC “the school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education”.

6.20.2.23 OTHER SERVICES:

C. Federal/state grants:

(1) Flowthrough funds: For grant money that flows through the department, school districts shall utilize the funding for the purpose in which it was awarded. **School districts shall submit complete and accurate reports required by the grant and the department within the prescribed time.** This funding shall be accounted for in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award.

(2) Direct funds: For grant money that is sent direct, school districts shall utilize the funding for the purpose in which it was awarded. School districts shall submit complete and accurate reports required by the grant within the prescribed time. This funding shall be accounted for in accordance with GAAP, applicable federal regulations, and procedures set forth in the grant award. These direct funds shall be incorporated into the school district operating budget without prior approval provided that a budget adjustment request is submitted to the department.

Also PSAB Supplement 4 – Federal and State Grants:

As soon as expenditures begin accumulating, districts need to establish a frequency for submitting Requests for Reimbursement (RfRs) through PED’s Operating and Budget Management System (OBMS). **In order to minimize loans needed from the Operational fund, it is suggested that districts submit requests as often as is allowed to minimize the amount required from loans.** Districts will need to obtain the list of grants not serviced by the RfR system from the PED Flowthrough Bureau’s website. If the fund is distributed in advance, districts or charter schools need to submit a paper transfer request.

Condition: During our review of cash and cash reconciliation procedures, we noted the following:

- The District did not correctly reconcile their bank accounts consistently throughout the year within 30 days of month-end.
- Three of the ten bank accounts were not properly reconciled as of June 2018; even as late as November 2018 a variance of about \$100,000 exists between the bank balance and the book balance of cash.
- Items that were misposted between accounts were not readily identified and posted to the correct accounts.
- Stale dated deposits and checks are not properly removed from the outstanding lists for the activity account and the accounts payable clearing account.
- A bond sale early in the year of \$4.5 million was never booked because the funds went to a trustee bank and the District never understood the need to book these funds. Additionally, the interest earned off the funds was not recorded.
- During our review of cash, we noted that the initial PED report submitted to the New Mexico Public Education Department was not reconciled properly to the general ledger report as the general ledger report did not include all adjustments.
- There were several instances in which RfR’s were not completed until several months after the expenses were incurred. The delay in reimbursement requests was a contributing factor in the District needing emergency funding.
- One fund over-expended their total expenditure budget. The Athletic Fund never had an established budget but spent \$136,607.
- Budget modifications that had been approved by the Board and PED were not entered into the financial system as several budget adjustments were not entered in until October.
- Towards year-end, activity revenues were initially booked as debits and credits to cash which failed to record cash and revenues in the appropriate accounts.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Schedule XI

Section II – Financial Statement Findings (Continued)

FS 2010-004 [FS 10-04] – Internal Controls over District Cash and Bank Reconciliations (Material Weakness) Repeated and Revised (Continued)

- The District changed dating on the summer checks to date them in July and August, when the checks are distributed, but this caused reconciliation issues with a June 30th year-end.

Reconciliations had been done more consistently in the current year compared to the prior year until year-end when staffing issues caused an issue again. The interfund balance issue of the prior years was also cleaned up in the current year.

In the prior year three funds had expended more than their legal budget versus one fund in the current year. No funds had been borrowed from activity funds, and the activity funds were tracked better in the current year.

While many cash issues still exist, the District has made steps to improve this area. Additionally, the District has brought in consultants to help catch up on this work with the top two finance positions being open during the final phases of the audit.

The District does find itself in a much better cash position in its Operational Fund in the current year versus the prior year with over one million dollars now compared to no funds remaining at the end of the prior year.

Cause: The Business Office had brought in help to catch up on many of these items and hired new individuals. However, as the District began the year-end closing process, the comptroller position became vacant again. Not all issues were able to be addressed by the current staffing and some instances of lack of knowledge has led to some of these issues.

Effect: Bank accounts were misstated at year-end are still misstated at the time of the financial report. Also, inaccurate bank reconciliations and budget adjustments may lead to poor management decisions based on incomplete information and possible errors or fraudulent activity within the account may occur without detection.

Responsible Official's Plan:

- Specific corrective action plan for finding:
The district has contracted consultants to train and assist with implementing procedures. Nine of the eleven bank accounts have been closed and the district is only keeping two, general operations and bond services. The bank/cash reconciliation process will be more efficient by reconciling only two accounts vs eleven. Responsible identified staff will be trained on the proper and timely recording of bond revenues and expenses. A review process for recording revenues and processing payables has been implemented to assure proper posting in the GL. Monthly budget and GL reviews will be implemented to assure proper recording, availability of funds, and compliance. Monthly closing procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Bank reconciliation and bank accounts reduction started in October, November will be the first month with activity only in two bank accounts. Procedures and training will start in November and will continue to the end of fiscal year.
- Employee position(s) responsible for meeting the timeline
Business office Director, Superintendent (Consultants)

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

FS 2010-009 – Budgetary Controls and Cash Appropriations in Excess of Available Cash (Significant Deficiency) Repeated and Revised

Criteria: 2.2.2.10 NMAC 1978 GENERAL CRITERIA:

Q. Budgetary presentation:

(2) The differences between the budgetary basis and GAAP basis revenues and expenditures shall be reconciled. If the required budgetary comparison information is included in the basic financial statements, the reconciliation shall be included on the statement itself or in the notes to the financial statements. If the required budgetary comparison is presented as RSI, the reconciliation to GAAP basis shall appear in either a separate schedule or in the notes to the RSI (AAG-SLV 11.14). **The notes to the financial statements shall disclose the legal level of budgetary control for the entity and any excess of expenditures over appropriations at the legal level of budgetary control. The legal level of budgetary control for local governments is at the fund level. The legal level of budgetary control for school districts is at the function level.**

R. Appropriations:

(1) Budget related findings:

(a) If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

(b) If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding. This type of finding shall be confirmed with the agency’s budget oversight entity (if applicable).

All District funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances re-budgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures cannot exceed the actual cash balance available at the end of the prior year.

Additionally 22-8-11 NMSA 1978 BUDGETS; APPROVAL OF OPERATING BUDGET:

B. No School district or state-chartered school or officer or employee of a school district or state-chartered school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department’s rules and procedures.

Condition: The District had expenditures in excess of budget in the following funds:

Fund #	Fund and Function	Amount
Major Funds:		
31701	Capital Improvements SB-9 (Local) - General Administration	\$ 29
41000	Debt Service - General Administration	999
Non-Major Funds:		
21000	Food Service - General Administration	111,449
22000	Athletics - Instruction	136,607
24109	IDEA-B PreSchool - Instruction	761
27149	Pre-K Initiative - Student Transportation	3,661
	Total	<u>\$ 253,506</u>

Additionally, during our review of budget journal entries and preparation of financial statements, we noted that journal entries which were approved by the Board and PED had never been entered into the financial system. As such, managers would not have proper budget balances to review which could lead to over-expenditure of budgets, and with the tight cash situation the District has been experiencing, this could lead to additional problems.

STATE OF NEW MEXICO
 BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

FS 2010-009 – Budgetary Controls and Cash Appropriations in Excess of Available Cash (Significant Deficiency) Repeated and Revised

The District re-budgeted “cash balance” in excess of available cash balances in the following funds:

		Original Cash Budget	Actual Cash	Difference
25152	Title XIX Medicaid 0/2 Years	\$ 711,206	\$ 654,341	\$ (56,865)
31100	Bond Building	10,340,708	6,875,833	(3,464,875)
31701	Capital Improvements SB-9 (Local)	913,249	256,257	(656,992)
	Total	<u>\$ 913,249</u>	<u>\$ 256,257</u>	<u>\$ (656,992)</u>

In the prior year’s audit the District had \$2,229,338 in expenditures in excess of budget and cash appropriations of \$29,455 in excess of available cash balances.

Effect: The District has expended funds in excess of its budget authority and the District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds. Additionally, program managers and District administrators will not have proper budget amounts to know if they may or may not spend additional funds.

Cause: Modifying the cash balance of the funds and improper internal controls regarding expenditures was missed by District personnel. Additionally, because of workloads entering the budget adjustments did not become a priority.

Auditor’s Recommendation: Budget for future years should be reviewed to ensure all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates. Adjustments should be made to cash balances after actual amounts are determined. Also, all approved budget adjustments should be entered into the system immediately.

Responsible Official’s Plan:

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

Section II – Financial Statement Findings (Continued)

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification (Material Weakness) Repeated and Revised

Criteria:

2.20.1.16 NMAC 1978 ANNUAL INVENTORY:

- A. At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of one thousand dollars (\$1,000) or more, under the control of the governing authority.
- B. This inventory shall include all property procured through the capital projects fund which are assigned to the agency designated by the director of the property control division as the user agency.
- C. All passenger vehicles must be included in the inventory process. This includes all vehicles leased from the transportation services division of the general services department as required by the "Auditor's Rule" 2 NMAC 2.2.11.1.L [now Paragraph (8) or Subsection A of 2.2.2.12 NMAC].
- D. The inventory process shall produce a list of the property and the date and cost of acquisition. The annual physical inventory checks against losses not previously revealed and brings to light errors in records of accountability, but more importantly, a systematic physical inventory of fixed assets provides an opportunity for surveying their physical condition, with respect to their need for repairs, maintenance or replacement.
- E. **The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency. In the process of conducting their fieldwork, the state auditor or independent public accountant under a contract approved by the state auditor may test the correctness of the inventory by generally accepted auditing procedures (Laws 1999, Chapter 230).**

Additionally, 12-6-10 NMSA 1978 Annual inventory.

- A. The governing authority of each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority. This inventory shall include all movable chattels and equipment procured through the capital program fund under Section 15-3B-16 NMSA 1978, which are assigned to the agency designated by the director of the property control division of the general services department as the user agency. The inventory shall list the chattels and equipment and the date and cost of acquisition. No agency shall be required to list any item costing five thousand dollars (\$5,000) or less. **Upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall satisfy himself as to the correctness of the inventory by generally accepted auditing procedures.**

Finally, 13-6-2 NMSA 1978 Sale of property by state agencies or local public bodies; authority to sell or dispose of property; approval of appropriate approval authority:

- A. **Providing a written determination has been made, a state agency, local public body, school district or state educational institution may sell or otherwise dispose of real or tangible personal property belonging to the state agency, local public body, school district or state educational institution.**
- B. A state agency, local public body, school district or state educational institution may sell or otherwise dispose of real property:
 - (1) by negotiated sale or donation to an Indian nation, tribe or pueblo located wholly or partially in New Mexico, or to a governmental unit of an Indian nation, tribe or pueblo in New Mexico, that is authorized to purchase land and control activities on its land by an act of congress or to purchase land on behalf of the Indian nation, tribe or pueblo;
 - (2) by negotiated sale or donation to other state agencies, local public bodies, school districts or state educational institutions;
 - (3) through the central purchasing office of the state agency, local public body, school district or state educational institution by means of competitive sealed bid, public auction or negotiated sale to a private person or to an Indian nation, tribe or pueblo in New Mexico; or
 - (4) if a state agency, through the surplus property bureau of the transportation services division of the general services department.

Section II – Financial Statement Findings (Continued)

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification (Material Weakness) Repeated and Revised (Continued)

- A. A state agency shall give the surplus property bureau of the transportation services division of the general services department the right of first refusal to dispose of tangible personal property of the state agency. A school district may give the surplus property bureau the right of first refusal to dispose of tangible personal property of the school district.
- B. Except as provided in Section [13-6-2.1](#) NMSA 1978 requiring state board of finance approval for certain transactions, sale or disposition of real or tangible personal property having a current resale value of more than five thousand dollars (\$5,000) may be made by a state agency, local public body, school district or state educational institution if the sale or disposition has been approved by the state budget division of the department of finance and administration for state agencies, the local government division of the department of finance and administration for local public bodies, the public education department for school districts and the higher education department for state educational institutions.
- C. Prior approval of the appropriate approval authority is not required if the tangible personal property is to be used as a trade-in or exchange pursuant to the provisions of the Procurement Code [Sections [13-1-28](#) through [13-1-199](#) NMSA 1978].
- D. **The appropriate approval authority may condition the approval of the sale or other disposition of real or tangible personal property upon the property being offered for sale or donation to a state agency, local public body, school district or state educational institution.**
- E. The appropriate approval authority may credit a payment received from the sale of such real or tangible personal property to the governmental body making the sale. The state agency, local public body, school district or state educational institution may convey all or any interest in the real or tangible personal property without warranty.

Condition: The District removed 15 vehicles from their fixed asset listing in the current year which have not existed in the District for years according to District personnel. However, these vehicles have been included on each year's final inventory. These vehicles which were removed were purchased between 1980 and 2005. This indicates that the District has not been completing the annual inventory as required and tracking fixed assets properly to their final listings.

During the current year, the District donated a portable building to the City of Belen to be used for a Veteran's Memorial. The Board approved this transfer of the portable; however, the District did not contact the State or the Public Education Department to get permission to transfer the portable to the City.

Finally, the District did not have its Board certify its fixed asset inventory in a duly authorized board meeting as required by statute.

In the previous year, the assets weren't certified by the Board and assets were missing from fixed asset detail that had been added in the previous year and items deleted in the previous year were still on fixed asset detail listings. Related depreciation issues for these assets were also an issue.

Cause: The District was unaware of the necessity of obtaining State/PED approval prior to donating the unused portable to the City. Additionally, the District had not followed up on verifying that the inventory of vehicles had actually been occurring as indicated.

The District personnel forgot to take the fixed asset inventory to the Board to have it certified for the year as is required by statute.

Effect: The net value of fixed assets may not be properly reported in audits if detail isn't compared to the prior year. The District may improperly dispose of assets which may be questioned by individuals if all steps have not been completed for the transfer of assets, even when that permission would have probably been given. Also, the District was not in compliance with State statutes regarding the certification of its annual physical inventory.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
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Schedule XI

Section II – Financial Statement Findings (Continued)

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification (Material Weakness) Repeated and Revised (Continued)

Auditors' Recommendations: We recommend that the District emphasize the importance of accurately maintaining their fixed asset and depreciation listings and doing accurate inventories of these fixed assets each year. There should be some type of verification procedure in place to double check that inventories have actually been taken. The District should make sure that they have followed all legal steps when disposing of assets, especially when those assets are donated to another entity. Finally, we also recommend that the District set a standard date to take their fixed asset inventory to the Board for certification so that it is included each year at that time to avoid missing this statutory requirement in the future.

Responsible Official's Plan:

- Specific corrective action plan for finding:
The district will do a reorganization of duties and responsibilities and will determine who is responsible for updating assets and performing inventory. Belen will also start using the fixed assets module in Visions to make this process more efficient. Staff assigned will be trained.

- Timeline for completion of corrective action plan:
March – April 2019

- Employee position(s) responsible for meeting the timeline:
Business Office Director

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Schedule XI

Section III – Federal Awards Findings

FA 2015-002 – Procurement and Suspension and Debarment (Significant Deficiency) Repeated and Revised

Federal Program Information:

Funding Agency: U.S. Department of Education
Title: Title I IASA and IDEA B - Entitlement
CFDA Number: 84.010 and 84.027
Passthrough: New Mexico Public Education Department
Award Year: 2018

Criteria: Uniform Grant Guidance and 2 CFR Part 200 Subpart C and D:

§200.213 Suspension and debarment.

Non-federal entities are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, sub awards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

§200.317 Procurements by states.

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with §200.322 Procurement of recovered *materials* and ensure that every purchase order or other contract includes any clauses required by section §200.326 Contract provisions. All other non-Federal entities, including sub recipients of a state, will follow §§200.318 General procurement standards through 200.326 Contract provisions.

§200.318 General procurement standards.

(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

APPENDIX II TO PART 200—CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTRACTS UNDER FEDERAL AWARDS

In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable.

(H) Debarment and Suspension (Executive Orders 12549 and 12689)—A contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR part 1986 Comp., p. 189) and 12689 (3 CFR part 1989 Comp., p. 235), “Debarment and Suspension.” <https://www.sam.gov/portal/public/SAM/> SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Condition: During our testing of single audit disbursements, we identified multiple vendors which would meet the requirement of verifying that the vendors were not suspended or debarred or otherwise excluded from receiving the contract which was funded through Federal dollars. These vendors received more than \$25,000 in payments from the District from Federal grant sources. These vendors are not currently suspended or debarred from receiving Federal contracts; however, the District did not have proper internal controls in place to verify this prior to the purchase.

No change from the prior year.

Questioned Costs: None

Cause: District personnel did not verify that vendors which meet the \$25,000 thresholds are not suspended, debarred, or otherwise excluded from participating in contracts funded through Federal awards due to a misunderstanding of staff personnel regarding this requirement.

Effect: The District is not in compliance with Federal regulations related to the grant and could put funding in jeopardy or require the District to reimburse the program for improper grant distributions.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Schedule XI

Section III – Federal Awards Findings (Continued)

FA 2015-002 – Procurement and Suspension and Debarment (Significant Deficiency) Repeated and Revised (Continued)

Auditor's Recommendation: We recommend that the District establish a policy and implement procedures regarding large purchases related to Federal grants to insure that no vendors who are suspended, debarred, or otherwise excluded from participating in transactions funded through Federal grants is used. As identified above, there are several methods in which the District can verify vendors are not suspended or debarred. The District may have the vendor provide an annual certification that it is not currently suspended, debarred, or otherwise prevented from receiving Federal dollars. In other occasions in which a single purchase is going to be made, the purchasing procedures should include looking up the vendor on the GSA website, printing a copy of the verification, and placing it in the file with the purchase order. The District has options, and it should establish what method is the least intrusive but also effective in complying with the requirements of the Uniform Grant Guidance.

Responsible Official's Plan:

- Specific corrective action plan for finding:
For new vendors, staff is reviewing each vendor against the federal government database sam.gov before the vendor is entered in the general ledger. For current vendors, before the CPO approves a new PO, the vendor is checked against sam.gov database. A copy of the verification is printed and kept in a binder, a second copy will be placed with the vendor purchase order.

- Timeline for completion of corrective action plan:
Corrective plan is already in place for FY19

- Employee position(s) responsible for meeting the timeline:
CPO and Business Director

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Schedule XI

Section III – Federal Awards Findings (Continued)

FA 2017-002 – Excessive Delays in Requests for Reimbursement (Significant Deficiency)

Federal Program Information:

Funding Agency: U.S. Department of Education

Title: IDEA-B Entitlements, IDEA-B Preschool, and IDEA-B Results Plan

CFDA Number: 84.027 and 84.173

Passthrough: New Mexico Department of Education

Award Year: 2018

Criteria: Uniform Grant Guidance § 200.343 Closeout

The Federal agency or pass-through entity will close-out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity. This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance.

(a) The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity.

(b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

(c) The Federal awarding agency or pass-through entity must make prompt payments to the non-Federal entity for allowable reimbursable costs under the Federal award being closed out.

(d) The non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that is not authorized to be retained by the non-Federal entity for use in other projects. See OMB Circular A-129 and see [§ 200.345](#) Collection of amounts due for requirements regarding unreturned amounts that become delinquent debts.

(e) Consistent with the terms and conditions of the Federal award, the Federal awarding agency or pass-through entity must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.

(f) The non-Federal entity must account for any real and personal property acquired with Federal funds or received from the Federal government in accordance with [§ 200.310](#) Insurance coverage through [§ 200.316](#) Property trust relationship and [§ 200.329](#) Reporting on real property.

(g) The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

Condition: During our review of single audit receipts we identified the following instances in which proper procedures were not followed:

- In 7 of the 12 reimbursements reviewed the District did not submit a request for reimbursement in a timely manner.

In the prior year's audit there were 3 instances in which reimbursement requests were not completed in a timely manner and were denied.

Questioned Costs: None

Cause: The District is not completing its RFR's in a reasonable period which has caused the District to use operational funds to cover costs.

Effect: The District is not in compliance with Federal regulations related to the grant and could put funding in jeopardy or require the District to reimburse the program.

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Schedule XI

Section III – Federal Awards Findings (Continued)

FA 2017-002 – Excessive Delays in Requests for Reimbursement (Significant Deficiency) (Continued)

Auditor's Recommendation: The District should ensure that requests for reimbursement are made as soon as possible. The Uniform Grant Guidance allows the District to submit the requests as soon as the expenses have been incurred if the reimbursement will be made by EFT. The District should assign one or more individuals to ensure that RFR's are requested no less than every 30 days.

Responsible Official's Plan:

- Specific corrective action plan for finding:
The district is going to train all business office staff on how to submit RfRs. Due to staff constraints, a process will be implemented to request large grants disbursements on a monthly basis and small grants disbursements on a bi-monthly or quarterly basis. Grants flow expenditures will be evaluated to assess which reimbursement request will be done monthly (i.e., 24101, 24106) and which will be done bi-monthly/quarterly.

- Timeline for completion of corrective action plan:
Training and assessment of expenditures will start in November and December. Changes are expected to be fully implemented by January.

- Employee position(s) responsible for meeting the timeline:
Business Office Director and Business office staff assigned.

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings

NM 2017-001 [FS 2014-002] – Purchase Orders and Payment Authorization (Other Non-compliance) Repeated and Revised (Continued)

Criteria: Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.....For each individual purchase contract, a receiving document or other recording instrument (i.e., electronic) shall be present at the delivery site to record the delivery of items or service. **Upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment** according to procedures established by school district or charter school boards’ of education local procedures.”

13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.

The using agency is responsible for inspecting and accepting or rejecting deliveries. The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

“No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98 NMSA 1978](#) by exclusion of the purchase from the Procurement Code [[13-1-28 NMSA 1978](#)].”

Condition: During our review of cash disbursement’s we noted the following instances in which proper procedures were not followed:

- In 2 of 25 items tested the goods and or services were received prior to the approval of a purchase order.
 - A purchase in the amount of \$433.52 had an invoice date of 7/26/17 and the purchase order was dated 9/7/17
 - A purchase in the amount of \$505.71 had an invoice date of 11/12/17 and the purchase order was dated 11/27/17.

In the prior year’s audit there were five instances in which the purchase preceded the authorization of a purchase order.

During our review of individually significant disbursements we noted the following instances in which proper procedures were not followed:

- In 3 of 49 items reviewed the goods and or services were received prior to the approval of a purchase order.
 - A purchase for \$50,856.42 had an invoice date of 7/1/17 and the purchase order was approved 7/18/17
 - A purchase of \$ 128,399.8 had invoice dates of 8/3/17 and 9/19/17 the purchase order was approved 9/20/17
 - Services for \$147,709.34 was received on 3/19/18 the purchase order was approved on 5/11/18
- In 2 of 49 items reviewed there was no receiving documents to verify the goods and or services were received. The value of these disbursements was \$104,246.42 and \$171,247.07.

In the previous year’s audit there were two instances where the purchase preceded the purchase order and three instances where there was no receiving documentation.

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-001 [FS 2014-002] – Purchase Orders and Payment Authorization (Other Non-compliance) Repeated and Revised (Continued)

During our review of credit card disbursement we noted the following instances in which proper procedures were not followed:

- In 4 of 25 items reviewed the goods and or services were received prior to the approval of a purchase order. The value of these items ranged from \$517.52 to \$1,155.84.

During our review of single audit disbursement's we noted the following instances in which proper procedures were not followed:

- In 2 of 60 items reviewed the goods and or services were received prior to the approval of a purchase order.
 - A purchase of \$5,383.81 was invoiced on 11/16/17, 11/28-11/29/17 and the purchase order was approved on 12/21/17.
 - A purchase of \$6,000 was invoiced on 3/24/18 the purchase order was approved on 5/4/18.

In the prior year's audit there were three instances in which a purchase was made prior the approval of a purchase order.

Cause: District personnel have not followed state guidelines or internal procedures in the payment of services. Policy states that the District must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

Effect: Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds

Auditor's Recommendation: We recommend that all personnel be reminded of, or trained in, District and State policy in regards to payment of goods, services, or construction. All District personnel need to be aware that a purchase order must be approved prior to the purchase of goods and services and that all goods and services should be signed for indicating when items were received and by whom.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Procurement training and State procurement compliance training will be provided to district school staff and school administrators to emphasize the importance of the procurement process and why it needs to be followed.
- Timeline for completion of corrective action plan:
Training will start in December and continue through the end of fiscal year. Also a business office comprehensive training will be provided at the beginning of the school year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-003 [FS 2016-002] – Background Checks and Licensing (Other Non-compliance) Repeated and Revised

Criteria: 22-10A-5 NMSA 1978 Background checks; known convictions; alleged ethical misconduct; reporting required; limited immunity; penalty for failure to report.

C. Local school boards and regional education cooperatives shall develop policies and procedure to **require background checks on an applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school.**

D. **An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check if the department has copies of the applicant's federal bureau of investigation records on file.** An applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school shall provide two fingerprint cards or the equivalent electronic fingerprints to the local school board, regional education cooperative or charter school to obtain the applicant's federal bureau of investigation record. The applicant, contractor or contractor's employee who has been offered employment by a regional education cooperative or at a public school may be required to pay for the cost of obtaining a background check. **At the request of a local school board, regional education cooperative or charter school, the department is authorized to release copies of federal bureau of investigation records that are on file with the department and that are not more than twenty-four months old.** Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act; provided that other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the employment decisions for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the employment decision affecting the specific applicant who has been offered employment, contractor or contractor's employee with unsupervised access to students at a public school.

Additionally **22-10A-3 NMSA 1978** states:

A. Except as otherwise provided in this subsection, any person teaching, supervising an instructional program or providing instructional support services in a public school or state agency; any person administering in a public school; and any person providing health care and administering medications or performing medical procedures in a public school shall hold a valid license or certificate from the department authorizing the person to perform that function. This subsection does not apply to a person performing the functions of a practice teacher as defined by the state board [department].

C. A person performing the duties of a licensed school employee who does not hold a valid license or certificate or has not submitted a complete application for licensure or certification within the first three months from beginning employment duties shall not be compensated thereafter for services rendered until he demonstrates that he holds a valid license or certificate. This section does not apply to practice teachers as defined by rules of the state board [department].

Condition: During our review of personnel files we noted several instances where required documentation was not found in the employees personnel file.

- In 1 of the 25 files reviewed there was no copy of the FBI background check in the file. The employee had first started employment with the District as a student in 2006 and never had a background check completed.

In the prior year's audit there were three employees who did not have an FBI background check.

Cause: Belen Public Schools have not followed state guidelines in regards to documentation of background checks.

Effect: The School's failure to maintain a background check report in the employee file is a violation of state statute and puts the District and School at additional risk of liability for any actions that may arise regarding employees.

Auditor's Recommendation: We recommend that the District adhere to State policy regarding FBI background checks and ensure they are properly maintained within the employee personnel files.

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-003 [FS 2016-002] – Background Checks and Licensing (Other Non-compliance) Repeated and Revised (Continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:
The HR department has a process in which every new employee is fingerprinted at the district before being hired. They are reviewing HR files to make sure that no new employee is missed. Also, HR is reviewing student files that graduate and become district employees to make sure a background check is performed.

- Timeline for completion of corrective action plan:
Review has been started and will be completed by January.

- Employee position(s) responsible for meeting the timeline
HR Director

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Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-005 [FS 2016-001] – Improper Reimbursement of Travel Expense (Other Non-compliance) Repeated and Revised

Criteria: 2.42.2.9 NMAC 1978: REIMBURSEMENT OF ACTUAL EXPENSES IN LIEU OF PER DIEM RATES:

A. **Applicability:** Per diem rates shall be paid to public officers and employees only in accordance with the provisions of this section. Per diem rates shall be paid without regard to whether expenses are actually incurred. Where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.

B. **Per diem rate computation:** Except as provided in Subsections C through I of this Section, per diem rates for travel by public officers and employees shall be computed as follows:

(1) **Partial day per diem rate:** Public officers or employees who occasionally and irregularly travel shall be reimbursed for travel which does not require overnight lodging, but extends beyond a normal work day as follows:

- (a) for less than 2 hours of travel beyond normal work day, none;
- (b) for 2 hours, but less than 6 hours beyond the normal work day, \$12.00;
- (c) for 6 six hours, but less than 12 hours beyond the normal work day, \$20.00;
- (d) for 12 hours or more beyond the normal work day, \$30.00;
- (e) "Occasionally and irregularly" means not on a regular basis and infrequently as determined by the agency.

For example, an employee is not entitled to per diem rates under this subparagraph if the employee either travels once a week or travels every fourth Thursday of the month. However, the employee is entitled to per diem rates under this subparagraph if the employee either travels once a month with irregular destinations and at irregular times or travels four times in one month and then does not travel again in the next two months, so long as this is not a regular pattern.

(f) "Normal work day" means 8 hours within a nine-hour period for all public officers and employees both salaried and nonsalaried, regardless of the officers' or employees' regular work schedule.

(2) **Overnight travel:** Regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:

- (a) in state areas \$85.00
- (b) in state special areas \$135.00
- (c) out of state areas \$115.00;
- (d) or actual lodging and meal expenses under 2.42.2.9 NMAC.

(3) **Return from overnight travel:** On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in the partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as follows:

- (a) for less than 2 hours, none;
- (b) for 2 hours, but less than 6 hours, \$12.00;
- (c) **for 6 hours or more, but less than 12 hours, \$20.00;**
- (d) for 12 hours or more, \$30.00.

(4) **Special area designations:** For all officers and employees, the in state special area shall be Santa Fe.

2.42.2.11 NMAC 1978: MILEAGE-PRIVATE CONVEYANCE:

A. **Applicability:** Mileage accrued in the use of a private conveyance shall be paid only in accordance with the provisions of this section.

B. **Rate:** Public officers and employees of state agencies shall be reimbursed for mileage accrued in the use of a private automobile or aircraft in the discharge of official duties as follows:

(1) unless the secretary has reduced the rates set for mileage for any class of public officials and for employees of state agencies pursuant to Section 10-8-5 (D) NMSA 1978, 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle;

(2) privately owned airplane, eighty-eight cents (\$0.88) per nautical mile.

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Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-005 [FS 2016-001] – Improper Reimbursement of Travel Expense (Other Non-compliance) Repeated and Revised (Continued)

C. Local public bodies: Public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978.

D. **Privately owned automobile:** For conveyance in the discharge of official duties by privately owned automobile, mileage accrued shall be reimbursed at the rate set forth in this section as follows:

(1) pursuant to the mileage chart of the official state map published by the state highway and transportation department for distances in New Mexico and the most recent edition of the Rand-McNally road atlas for distances outside of New Mexico; or

(2) pursuant to actual mileage if the beginning and ending odometer reading is certified as true and correct by the traveler; and

(a) the destination is not included on the official state map or on the Rand McNally road atlas, or,

(b) at the destination(s) of the public officer or employee, the public officer or employee was required to use the private conveyance in performance of official duties.

2.42.2.10 NMAC 1978 TRAVEL ADVANCES:

A. **Authorizations:** Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

B. **Travel period:** A travel advance may be authorized either for a single trip or on a monthly basis for public officers and employees who travel continually throughout the month. Payment shall be made only upon vouchers submitted with attached authorization for each travel period.

(1) **Single trip advances:** Where a travel advance is made for a single trip, the officer or employee shall remit, within 5 working days of the return from the trip, a refund of any excess advance payment to the agency. The agency or local public body shall deposit the refund and reduce the disbursement recorded when the money was advanced.

Condition: During our review of travel and per diem we noted the following instances in which proper procedures were not followed:

- In 1 of 25 items tested the District paid an employee actuals on the last day of travel instead of the partial day per diem rate. The employee was paid \$3.50 on the final day but was entitled to \$20.00.

In the previous year's audit there were two instances in which the District reimbursed meals for an employee who did not complete overnight travel and whose travel did not extend beyond 9 hours. The District also had one instance in which the mileage reimbursement was greater than the maximum allowed.

Cause: The District did not properly reimburse an employee according to state guidelines and did not recognize that even if you are paying actuals instead of per diem, on the final day from an overnight trip the District must pay the partial day per diem amount.

Effect: The District is not in compliance with State guidelines and an employee was not reimbursed all expenses they were entitled to.

Auditor's Recommendation: We recommend that management ensure that they are reimbursing employees properly for qualified expenses and ensure that policies are consistent for all employees.

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Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-005 [FS 2016-001] – Improper Reimbursement of Travel Expense (Other Non-compliance) Repeated and Revised (Continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:
Procedures will be implemented and staff will be trained.

- Timeline for completion of corrective action plan:
Procedures and templates will be ready by January and training will start in January as well.

- Employee position(s) responsible for meeting the timeline:
Business Office Director

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-007 – Payroll Documentation and Procedures (Other Non-compliance)

Criteria: 6.20.2.18 NMAC 1978 PAYROLL:

The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Immigration Reform and Control Act of 1986:

Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form. On the form, an employee must attest to his or her employment authorization. The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization. The employer must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and to relate to the employee and record the document information on the Form I-9. Employers must retain Form I-9 for a designated period and make it available for inspection by authorized government officers. NOTE: State agencies may use Form I-9.

Condition: During our review of payroll we noted the following instances in which proper procedures were not followed:

- In 1 of 25 items reviewed the employee did not sign and date the I-9 form.
- 1 of 25 employee contracts reviewed revealed that an employee was underpaid by \$383.08 when compared to their signed contract.

In the previous year there was one instance in which an I-9 was not signed and dated.

Cause: District, State, and Federal policies are not being followed or reviewed to ensure proper execution.

Effect: The District is in a violation of NMAC 6.20.2.18 and the Immigration Reform and Control Act of 1986.

Auditor's Recommendation: We recommend that the District follow the corrective action plan set forth in the Immigration Reform and control Act of 1986 and request that the employee complete section 1 of the Form I-9 immediately and submit documentation as required in Section 2. The new form should be dated when completed- never postdated. When an employee does not provide acceptable documentation, the employer must terminate employment or risk being subject to penalties for “knowingly” continuing to employ an unauthorized worker if the individual is not in fact authorized to work. The District should ensure that all employees are being paid according to their signed contract to include all stipends that they are entitled to.

Responsible Official's Plan:

- Specific corrective action plan for finding:
The HR department implemented a new system to gather new employee documentation and electronic signatures in August. The HR department reviews that all documentation is complete and signed in the new system. A comprehensive review of all employee files will occur. A review of payments to contracts will be reviewed to ensure underpayment does not occur again.
- Timeline for completion of corrective action plan:
The use of the new system started in August and it is fully implemented. Review of contracts and the GL have begun and will be reviewed again prior to year-end final payments.

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Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-007 – Payroll Documentation and Procedures (Other Non-compliance) (Continued)

- Employee position(s) responsible for meeting the timeline:
HR Director

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Schedule XI

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017– 011 [FS 2014-007] – Improper Cash Controls Over Outstanding Warrants and Deposits (Other Non-Compliance) Repeated and Revised

***Criteria:* 6.20.2.14 NMAC 1978: CASH CONTROL STANDARDS:**

- A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.
- I Vouchers shall be numbered in such a manner as to provide a cross-reference between the voucher, the check, and the check register. All blank checks shall be properly safeguarded and an inventory of unused checks shall be taken periodically. Completed vouchers and supporting documentation is to be placed in numerical sequence, by the month in which they were paid, and filed for future reference and annual audit.
- 1 Each warrant or check issued shall have printed on its face the words, "void after one year from date". **Whenever any warrant or check is unpaid for one year, the fiscal officer shall cancel it in accordance with Section 6-10-57(A), NMSA 1978.**
 - 2 The fiscal officer shall keep a register of all canceled warrants/checks. The register shall show the number, date and amount, name of payee, fund out of which it was payable, and date of cancellation. The face amount shall revert and be credited to the fund against which the warrant/check was drawn.

Additionally 6-10-57 NMSA 1978 states:

- D. Warrants canceled under Subsection A of this section are void and the indebtedness evidenced thereby is extinguished, which is hereby declared to be an express condition of every contract under which state warrants are issued except that:
1. the department of finance and administration may issue a new warrant on a voucher issued by the commissioner of revenue [director of the revenue division of the taxation and revenue department] if a claim for refund was approved under Section 7-1-26 NMSA 1978, and if a warrant was issued and that warrant canceled under Subsection A of this section on or after January 1, 1970; and
 2. any fiscal officer may issue a new warrant for a canceled payroll warrant upon a voucher issued by the responsible employing authority certifying that the services for which the canceled payroll warrant had been issued were in fact rendered and that payment therefor had not been made, if:
 - a. there is sufficient money in the fund from which the original payroll warrant was drawn to cover the new warrant; or
 - b. if a suspense fund has been established in accordance with the provisions of Subsection E of this section and there is sufficient money in the suspense fund to cover the new warrant.
- E. If any payroll warrant payable from an account which reverts at the end of a fiscal year to a general fund is in the amount of the total canceled payroll warrants and withhold that amount from reversion. Canceled payroll warrants shall be paid from the suspense fund.

Condition: During our review of cash we observed the following issues:

- The Activities cash account has stale dated deposits in transit of \$442.92, which is the same as in the prior year.
- The Activities cash account has stale dated checks in the amount of \$83.00 which is \$42.00 more than the prior year.
- The Accounts Payable cash account has stale dated checks of \$2,378.16 versus \$1,701.56 in the prior year.

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Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017– 011 [FS 2014-007] – Improper Cash Controls Over Outstanding Warrants and Deposits (Other Non-Compliance) Repeated and Revised (Continued)

In the prior year, The Payroll Clearing cash account has stale dated checks of \$3,448.96 but no checks were stale dated in this account in the current year.

Cause: The district has not voided warrants or outstanding deposits which are more than one year old. Once one of these items enters the reconciliation they are not cleared from the reconciliation when identified.

Effect: The District has not maintained sufficient internal controls to identify warrants and deposits in transit of more than one year old and has not followed proper guidance in the recording and voiding of outstanding warrants and deposits in transit. This results in cash not being recorded at the proper amount.

Auditor's Recommendation: We recommend that management adequately monitor outstanding warrants and deposits in transit and ensure that internal control procedures are in place to remove outstanding warrants and deposits in transit from the District's assets and liabilities.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Staff will be trained to review balance sheet accounts and outstanding items throughout the fiscal year. End of the year procedures will be implemented and staff will be trained and guided on the new processes.

- Timeline for completion of corrective action plan:
End or the year procedures will be ready by March to get staff ready for closing the fiscal year.

- Employee position(s) responsible for meeting the timeline:
Business Office Director

Section IV – 12-6-5 NMSA 1978 Findings (Continued)

NM 2017-012 – Improper Support for Journal Entries (Other Non-compliance) Repeated and Revised

Criteria: According to [6-5-2 NMSA 1978](#) Financial control division; central system of state accounts; accounting systems; processing documents; model accounting practices; internal accounting controls:

C. **State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.** In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

Condition: During our review of manual journal entries, we noted the following instances where proper procedures were not followed:

- In 4 of 25 journal entries reviewed there was no secondary signature to verify proper internal controls were followed.
- In 2 of 25 journal entries reviewed there was no backup to justify the journal entry.

In the previous year the bond interest payment journal entry was entered twice.

Cause: The District did not follow proper internal controls related to journal entries. All journal entries had proper supporting documentation until the last two months of the year as staff seemed to get overwhelmed with items to complete.

Effect: The District has left itself open for possible instances of fraud and non-compliance for funds which it is responsible for.

Auditor's Recommendation: We recommend that management record all journal entries properly and ensure adequate internal control procedures are being followed which includes having the journal entry reviewed and signed by a second individual.

Responsible Official's Plan:

- Specific corrective action plan for finding:
A journal entry process to include dual signatures and supporting documentation will be implemented for proper review of all journal entries. Staff will be trained accordingly.
- Timeline for completion of corrective action plan:
New processes and training will start in November and continue to the end of the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

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Section V – Prior Year Audit Finding

Financial Statement Findings

FS 2010-004 [10-04] – Internal Controls over Cash and Bank Reconciliations – Repeated and Revised
FS 2010-009 [10-09] – Budgetary Controls – Repeated and Revised
FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification – Repeated and Revised
FS 2017-001 – Improper Loans of Student Activity Funds - Resolved

Federal Awards Findings

FA 2015-002 Procurement and Suspension and Debarment – Repeated and Revised
FA 2017-001 Disallowed Expenses – Resolved
FA 2017-002 Excessive Delays in Requests for Reimbursements – Repeated and Revised

12-6-5 NMSA Findings

NM 2017-001 – Purchase Orders and Payment Authorization – Repeat and Revised
NM 2017-002 – Timeliness of Deposits – Resolved
NM 2017-003 – Background Checks – Repeated and Revised
NM 2017-004 – Improper Approval of Budget Adjustments – Resolved
NM 2017-005 – Improper Reimbursement of Travel Expense – Repeated and Revised
NM 2017-006 – Improper Employee Retirement Board (ERB) Contributions – Resolved
NM 2017-007 – I-9 Documentation – Repeated and Revised
NM 2017-008 – Improper Procedures for Bids RFPs and Assigning Statutory Preferences – Resolved
NM 2017-009 – Improper Usage of Credit Cards – Resolved
NM 2017-010 – Cash Appropriations in Excess of Available Cash Balances – (Reassigned and Combined with FS 2010-009)
NM 2017-011 – Improper Cash Controls Outstanding Warrants – Repeated and Revised
NM 2017-012 – Improper Recording of Journal Entries – Repeated and Revised

UNAUDITED SUPPLEMENTAL INFORMATION

Max E. Perez
Superintendent



Paul McCarty
Director of Finance/Facilities

Business Finance
520 North Main, Belen, NM 87002
PHONE (505) 966-1016 FAX (505) 966-1060
www.beleneagles.org

Prior Year Audit Findings:

2016 Audit Findings

Federal Awards Findings

FA 2015-002 Procurement and Suspension and Debarment – Repeated and Revised

Specific corrective action plan for finding: The district monthly checks the records for suspension and debarment of vendors. The district has started this process this fiscal year and document this in our files. This is resolved. Timeline for completion of corrective action plan: This has been implemented currently and ongoing therefore resolved. Employee position(s) responsible for meeting the timeline: Executive Director of Finance and Purchasing Specialist in Business Office.

Response- For new vendors, staff is reviewing each vendor against the federal government database sam.gov before the vendor is entered in the general ledger. For current vendors, before the CPO approves a new PO, the vendor is checked against sam.gov database. A copy of the verification is printed and kept in a binder, a second copy will be placed with the vendor purchase order. Corrective plan is already in place for FY19

Financial Statement Findings

FS 2016-003 – Insufficient Pledged Collateral – Resolved

FS 2016-004 – Deficit Cash in Activity Funds – Resolved

FS 2014-003 – Timeliness of Deposits – Resolved

FS 2014-008 – Improper Procedures for Bids RFPs and Assigning Statutory Preferences (Reclassified to NM 2017-008) – Resolved

FS 2014-010 – Improper Usage of Credit Cards (Reclassified to NM 2017-009)– Resolved

FS 2007-005 [07-05] – Cash Appropriations in Excess of Available Cash Balances – Repeated and Revised

Specific corrective action plan for finding: The district due to personnel changes has implemented and trained staff to review cash projected vs actual cash in each of the respective funds in order to prepare the necessary budget adjustment documents to be reviewed by the Board Finance Committee and approval by the Board of Education regularly. Timeline for completion of corrective action plan: This will be resolved for the 16-17 FY once the audit has been finalized and compared to our projection by the end of January 2017 Employee position(s) responsible for meeting the timeline: Executive Director of Finance , Superintendent, and Board of Education.

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

FS 2010-004 [10-04] – Internal Controls over Cash and Bank Reconciliations – Repeated and Revised

Specific corrective action plan for finding: The district due to personnel changes and training of personnel experienced the above mentioned items. The district since has reconciled our bank accounts timely and recorded all prior year adjustments as needed to ensure this is correctly stated and timely for FY 16-17. Timeline for completion of corrective action plan: This has been resolved for FY16-17 and will be ongoing monthly with reports to Superintendent and Board Finance Committee Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Board, Finance Committee.

- Response- Specific corrective action plan for finding:
The district has contracted consultants to train and assist with implementing procedures. Nine of the eleven bank accounts have been closed and the district is only keeping two, general operations and bond services. The bank/cash reconciliation process will be more efficient by reconciling only two accounts vs eleven. Responsible identified staff will be trained on the proper and timely recording of bond revenues and expenses. A review process for recording revenues and processing payables has been implemented to assure proper posting in the GL. Monthly budget and GL reviews will be implemented to assure proper recording, availability of funds, and compliance. Monthly closing procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Bank reconciliation and bank accounts reduction started in October, November will be the first month with activity only in two bank accounts. Procedures and training will start in November and will continue to the end of fiscal year.
- Employee position(s) responsible for meeting the timeline
Business office Director, Superintendent (Consultants)

FS 2010-009 [10-09] – Budgetary Controls – Repeated and Revised

Specific corrective action plan for finding: The District has done this on a regular basis (monthly) to ensure compliance with budgets that are within the categories functions allowed. This is and has been resolved with budget adjustments done monthly and presented to our Board Finance Committee and approved at semi monthly board meetings. Timeline for completion of corrective action plan: This is currently resolved and done on a monthly basis. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, and Board Finance Committee

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

FS 2014-002 – Purchase Orders and Payment Authorization – Repeat and Revised (Reclassified to NM 2017-001)

- Specific corrective action plan for finding:
Procurement training and State procurement compliance training will be provided to district school staff and school administrators to emphasize the importance of the procurement process and why it needs to be followed.
- Timeline for completion of corrective action plan:
Training will start in December and continue through the end of fiscal year. Also a business office comprehensive training will be provided at the beginning of the school year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

FS 2014-007 – Improper Cash Controls Outstanding Warrants – Repeated & Revised(Reclassified to NM 2017-011)

- Specific corrective action plan for finding:
Staff will be trained to review balance sheet accounts and outstanding items throughout the fiscal year. End of the year procedures will be implemented and staff will be trained and guided on the new processes.
- Timeline for completion of corrective action plan:
End of the year procedures will be ready by March to get staff ready for closing the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director.

FS 2016-001 – Improper Reimbursement of Travel Expense – Repeated and Revised (Reclassified to NM 2017-005)

- Specific corrective action plan for finding:
Procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Procedures and templates will be ready by January and training will start in January as well.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

FS 2016-002 – Background Checks – Repeated and Revised (Reclassified to NM 2017 - 003)

- Specific corrective action plan for finding:
The HR department has a process in which every new employee is fingerprinted at the district before being hired. They are reviewing HR files to make sure that no new employee is missed. Also, HR is reviewing student files that graduate and become district employees to make sure a background check is performed.
- Timeline for completion of corrective action plan:
Review has been started and will be completed by January
- Employee position(s) responsible for meeting the timeline
HR Director

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification – Repeated and Revised

- Specific corrective action plan for finding:
The district will do a reorganization of duties and responsibilities and will determine who is responsible for updating assets and performing inventory. Belen will also start using the fixed assets module in Visions to make this process more efficient. Staff assigned will be trained
- Timeline for completion of corrective action plan:
March – April 2019
- Employee position(s) responsible for meeting the timeline:
Business Office Director

2017 Audit Findings

FA 2017-001 – Disallowed Expenses - Resolved

Federal Awards Findings

FA 2015-002 Procurement and Suspension and Debarment – Repeated and Revised

Previous issue not resolved due to not providing enough training and support to all programs using Federal employees.

- Specific corrective action plan for finding:
For new vendors, staff is reviewing each vendor against the federal government database sam.gov before the vendor is entered in the general ledger. For current vendors, before the CPO approves a new PO, the vendor is checked against sam.gov database. A copy of the verification is printed and kept in a binder, a second copy will be placed with the vendor purchase order.
- Timeline for completion of corrective action plan:
Corrective plan is already in place for FY19

- Employee position(s) responsible for meeting the timeline:
CPO and Business Director

FA 2017-002 – Excessive Delays in Requests for Reimbursement

- Specific corrective action plan for finding:
The district is going to train all business office staff on how to submit RfRs. Due to staff constraints, a process will be implemented to request large grants disbursements on a monthly basis and small grants disbursements on a bi-monthly or quarterly basis. Grants flow expenditures will be evaluated to assess which reimbursement request will be done monthly (i.e., 24101, 24106) and which will be done bi-monthly/quarterly.
- Timeline for completion of corrective action plan:
Training and assessment of expenditures will start in November and December. Changes are expected to be fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director and Business office staff assigned.

Financial Statement Findings

FS 2017- 001 – Improper Loans of Student Activity Funds - Resolved

FS 2010-004 [10-04] – Internal Controls over Cash and Bank Reconciliations – Repeated and Revised

- Specific corrective action plan for finding:
The district has contracted consultants to train and assist with implementing procedures. Nine of the eleven bank accounts have been closed and the district is only keeping two, general operations and bond services. The bank/cash reconciliation process will be more efficient by reconciling only two accounts vs eleven. Responsible identified staff will be trained on the proper and timely recording of bond revenues and expenses. A review process for recording revenues and processing payables has been implemented to assure proper posting in the GL. Monthly budget and GL reviews will be implemented to assure proper recording, availability of funds, and compliance. Monthly closing procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Bank reconciliation and bank accounts reduction started in October, November will be the first month with activity only in two bank accounts. Procedures and training will start in November and will continue to the end of fiscal year.
- Employee position(s) responsible for meeting the timeline
Business office Director, Superintendent (Consultants)

FS 2010-009 [10-09] – Budgetary Controls – Repeated and Revised

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification – Repeated and Revised

- Specific corrective action plan for finding:
The district will do a reorganization of duties and responsibilities and will determine who is responsible for updating assets and performing inventory. Belen will also start using the fixed assets module in Visions to make this process more efficient. Staff assigned will be trained
- Timeline for completion of corrective action plan:
March – April 2019
- Employee position(s) responsible for meeting the timeline:
Business Office Director

New Mexico Findings

NM 2017-002 [FS 2014-003] – Resolved

NM 2017-006 – Improper Employee Retirement Board (ERB) Contributions – Resolved

NM 2017-008 [FS 2014-008] – Improper Procedures for Bids RFPs and Assigning Statutory Preferences – Resolved

NM 2017-009 [FS 2014-010] – Improper Usage of Credit Cards – Resolved

NM 2017-001 [FS 2014-002] – Purchase Orders and Payment Authorization – Repeat and Revised

- Specific corrective action plan for finding:
Procurement training and State procurement compliance training will be provided to district school staff and school administrators to emphasize the importance of the procurement process and why it needs to be followed.
- Timeline for completion of corrective action plan:
Training will start in December and continue through the end of fiscal year. Also a business office comprehensive training will be provided at the beginning of the school year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

NM 2017-003 [FS 2016-002] – Background Checks – Repeated and Revised

- Specific corrective action plan for finding:
The HR department has a process in which every new employee is fingerprinted at the district before being hired. They are reviewing HR files to make sure that no new employee is missed. Also, HR is reviewing student files that graduate and become district employees to make sure a background check is performed.
- Timeline for completion of corrective action plan:
Review has been started and will be completed by January
- Employee position(s) responsible for meeting the timeline
HR Director

NM 2017- 004 – Improper Approval of Budget Adjustment (Reclassified FS 2017-003)

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

NM 2017-005 [FS 2016-001] – Improper Reimbursement of Travel Expense – Repeated and Revised

- Specific corrective action plan for finding:
Procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Procedures and templates will be ready by January and training will start in January as well.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

NM 2017-007 – I-9 Documentation

- Specific corrective action plan for finding:
The HR department implemented a new system to gather new employee documentation and electronic signatures in August. The HR department reviews that all documentation is complete and signed in the new system. A comprehensive review of all employee files will occur.

A review of payments to contracts will be reviewed to ensure underpayment does not occur again.
- Timeline for completion of corrective action plan:
The use of the new system started in August and it is fully implemented. Review of contracts and the GL have begun and will be reviewed again prior to year-end final payments.

- Employee position(s) responsible for meeting the timeline:
HR Director

NM 2017-010 [FS 2007-005] [07-05] – Cash Appropriations in Excess of Available Cash Balances – Repeated and Revised

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

NM 2017-011 [FS 2014-007] – Improper Cash Controls Outstanding Warrants – Repeated and Revised

- Specific corrective action plan for finding:
Staff will be trained to review balance sheet accounts and outstanding items throughout the fiscal year. End of the year procedures will be implemented and staff will be trained and guided on the new processes.
- Timeline for completion of corrective action plan:
End of the year procedures will be ready by March to get staff ready for closing the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director.

NM 2017-012 – Improper Recording of Journal Entries

- Specific corrective action plan for finding:
A journal entry process to include dual signatures and supporting documentation will be implemented for proper review of all journal entries. Staff will be trained accordingly.
- Timeline for completion of corrective action plan:
New processes and training will start in November and continue to the end of the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

2018 Audit Findings

Federal Awards Findings

FA 2015-002 – Procurement and Suspension and Debarment (Significant Deficiency) Repeated and Revised

- Specific corrective action plan for finding:
For new vendors, staff is reviewing each vendor against the federal government database sam.gov before the vendor is entered in the general ledger. For current vendors, before the CPO approves a new PO, the vendor is checked against sam.gov database. A copy of the verification is printed and kept in a binder, a second copy will be placed with the vendor purchase order.
- Timeline for completion of corrective action plan:
Corrective plan is already in place for FY19
- Employee position(s) responsible for meeting the timeline:
CPO and Business Director

FA 2017-002 – Excessive Delays in Requests for Reimbursement (Significant Deficiency)

- Specific corrective action plan for finding:
The district will do a reorganization of duties and responsibilities and will determine who is responsible for updating assets and performing inventory. Belen will also start using the fixed assets module in Visions to make this process more efficient. Staff assigned will be trained
- Timeline for completion of corrective action plan:
March – April 2019
- Employee position(s) responsible for meeting the timeline:
Business Office Director

Financial Statement Findings

FS 2010-004 [FS 10-04] – Internal Controls over District Cash and Bank Reconciliations (Material Weakness) Repeated and Revised

- Specific corrective action plan for finding:
The district has contracted consultants to train and assist with implementing procedures. Nine of the eleven bank accounts have been closed and the district is only keeping two, general operations and bond services. The bank/cash reconciliation process will be more efficient by reconciling only two accounts vs eleven. Responsible identified staff will be trained on the proper and timely recording of bond revenues and expenses. A review process for recording revenues and processing payables has been implemented to assure proper posting in the GL. Monthly budget and GL reviews will be implemented to assure proper recording, availability of funds, and compliance. Monthly closing procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Bank reconciliation and bank accounts reduction started in October, November will be the first month with activity only in two bank accounts. Procedures and training will start in November and will continue to the end of fiscal year.
- Employee position(s) responsible for meeting the timeline
Business office Director, Superintendent (Consultants)

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification (Material Weakness) Repeated and Revised

- Specific corrective action plan for finding:
The district will do a reorganization of duties and responsibilities and will determine who is responsible for updating assets and performing inventory. Belen will also start using the fixed assets module in Visions to make this process more efficient. Staff assigned will be trained
- Timeline for completion of corrective action plan:
March – April 2019
- Employee position(s) responsible for meeting the timeline:
Business Office Director

FS 2017-003 – Budgetary Controls and Cash Appropriations in Excess of Available Cash (Significant Deficiency) Repeated and Revised

- Specific corrective action plan for finding:
A monthly budget review process will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Budget review will start in November and fully implemented by January.
- Employee position(s) responsible for meeting the timeline:
Business Office Director, Superintendent.

NM 2017-001 [FS 2014-002] – Purchase Orders and Payment Authorization (Compliance and Other Matters) Repeated and Revised

- Specific corrective action plan for finding:
Procurement training and State procurement compliance training will be provided to district school staff and school administrators to emphasize the importance of the procurement process and why it needs to be followed.
- Timeline for completion of corrective action plan:
Training will start in December and continue through the end of fiscal year. Also a business office comprehensive training will be provided at the beginning of the school year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

NM 2017-003 [FS 2016-002] – Background Checks and Licensing (Compliance and Other Matters) Repeated and Revised

- Specific corrective action plan for finding:
The HR department has a process in which every new employee is fingerprinted at the district before being hired. They are reviewing HR files to make sure that no new employee is missed. Also, HR is reviewing student files that graduate and become district employees to make sure a background check is performed.
- Timeline for completion of corrective action plan:
Review has been started and will be completed by January
- Employee position(s) responsible for meeting the timeline
HR Director

NM 2017-005 [FS 2016-001] – Improper Reimbursement of Travel Expense (Compliance and Other Matters) Repeated and Revised

- Specific corrective action plan for finding:
Procedures will be implemented and staff will be trained.
- Timeline for completion of corrective action plan:
Procedures and templates will be ready by January and training will start in January as well.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

NM 2017-007 – Payroll Documentation and Procedures (Compliance and Other Matters)

- Specific corrective action plan for finding:
The HR department implemented a new system to gather new employee documentation and electronic signatures in August. The HR department reviews that all documentation is complete and signed in the new system. A comprehensive review of all employee files will occur.
A review of payments to contracts will be reviewed to ensure underpayment does not occur again.
- Timeline for completion of corrective action plan:
The use of the new system started in August and it is fully implemented. Review of contracts and the GL have begun and will be reviewed again prior to year-end final payments.
- Employee position(s) responsible for meeting the timeline:
HR Director

NM 2017- 011 [FS 2014-007] – Improper Cash Controls Over Outstanding Warrants and Deposits (Non-Compliance) Repeated and Revised

- Specific corrective action plan for finding:
Staff will be trained to review balance sheet accounts and outstanding items throughout the fiscal year. End of the year procedures will be implemented and staff will be trained and guided on the new processes.
- Timeline for completion of corrective action plan:
End of the year procedures will be ready by March to get staff ready for closing the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director.

NM 2017-012 – Improper Support for Journal Entries (Non-Compliance and Other Matters) Repeated and Revised

- Specific corrective action plan for finding:
A journal entry process to include dual signatures and supporting documentation will be implemented for proper review of all journal entries. Staff will be trained accordingly.
- Timeline for completion of corrective action plan:
New processes and training will start in November and continue to the end of the fiscal year.
- Employee position(s) responsible for meeting the timeline:
Business Office Director

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2018

Auditor Prepared Financial Statements

Manning Accounting and Consulting Services, LLC prepared the GAAP-basis financial statements and footnotes of Belen Consolidated School District No. 2 from the original books and records provided to them by the management of the District. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements. The responsibility for the financial statements remains with the District.

Exit Conference

The contents of this report were discussed on November 6, 2018 the following individuals were in attendance.

Belen Consolidated School District No. 2

Max Perez, Superintendent
Elizabeth Chavez, Board Secretary
Joe Hidalgo, Audit Committee Community Member
Cynthia Moya, Administrative Assistant to the Superintendent
Maria Fidalgo, Financial Consultant
Carol Gonzales, Financial Consultant

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner