

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
JUNE 30, 2017



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
FOR THE YEAR ENDED JUNE 30, 2017
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STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2017

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

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Timothy Keller, 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, 2017, 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, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general 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 and II and the notes to the Required Supplementary Information on pages 47 through 49 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 III through VII 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 III through VII on pages 77 through 84, 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 III through VII 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 i through iii and the Summary Schedule of Prior Audit Findings on pages 129 through 138 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 14, 2017 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, New Mexico
November 14, 2017

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A-1

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 11,035,364
Receivables (net of allowance for uncollectibles)	3,979,658
Inventory	211,707
<i>Total current assets</i>	<u>15,226,729</u>
<i>Noncurrent assets</i>	
Restricted Cash	5,612,790
Bond discounts, net of amortization of \$53,586	367
Capital assets (net of accumulated depreciation):	
Land and land improvements	11,343,676
Buildings and building improvements	100,340,755
Furniture, fixtures and equipment	2,389,704
Vehicles	5,540,273
Construction in progress	158,853
Less: accumulated depreciation	(54,749,176)
<i>Total noncurrent assets</i>	<u>70,637,242</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred costs on debt refunding	126,335
Pension - change in assumptions	1,103,850
Pension - change in investment experience	3,236,918
Pension - actuarial experience	235,258
Pension - employer contributions after measurement date	2,927,723
<i>Total deferred outflows</i>	<u>7,630,084</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 93,494,055</u>
LIABILITIES	
<i>Current liabilities</i>	
Accounts payable	\$ 1,182,591
Accrued payroll liabilities	1,909,523
Accrued interest payable	290,734
Unearned revenue	24,110
Current maturities of:	
Bonds payable	3,645,000
Compensated absences	259,436
<i>Total current liabilities</i>	<u>7,311,394</u>
<i>Noncurrent liabilities:</i>	
Bond premiums, net of amortization of \$506,789	711,921
Bonds payable	29,395,000
Compensated absences	37,164
Net pension liability	54,227,286
<i>Total noncurrent liabilities</i>	<u>84,371,371</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on debt refunding	348,429
Pension - change in actuarial experiences	515,770
Pension - change in proportion	1,263,457
<i>Total deferred inflows</i>	<u>2,127,656</u>
NET POSITION	
Invested in capital assets	31,272,531
Restricted for:	
Debt service	7,185,899
Capital projects	8,296,957
Other purposes - special revenue	1,960,999
Unrestricted	(49,032,752)
<i>Total net position</i>	<u>(316,366)</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 93,494,055</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, 2017

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
Instruction	\$ 21,386,243	\$ 272,223	\$ 4,013,218	\$ -	\$ (17,100,802)
Support services:					
Students	4,151,722	-	799,754	-	(3,351,968)
Instruction	909,064	-	206,674	-	(702,390)
General administration	1,344,073	-	-	-	(1,344,073)
School administration	1,912,326	-	-	-	(1,912,326)
Other	3,894	-	-	-	(3,894)
Central services	1,116,465	167,750	-	-	(948,715)
Operation & maintenance of plant	5,540,595	23,347	-	190,084	(5,327,164)
Student transportation	1,857,964	-	1,362,791	-	(495,173)
Food services operations	2,521,551	87,706	2,757,640	-	323,795
Community services	265,493	-	-	-	(265,493)
Interest on long-term debt	908,392	-	-	126,335	(782,057)
Facilities materials, supplies, & other services	6,118,086	-	-	-	(6,118,086)
Total Primary Government	<u>\$ 48,035,868</u>	<u>\$ 551,026</u>	<u>\$ 9,140,077</u>	<u>\$ 316,419</u>	<u>(38,028,346)</u>
General Revenues:					
Property taxes:					
Levied for general purposes 215,596					
Levied for debt service 4,623,122					
Levied for capital projects 1,195,360					
State Equalization Guarantee 29,129,590					
Unrestricted investment earnings 1,455					
Miscellaneous 483,225					
<u>Total general revenues 35,648,348</u>					
Change in net position <u>(2,379,998)</u>					
Net position - beginning of year 2,022,144					
Prior period adjustment <u>41,488</u>					
Net position - beginning of year, restated <u>2,063,632</u>					
Net position - end of year <u>\$ (316,366)</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, 2017

	General Fund			Title I IASA 24101
	Operational 11000	Transportation 13000	Instructional Materials 14000	
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ 268,681	\$ -
Accounts receivable				
Taxes	96,643	-	-	-
Due from other governments	30,791	-	-	688,181
Interfund receivables	1,882,729	-	-	-
Other	20,373	-	-	-
Inventory	102,330	-	-	-
<i>Total assets</i>	<u>\$ 2,132,866</u>	<u>\$ -</u>	<u>\$ 268,681</u>	<u>\$ 688,181</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ 298,535	\$ 7,758	\$ -	\$ 575,307
Accrued payroll liabilities	1,909,497	-	-	-
Interfund payables	2,044	167,831	-	723,926
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>2,210,076</u>	<u>175,589</u>	<u>-</u>	<u>1,299,233</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	89,368	-	-	-
<i>Total deferred inflows of resources</i>	<u>89,368</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	102,330	-	-	-
Restricted for:				
Transportation	-	-	-	-
Instructional materials	-	-	268,681	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	(268,908)	(175,589)	-	(611,052)
<i>Total fund balances</i>	<u>(166,578)</u>	<u>(175,589)</u>	<u>268,681</u>	<u>(611,052)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,132,866</u>	<u>\$ -</u>	<u>\$ 268,681</u>	<u>\$ 688,181</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, 2017

	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ 6,873,789	\$ 5,612,790	\$ 3,892,894	\$ 16,648,154
Accounts receivable				
Taxes	-	1,795,203	465,548	2,357,394
Due from other governments	-	-	882,919	1,601,891
Interfund receivables	2,044	-	-	1,884,773
Other	-	-	-	20,373
Inventory	-	-	109,377	211,707
	<u>6,875,833</u>	<u>7,407,993</u>	<u>5,350,738</u>	<u>22,724,292</u>
<i>Total assets</i>	<u>\$ 6,875,833</u>	<u>\$ 7,407,993</u>	<u>\$ 5,350,738</u>	<u>\$ 22,724,292</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ 250,000	\$ -	\$ 50,991	\$ 1,182,591
Accrued payroll liabilities	-	-	26	1,909,523
Interfund payables	-	-	990,972	1,884,773
Unearned revenue	-	-	24,110	24,110
	<u>250,000</u>	<u>-</u>	<u>1,066,099</u>	<u>5,000,997</u>
<i>Total liabilities</i>	<u>250,000</u>	<u>-</u>	<u>1,066,099</u>	<u>5,000,997</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	1,628,853	422,484	2,140,705
	<u>-</u>	<u>1,628,853</u>	<u>422,484</u>	<u>2,140,705</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>1,628,853</u>	<u>422,484</u>	<u>2,140,705</u>
FUND BALANCES				
Nonspendable	-	-	109,377	211,707
Restricted for:				
Transportation	-	-		-
Instructional materials	-	-		268,681
Grant mandates	-	-	1,933,736	1,933,736
Capital projects	-	-	349,814	349,814
Debt service	-	1,585,749	-	1,585,749
Assigned	6,625,833	4,193,391	1,982,688	12,801,912
Unassigned	-	-	(513,460)	(1,569,009)
	<u>6,625,833</u>	<u>5,779,140</u>	<u>3,862,155</u>	<u>15,582,590</u>
<i>Total fund balances</i>	<u>6,625,833</u>	<u>5,779,140</u>	<u>3,862,155</u>	<u>15,582,590</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 6,875,833</u>	<u>\$ 7,407,993</u>	<u>\$ 5,350,738</u>	<u>\$ 22,724,292</u>

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

STATE OF NEW MEXICO

Exhibit B-2

BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental funds	\$ 15,582,590
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
The cost of capital assets is	119,773,261
Accumulated depreciation is	(54,749,176)
Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements.	2,927,723
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	2,140,705
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	126,335
Deferred outflows of resources related to change in assumptions	1,103,850
Deferred outflows of resources related to investment experience	3,236,918
Deferred outflows of resources related to actuarial experience	235,258
Deferred inflows of resources related to deferred gains on refunding	(348,429)
Deferred inflows of resources related to actuarial experience	(515,770)
Deferred inflows of resources related to change in proportion	(1,263,457)
Bond issuance costs, including original issue discounts and premiums are not financial resources and therefore are not reported in the funds	
Bond discounts net of related accumulated amortization	367
Bond premiums net of accumulated amortization	(711,921)
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	(290,734)
Bonds payable	(33,040,000)
Accrued compensated absences	(296,600)
Net pension liability	(54,227,286)
Total net position - governmental activities	<u>\$ (316,366)</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, 2017

Exhibit B-3

	General Fund			Title I IASA 24101
	Operational 11000	Transportation 13000	Instructional Materials 14000	
<i>Revenues:</i>				
Property taxes	\$ 214,632	\$ -	\$ -	\$ -
State grants	29,129,590	1,280,548	240,301	-
Federal grants	303	-	-	1,696,188
Miscellaneous	482,153	-	-	-
Charges for services	288,458	-	-	-
Investment Income	-	-	-	-
<i>Total revenues</i>	<u>30,115,136</u>	<u>1,280,548</u>	<u>240,301</u>	<u>1,696,188</u>
<i>Expenditures:</i>				
Current:				
Instruction	17,286,725	-	141,370	1,351,587
Support services				
Students	3,107,293	-	-	540,011
Instruction	507,482	-	-	71,582
General administration	966,364	-	-	196,747
School administration	1,841,994	-	-	1,236
Central services	1,080,015	-	-	-
Operation & maintenance of plant	5,438,998	-	-	-
Student transportation	206,638	1,350,896	-	-
Other support services	3,894	-	-	-
Food services operations	-	-	-	-
Community services	262,350	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>30,701,753</u>	<u>1,350,896</u>	<u>141,370</u>	<u>2,161,163</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(586,617)</u>	<u>(70,348)</u>	<u>98,931</u>	<u>(464,975)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	118,730	-	-	-
Proceeds from bond issues	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>118,730</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(467,887)</u>	<u>(70,348)</u>	<u>98,931</u>	<u>(464,975)</u>
<i>Adjusted fund balances - beginning of year</i>	<u>301,309</u>	<u>(105,241)</u>	<u>169,750</u>	<u>(146,077)</u>
<i>Fund balances - end of year</i>	<u>\$ (166,578)</u>	<u>\$ (175,589)</u>	<u>\$ 268,681</u>	<u>\$ (611,052)</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, 2017

Exhibit B-3

	Bond Building 31100	Debt Service 41000	Other Governmental Funds	Total Primary Government
<i>Revenues:</i>				
Property taxes	\$ -	\$ 4,625,094	\$ 1,196,443	\$ 6,036,169
State grants	-	-	1,203,735	31,854,174
Federal grants	-	-	4,918,483	6,614,974
Miscellaneous	-	-	-	482,153
Charges for services	-	-	263,337	551,795
Investment Income	828	404	223	1,455
<i>Total revenues</i>	<u>828</u>	<u>4,625,498</u>	<u>7,582,221</u>	<u>45,540,720</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	1,865,637	20,645,319
Support services				
Students	-	-	444,956	4,092,260
Instruction	-	-	299,298	878,362
General administration	-	45,808	100,381	1,309,300
School administration	-	-	80	1,843,310
Central services	-	-	900	1,080,915
Operation & maintenance of plant	-	-	373	5,439,371
Student transportation	-	-	213,256	1,770,790
Other support services	-	-	-	3,894
Food services operations	-	-	2,499,547	2,499,547
Community services	-	-	-	262,350
Capital outlay	5,140,935	-	1,093,153	6,234,088
Debt service				
Principal	-	3,540,000	-	3,540,000
Interest	-	904,522	-	904,522
Bond issuance costs	-	218,960	-	218,960
<i>Total expenditures</i>	<u>5,140,935</u>	<u>4,709,290</u>	<u>6,517,581</u>	<u>50,722,988</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(5,140,107)</u>	<u>(83,792)</u>	<u>1,064,640</u>	<u>(5,182,268)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	(118,730)	-
Proceeds from bond issues	5,200,000	3,560,000	-	8,760,000
Payment to refunded bond escrow agent	-	(3,578,337)	-	(3,578,337)
Bond underwriter premium	-	254,146	-	254,146
<i>Total other financing sources (uses)</i>	<u>5,200,000</u>	<u>235,809</u>	<u>(118,730)</u>	<u>5,435,809</u>
<i>Net changes in fund balances</i>	59,893	152,017	945,910	253,541
<i>Adjusted fund balances - beginning of year</i>	<u>6,565,940</u>	<u>5,627,123</u>	<u>2,916,245</u>	<u>15,329,049</u>
<i>Fund balances - end of year</i>	<u>\$ 6,625,833</u>	<u>\$ 5,779,140</u>	<u>\$ 3,862,155</u>	<u>\$ 15,582,590</u>

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

STATE OF NEW MEXICO

Exhibit B-4

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, 2017

	<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	\$ 253,541
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	(2,845,455)
Capital outlays	2,890,493
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	(2,091)
Other unavailable revenues	(9,094)
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	(4,374)
Amortization of bond premium	119,393
Amortization of deferred gain on debt refunding	68,543
Accrued interest payable	117,014
Accrued compensated absences	13,146
Capitalization of bond refunding costs	126,335
Bond premium capitalized	(254,146)
Bond proceeds	(8,760,000)
Payment to refunded bond escrow agent for future principle payment	3,450,000
Bond principle payments	3,540,000
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	2,927,723
Pension expense	(4,011,026)
Change in net position - total governmental activities	<u>\$ (2,379,998)</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, 2017

Exhibit C-1

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ 205,984	\$ 205,984	\$ 212,490	\$ 6,506
State grants	29,393,792	29,393,792	29,129,590	(264,202)
Federal grants	-	-	303	303
Miscellaneous	453,500	453,500	457,324	3,824
Charges for services	301,200	301,200	288,458	(12,742)
Interest	75	75	-	(75)
<i>Total revenues</i>	<u>30,354,551</u>	<u>30,354,551</u>	<u>30,088,165</u>	<u>(266,386)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	16,594,503	16,594,503	16,160,138	434,365
Support services				
Students	3,289,008	3,289,008	3,208,368	80,640
Instruction	555,485	555,485	507,482	48,003
General administration	1,034,909	1,034,909	984,480	50,429
School administration	1,866,000	1,866,000	1,842,608	23,392
Central services	1,031,108	1,031,108	1,080,184	(49,076)
Operation & maintenance of plant	6,213,176	6,213,176	5,666,712	546,464
Student transportation	222,785	222,785	206,638	16,147
Other support services	290,524	290,524	3,894	286,630
Food services operations	-	-	-	-
Community services	228,290	228,290	262,350	(34,060)
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>31,325,788</u>	<u>31,325,788</u>	<u>29,922,854</u>	<u>1,402,934</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(971,237)</u>	<u>(971,237)</u>	<u>165,311</u>	<u>1,136,548</u>
<i>Other financing sources (uses):</i>				
Designated cash	971,237	971,237	-	(971,237)
Operating transfers	-	-	118,730	118,730
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>971,237</u>	<u>971,237</u>	<u>118,730</u>	<u>(852,507)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>284,041</u>	<u>284,041</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,596,644</u>	<u>1,596,644</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>0</u>	<u>-</u>
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,596,644</u>	<u>1,596,644</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,880,685</u>	<u>\$ 1,880,685</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 284,041	
Adjustments to revenues			26,971	
Adjustments to expenditures			(778,899)	
Net change in fund balance (GAAP basis)			<u>\$ (467,887)</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, 2017

Exhibit C-2

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	1,478,548	1,280,548	1,280,548	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,478,548</u>	<u>1,280,548</u>	<u>1,280,548</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	1,478,548	1,280,548	1,411,740	(131,192)
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,478,548</u>	<u>1,280,548</u>	<u>1,411,740</u>	<u>(131,192)</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(131,192)</u>	<u>(131,192)</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>(131,192)</u>	<u>(131,192)</u>
<i>Cash or fund balance - beginning of year</i>	-	-	(36,639)	(36,639)
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(36,639)</u>	<u>(36,639)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (167,831)</u>	<u>\$ (167,831)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ (131,192)	
Adjustments to revenues			-	
Adjustments to expenditures			60,844	
Net change in fund balance (GAAP basis)			<u>\$ (70,348)</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, 2017

Exhibit C-3

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	220,926	180,808	240,301	59,493
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>220,926</u>	<u>180,808</u>	<u>240,301</u>	<u>59,493</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	220,926	180,808	141,370	39,438
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>220,926</u>	<u>180,808</u>	<u>141,370</u>	<u>39,438</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>98,931</u>	<u>98,931</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>98,931</u>	<u>98,931</u>
<i>Cash or fund balance - beginning of year</i>	-	-	169,750	169,750
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>169,750</u>	<u>169,750</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,681</u>	<u>\$ 268,681</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ 98,931	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 98,931</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, 2017

Exhibit C-4

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Federal grants	1,705,590	2,491,543	1,527,921	(963,622)
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>1,705,590</u>	<u>2,491,543</u>	<u>1,527,921</u>	<u>(963,622)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	867,413	1,639,963	938,875	701,088
Support services				
Students	510,885	510,885	540,011	(29,126)
Instruction	-	-	71,582	(71,582)
General administration	327,292	340,695	196,747	143,948
School administration	-	-	1,236	(1,236)
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>1,705,590</u>	<u>2,491,543</u>	<u>1,748,451</u>	<u>743,092</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(220,530)</u>	<u>(220,530)</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>(220,530)</u>	<u>(220,530)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(503,396)</u>	<u>(503,396)</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(503,396)</u>	<u>(503,396)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (723,926)</u>	<u>\$ (723,926)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance			\$ (220,530)	
Adjustments to revenues			168,267	
Adjustments to expenditures			(412,712)	
Net change in fund balance (GAAP basis)			<u>\$ (464,975)</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, 2017

Exhibit D-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ 394,514
<i>Total assets</i>	<u>\$ 394,514</u>
 LIABILITIES	
<i>Current Liabilities</i>	
Current payables	\$ 5,558
Deposits held in trust for others	388,956
<i>Total liabilities</i>	<u>\$ 394,514</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of GASB No. 73 established requirements for defined benefit pensions that are not within the scope of Statement No. 68. The provisions of GASB No. 74 improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of GASB No. 77 are intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The provisions of GASB No. 78 address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These pronouncement are not expected to have a material effect on the District. The more significant accounting policies of the District are described below.

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 unites, 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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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.

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 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2017.

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.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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)

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, 2017.

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, 2017, the District’s unearned revenues were \$24,110.

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, 2017. Contributions of \$2,927,723 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 have three other deferred outflows which arise due to the implementation of GASB 68; change in assumptions \$1,103,850; investment experience \$3,236,918; and actuarial experience \$235,258.

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 \$296,600 at June 30, 2017.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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)*

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.

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 \$33,040,000 at June 30, 2017 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, 2017 net pension liability \$54,227,286.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 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 \$2,140,705 for property tax was recorded at June 30, 2017.

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 \$515,770, and change proportion \$1,263,457 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.”

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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)*

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 Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized 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.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

E. Revenues - (Continued)

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 \$29,129,590 in state equalization guarantee distributions during the year ended June 30, 2017.

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, 2017 were \$6,036,169, 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 \$1,280,548 in transportation distributions during the year ended June 30, 2017.

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, 2017 totaled \$240,301.

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 received \$190,084 in state SB-9 matching during the year ended June 30, 2017.

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).

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies - (Continued)

E. Revenues - (Continued)

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, 2017, the District received no 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:

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 Stewardship, Compliance and Accountability – (Continued)

Budgetary Information – (Continued)

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, 2017, 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
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the 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.

	<u>US Bank</u>	<u>Wells Fargo</u>	<u>Total</u>
Total amounts of deposits	\$ 14,328,455	\$ 3,843,332	\$ 18,171,787
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>\$ 500,000</u>
Total uninsured public funds	<u>14,078,455</u>	<u>3,593,332</u>	<u>17,671,787</u>
Collateral requirement (50% of uninsured public funds)	7,039,228	1,796,666	8,835,894
Pledged security	<u>7,039,228</u>	<u>2,296,336</u>	<u>\$ 9,335,564</u>
Total over (under) collateralized	<u>\$ -</u>	<u>\$ 499,670</u>	<u>\$ 499,670</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).

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 Cash and Cash Equivalents (Continued)

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.

At June 30, 2017, \$17,671,787 of the District’s bank balance of \$18,171,787 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	\$ 16,648,154
Statement of Fiduciary Net Position - Cash per Exhibit D-1	394,514
Total per financial statements	17,042,668
Add outstanding checks and other reconciling items	1,134,234
Less: cash on hand	(5,115)
Bank balance of deposits	\$ 18,171,787

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, 2017. The 24000 funds are federal funds, and 13000, 22000, and 27000 through 31400 funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2017:

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 Cash and Cash Equivalents (Continued)

Fund #	Major Funds:		
13000	Transportation	\$	167,831
24101	Title I IASA		723,926
Fund #	Special Revenue Funds:		
22000	Athletics		196,368
24106	IDEA-B Entitlement		279,205
24107	IDEA-B Discretionary		5,040
24109	IDEA-B Preschool		303
24118	Fresh Fruits and Vegetables		16,921
24132	IDEA-B Results Plan		69,570
24153	English Language Acquisition		48,262
24154	Teacher/Principal Training & Recruiting		92,983
24162	Title I School Improvement		10,296
24174	Carl D. Perkins Secondary - Current		2,418
27107	2012 Go Bonds Student Library Fund (SB66)		112,463
27141	Truancy Initiative		71,462
27149	PreK Initiative		39,805
27166	Kindergarten Three Plus		1,202
27183	NM Grown Fresh Fruits and Vegetables		3,215
28189	GRADS - Child Care		8,364
28190	GRADS - Instruction		18,672
	Capital Projects Fund:		
31400	Special Capital Outlay - State		14,423
	Total	\$	1,882,729

NOTE 4 Receivables

Receivables as of June 30, 2017 are as follows:

	Major Funds				Total Governmental Funds
	Operational 11000	Title I IASA 24101	Debt Service 41000	Other Governmental Funds	
Property taxes	\$ 96,643	\$ -	\$ 1,795,203	\$ 465,548	\$ 2,357,394
Due from other governments	30,791	688,181	-	882,919	1,601,891
Other	20,373	-	-	-	20,373
Total receivables	\$ 147,807	\$ 688,181	\$ 1,795,203	\$ 1,348,467	\$ 3,979,658

The above receivables are deemed 100% collectible. In accordance with GASB No. 33, property tax revenues in the amount of \$2,140,705 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, 2017**

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, 2017 is as follows:

Governmental Activities	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
Operational (11000)	\$ 1,882,729	\$ 2,044
Transportation (13000)	-	167,831
Title I IASA (24101)	-	723,926
Bond Building (31100)	2,044	-
Non-major Funds:		
Food Service (22000)	-	196,368
IDEA-B Entitlement (24106)	-	279,205
IDEA-B Discretionary (24107)	-	5,040
IDEA-B Preschool (24109)	-	303
Fresh Fruits and Vegetables (24118)	-	16,921
IDEA-B Results Plan (24132)	-	69,570
English Language Acquisition (24153)	-	48,262
Teacher/Principal Training & Recruiting (24154)	-	92,983
Title I School Improvement (24162)	-	10,296
Carl D. Perkins Secondary - Current (24174)	-	2,418
2012 Go Bonds Student Library Fund (SB66) (27107)	-	112,463
Truancy Initiative (27141)	-	71,462
PreK Initiative (27149)	-	39,805
2013 PreK Classrooms (27166)	-	1,202
NM Grown Fresh Fruits and Vegetables (27183)	-	3,215
GRADS - Child Care	-	8,364
GRADS - Instruction (28190)	-	18,672
Special Capital Outlay - State (31400)	-	14,423
Totals	<u>\$ 1,884,773</u>	<u>\$ 1,884,773</u>

All interfund balances are expected to be repaid within one year. The difference between interfund payables and receivables of \$250,000 is the amount loaned to the Operational Fund from the Agency Funds.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 Capital Assets

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

Capital assets used in governmental activities:	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 2,634,999	\$ -	\$ -	\$ -	\$ 2,634,999
Construction in progress	-	2,133,132	(1,974,279)	-	158,853
Total capital assets not being depreciated	<u>2,634,999</u>	<u>2,133,132</u>	<u>(1,974,279)</u>	<u>-</u>	<u>2,793,852</u>
Capital assets being depreciated:					
Land improvements	8,688,516	20,161	-	-	8,708,677
Buildings and building improvements	97,950,737	2,390,018	-	-	100,340,755
Furniture, fixtures, and equipment	2,319,350	61,561	(37,205)	45,998	2,389,704
Vehicles	5,345,038	259,900	(76,640)	11,975	5,540,273
Total capital assets being depreciated	<u>114,303,641</u>	<u>2,731,640</u>	<u>(113,845)</u>	<u>57,973</u>	<u>116,979,409</u>
Less accumulated depreciation:					
Land improvements	4,651,232	389,428	-	(562)	5,040,098
Buildings and building improvements	41,875,308	2,088,122	-	(40,002)	43,923,428
Furniture, fixtures, and equipment	1,509,042	132,160	(37,205)	51,096	1,655,093
Vehicles	3,965,499	235,745	(76,640)	5,953	4,130,557
Total accumulated depreciation	<u>52,001,081</u>	<u>2,845,455</u>	<u>(113,845)</u>	<u>16,485</u>	<u>54,749,176</u>
Total capital assets, net of depreciation	<u>\$ 64,937,559</u>	<u>\$ 2,019,317</u>	<u>\$ (1,974,279)</u>	<u>\$ 41,488</u>	<u>\$ 65,024,085</u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Governmental activities:	
Instruction	\$ 2,480,946
Support services - students	5,332
Support services - instruction	1,379
School administration	2,740
Operation and maintenance of plant	48,494
Student transportation	299,682
Food services	6,882
Total depreciation	<u>\$ 2,845,455</u>

At June 30, 2017, the District had \$16,411,194 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, 2017

NOTE 7 Long-Term Debt

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance at 06/30/16	Additions	Deletions	Balance at 06/30/17	Due Within One Year
General Obligation Bonds	\$ 31,270,000	\$ 8,760,000	\$ 6,990,000	\$ 33,040,000	\$ 3,645,000
Compensated Absences	309,746	246,290	259,436	296,600	259,436
Total	\$ 31,579,746	\$ 9,006,290	\$ 7,249,436	\$ 33,336,600	\$ 3,904,436

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, 2017, compensated absences decreased \$13,146 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, 2017, all general obligation bonds are for governmental activities.

The District issued a refunding bond 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.

Bonds outstanding at June 30, 2017 are comprised of the following:

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows:

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

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 Long-Term Debt – (Continued)

	Series 2009 GO Bonds	Series 2013 GO Bonds	Series 2014 GO Bonds
Issue Date	11/24/2009	9/17/2013	12/30/2014
Original Issue	\$4,605,000	\$13,250,000	\$9,500,000
Maturity Date	8/1/2019	8/1/2027	8/1/2026
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	2.00% - 4.00%	2.00%-4.00%	2.00%-3.00%
Principal/Interest	1-Aug	1-Aug	1-Aug
Interest	1-Feb	1-Feb	1-Feb

	Series 2015 GO Bonds	Series 2016A GO Bonds	Series 2016B GO Bonds
Issue Date	12/15/2015	9/13/2016	9/13/2016
Original Issue	\$6,195,000	\$5,200,000	\$3,560,000
Maturity Date	8/1/2022	8/1/2030	9/13/2016
Principal	1-Aug	1-Aug	1-Aug
Interest Rate	2.00%	2.00%-2.75%	2.00%
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
2018	\$ 3,645,000	\$ 832,987	\$ 4,477,987
2019	3,175,000	750,488	3,925,488
2020	3,250,000	671,738	3,921,738
2021	2,900,000	596,863	3,496,863
2022	2,885,000	532,949	3,417,949
2023-2027	14,415,000	1,536,431	15,951,431
2028-2032	2,770,000	94,675	2,864,675
Totals	<u>\$ 33,040,000</u>	<u>\$ 5,016,130</u>	<u>\$ 38,056,130</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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017:

Fund#	Special Revenue Funds:	Amount
24113	Education of the Homeless	\$ 883
24157	Safe & Drug Free Schools & Community	205
24167	Reading First	12,138
24176	Carl D. Perkins Secondary - Redistribution	2,218
25149	GRADS Child Care CYFD	3,000
25162	TANF/GRADS HSD	5,666
	Total	<u><u>\$ 24,110</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, 2017, 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, 2017**

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, 2017:

Fund #	Fund Description	Amount
11000	Operational	\$ 166,578
13000	Transportation	175,589
22000	Athletics	196,394
24101	Title I-IASA	611,052
24106	IDEA-B Entitlement	12,130
24107	IDEA-B Discretionary	5,040
24109	IDEA-B Preschool	303
24113	Education of the Homeless	11,189
24118	Fresh Fruits and Vegetables	16,921
24132	IDEA-B Results Plan	26,956
24153	English Language Acquisition	32,953
24154	Teacher/Principal Training & Recruiting	10,690
24162	Title I School Improvement	10,296
24167	Reading First	12,138
24174	Carl D Perkins Secondary - Current	13,711
24176	Carl D Perkins Secondary - Redistribution	260
25149	GRADS Child Care CYFD	3,000
25162	TANF/GRADS HSD	5,666
27107	2012 GO Bonds Student Library Fund (SB66)	112,463
27141	Truancy Initiative	2,434
27149	PreK Initiative	639
27166	Kindergarten - Three Plus	1,202
27183	NM Grown Fresh Fruits and Vegetables	581
28189	GRADS - Child Care	8,364
28190	GRADS - Instruction	15,707
31400	Special Capital Outlay - State	14,423
	Total	<u>\$ 1,300,101</u>

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. Other Required Individual Fund Disclosures (Continued)

B. Excess of expenditures over appropriations: The District had the following funds which reported expenditures over appropriations.

Fund #	Fund and Function	Amount
Major Funds:		
11000	Operational - Central Services	\$ 49,076
11000	Operational - Community Services	34,060
13000	Transportation - Student Transportation	131,192
41000	Debt Service - Principal	3,450,000
41000	Debt Service - Interest	551,642
Non-Major Funds:		
24113	Education of the Homeless - Instruction	11,335
24132	IDEA B Results Plan - Instruction	52
24132	IDEA B Results Plan - School Administration	30
24153	English Language Acquisition - General Administration	2
24162	Title I School Improvement - Instruction	2,534
25152	Title XIX Medicaid 0/2 Years - Instruction	9,966
25152	Title XIX Medicaid 0/2 Years - Operation & Maintenance of Plant	373
25152	Title XIX Medicaid 0/2 - Student Transportation	512
27114	NM Reads to Lead K-3 Reading Initiative - General Administration	3,722
27149	Pre-K Initiative - Instruction	3,114
27149	Pre-K Initiative - General Administration	53
27149	Pre-K Initiative - Student Transportation	3,101
27166	Kindergarten Three Plus - Instruction	23,008
	Total	<u>\$ 4,273,772</u>

C. One fund had designated cash appropriations in excess of available balances for the year ended June 30, 2017. Title XIX Medicaid 0/2 Years had an original cash budget of \$314,408 but only had \$284,953 available for a difference of (\$29,455).

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

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.

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BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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:

- 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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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.

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, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule:

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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, 2017 and 2016, the District paid employee and employer contributions of \$5,062,668 and \$5,172,902 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: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. At June 30, 2017, the District’s reported a liability of \$54,227,286 for its proportionate share of the net pension liability. The District’s proportion of the net pension liability is based on the employer contributing entity’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was 0.753353% percent, which was a decrease of 0.00536% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,011,026. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net (Inflows) Outflows
Differences between expected and actuarial experience	\$ 235,258	\$ (515,770)	\$ (280,512)
Changes of assumptions	1,103,850	-	1,103,850
Net difference between projected and actual earnings on pension plan investments	3,236,918	-	3,236,918
Changes in proportion and differences between Belen Consolidated Schools' contributions and proportionate share of contributions	-	(1,263,457)	(1,263,457)
Belen Consolidated Schools' contributions subsequent to the measurement date	<u>2,927,723</u>	<u>-</u>	<u>2,927,723</u>
Total	<u>\$ 7,503,749</u>	<u>\$ (1,779,227)</u>	<u>\$ 5,724,522</u>

Deferred outflows of resources of \$2,927,723 related to pensions resulting from the District’s contributions subsequent to the measurement date of June 30, 2016 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:

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Year ended June 30,	
2017	\$ (30,691)
2018	575,592
2019	1,462,544
2020	789,354
Thereafter	-
Total	<u>\$ 2,796,799</u>

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

Inflation	3.0%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</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. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>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.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Contribution Accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

Additionally, contributions received through the Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

**STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

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

	1% Decrease	Current	1% Increase
	█ (6.75%)	█ Discount Rate (7.75%)	█ (8.75%)
Belen Consolidated School District No. 2's			
proportionate share of the net pension liability	\$ 71,822,781	\$ 54,227,286	\$ 39,627,996

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, 2017 the contributions due and payable by the District were \$1,027,617 which were paid on July 14, 2017.

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

Plan Description. *Belen Consolidated School District No. 2* contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and / or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member.

Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 **Post-Employment Benefits – State Retiree Health Care Plan**

Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017 the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, June 30, 2016, and June 30, 2015 are \$423,683, \$432,796 and \$433,673 respectively, which equal the required contributions for each year.

NOTE 13 **Unavailable Revenues**

The District had \$2,140,705 in unavailable revenues from uncollected taxes. 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, 2017.

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 **Subsequent Accounting Standard Pronouncements**

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. 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. 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, 2017

NOTE 16 **Subsequent Accounting Standard Pronouncements (Continued)**

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. 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. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

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.

In March 2017, GASB Statement No. 85 *Omnibus 2017*, was issued. 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. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues*, was issued. 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. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 **Restatement – Prior Period Adjustment**

During the year ended June 30, 2017 there was a prior period adjustment which resulted in the reduction of net position in the amount of \$41,488. This reduction is made up of two primary issues.

The fixed asset detail and depreciation detail provided to us in the current year were missing items which were added to fixed assets in the prior years. Additionally, the detail for vehicles and furniture, fixture, and equipment included items which were not included on the prior year's listing as certain assets on hold for auction had not been included in the prior year. Depreciation on certain assets, when reviewed in detail, had assets that weren't being depreciated and other assets that were depreciated in excess of original costs.

The District has made corrections to its fixed asset and depreciation listings to correct these errors. The errors in the various fixed asset details resulted in a prior period adjustment which increased Net Position by \$41, 488.

NOTE 18 **Subsequent Events**

A review of subsequent events through November 14, 2017, 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 BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2017

Schedule I

	June 30		
Fiscal Year	2017	2016	2015
Measurement Date	2016	2015	2014
Belen Consolidated School District No. 2's proportion of the net pension liability	0.75353%	0.75889%	0.77807%
Belen Consolidated School District No. 2's proportionate share of the net pension liability	\$54,227,286	\$49,155,326	\$44,394,571
Belen Consolidated School District No. 2's covered-employee payroll	\$21,484,867	\$21,417,573	\$21,332,232
Belen Consolidated School District No. 2's proportionate share of the net pension liability as a percentage of covered-employee payroll	252.40%	229.51%	208.11%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	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 Belen Consolidated School District No. 2 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 BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
JUNE 30, 2017

Schedule II

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,927,723	\$ 2,990,306	2,997,372
Contributions in relation to the contractually required contribution	2,927,723	2,990,306	2,997,372
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Belen Consolidated School District No. 2's covered-employee payroll	\$ 21,023,949	\$ 21,484,867	\$ 21,417,573
Contributions as a percentage of covered-employee payroll	13.93%	13.92%	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 Belen Consolidated School District No. 2 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, 2017

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

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure *General Information on the Pension Plan - Educational Retirement Board, General Information on the Pension Plan*

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, 2017

Statement A-1

	Special Revenue	Capital Projects	Total
ASSETS			
<i>Current assets:</i>			
Cash and temporary investments	\$ 2,857,902	\$ 1,034,992	\$ 3,892,894
Accounts receivable			
Taxes	-	465,548	465,548
Due from other governments	692,835	190,084	882,919
Interfund receivables	-	-	-
Other	-	-	-
Inventory	109,377	-	109,377
<i>Total assets</i>	<u>\$ 3,660,114</u>	<u>\$ 1,690,624</u>	<u>\$ 5,350,738</u>
LIABILITIES			
<i>Current liabilities:</i>			
Accounts payable	\$ 45,914	\$ 5,077	\$ 50,991
Accrued payroll liabilities	26	-	26
Interfund payables	976,549	14,423	990,972
Unearned revenue	24,110	-	24,110
<i>Total liabilities</i>	<u>1,046,599</u>	<u>19,500</u>	<u>1,066,099</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	-	422,484	422,484
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>422,484</u>	<u>422,484</u>
FUND BALANCES			
Nonspendable	109,377	-	109,377
Restricted for:			
Grant mandates	1,933,736	-	1,933,736
Capital projects	-	349,814	349,814
Debt service	-	-	-
Assigned	1,069,439	913,249	1,982,688
Unassigned	(499,037)	(14,423)	(513,460)
<i>Total fund balances</i>	<u>2,613,515</u>	<u>1,248,640</u>	<u>3,862,155</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,660,114</u>	<u>\$ 1,690,624</u>	<u>\$ 5,350,738</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, 2017

Statement A-2

	Special Revenue	Capital Projects	Total
<i>Revenues:</i>			
Property taxes	\$ -	\$ 1,196,443	\$ 1,196,443
State grants	1,013,651	190,084	1,203,735
Federal grants	4,918,483	-	4,918,483
Miscellaneous	-	-	-
Charges for services	263,337	-	263,337
Investment Income	144	79	223
<i>Total revenues</i>	<u>6,195,615</u>	<u>1,386,606</u>	<u>7,582,221</u>
<i>Expenditures:</i>			
Current:			
Instruction	1,865,637	-	1,865,637
Support services			
Students	444,956	-	444,956
Instruction	299,298	-	299,298
General administration	88,528	11,853	100,381
School administration	80	-	80
Central services	900	-	900
Operation & maintenance of plant	373	-	373
Student transportation	213,256	-	213,256
Other support services	-	-	-
Food services operations	2,499,547	-	2,499,547
Community service	-	-	-
Capital outlay	-	1,093,153	1,093,153
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>5,412,575</u>	<u>1,105,006</u>	<u>6,517,581</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>783,040</u>	<u>281,600</u>	<u>1,064,640</u>
<i>Other financing sources (uses):</i>			
Operating transfers	(116,055)	(2,675)	(118,730)
<i>Total other financing sources (uses)</i>	<u>(116,055)</u>	<u>(2,675)</u>	<u>(118,730)</u>
<i>Net changes in fund balances</i>	666,985	278,925	945,910
<i>Fund balances - beginning of year</i>	<u>1,946,530</u>	<u>969,715</u>	<u>2,916,245</u>
<i>Fund balances - end of year</i>	<u>\$ 2,613,515</u>	<u>\$ 1,248,640</u>	<u>\$ 3,862,155</u>

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

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SPECIAL REVENUE FUNDS

SPECIAL REVENUE FUNDS DESCRIPTIONS

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 “Risk Pool” (24120) – Funding for students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district. 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.

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 – PY Unliquidated Obligations (24175) To provide funds which were encumbered in the prior year for the program as described above. (24174) (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.

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. No minimum balance required according to legislation.

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 HSD (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. No minimum balance required according to legislation.

New Mexico Community Foundation (26176) – The purpose of this grant is to assist the community with opportunities for all children and youth, by expanding equitable access to quality healthcare, and addressing basic human needs. Authorized by the School Board and the New Mexico Public Education Department. No minimum balance required according to legislation.

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.

Truancy Prevention/Intervention (27139) – Continue implementation of programs and strategies for the purpose of identifying best practices for truancy prevention that are unique to New Mexico populations and cultures that will assist students to stay in school and succeed. Authority: NMSA 22-2-8-10. 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 for creation of this fund is NMSA 22-2-8-10. No minimum balance required according to legislation.

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.

2013 School Bus (27178) – To account for funds provided by New Mexico Public Education Department to purchase school buses. 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.

Next Generation Assessments (27185) – To account for funds provided by the New Mexico Public Education Department to remediate deficiencies in computer devices compliant with the Partnership for Assessment of Readiness for College and Career assessment requirements. 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.

GEAR UP CHE (28178) – (Gaining Early Awareness and Readiness for Undergraduate Programs.) The purpose of this grant is to increase the number of low-income students who, upon graduation from high school, have the skills and knowledge to succeed in college. 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.

School Based Health Center (29130) – To account for contract services with New Mexico Department of Health to provide quality direct care through integrated primary care and behavioral health services, as well as coordination for these services, through a Level Three School Based Health Center. 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, 2017

Statement B-1

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Discretionary 24107	IDEA-B Preschool 24109
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 1,812,873	\$ -	\$ -	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	55,672	-	280,165	-	-
Interfund receivables	-	-	-	-	-
Inventory	109,377	-	-	-	-
<i>Total assets</i>	<u>\$ 1,977,922</u>	<u>\$ -</u>	<u>\$ 280,165</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ 209	\$ -	\$ 13,090	\$ -	\$ -
Accrued payroll liabilities	-	26	-	-	-
Interfund payables	-	196,368	279,205	5,040	303
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>209</u>	<u>196,394</u>	<u>292,295</u>	<u>5,040</u>	<u>303</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	109,377	-	-	-	-
Restricted for:					
Grant mandates	1,068,336	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	800,000	-	-	-	-
Unassigned	-	(196,394)	(12,130)	(5,040)	(303)
<i>Total fund balances</i>	<u>1,977,713</u>	<u>(196,394)</u>	<u>(12,130)</u>	<u>(5,040)</u>	<u>(303)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,977,922</u>	<u>\$ -</u>	<u>\$ 280,165</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 BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

Statement B-1

	Education of the Homeless 24113	Fresh Fruits and Vegetables 24118	IDEA-B "Risk Pool" 24120	IDEA-B Results Plan 24132	English Language Acquisition 24153
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 883	\$ -	\$ -	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	43,271	15,309
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,271</u>	<u>\$ 15,309</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ 11,189	\$ -	\$ -	\$ 657	\$ -
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	16,921	-	69,570	48,262
Unearned revenue	883	-	-	-	-
<i>Total liabilities</i>	<u>12,072</u>	<u>16,921</u>	<u>-</u>	<u>70,227</u>	<u>48,262</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(11,189)	(16,921)	-	(26,956)	(32,953)
<i>Total fund balances</i>	<u>(11,189)</u>	<u>(16,921)</u>	<u>-</u>	<u>(26,956)</u>	<u>(32,953)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,271</u>	<u>\$ 15,309</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, 2017

Statement B-1

	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Community 24157	Title I School Improvement 24162	Reading First 24167	Carl D Perkins Secondary - Current 24174
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ -	\$ 205	\$ -	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	82,293	-	-	-	1,869
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 82,293</u>	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 13,162
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	92,983	-	10,296	-	2,418
Unearned revenue	-	205	-	12,138	-
<i>Total liabilities</i>	<u>92,983</u>	<u>205</u>	<u>10,296</u>	<u>12,138</u>	<u>15,580</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(10,690)	-	(10,296)	(12,138)	(13,711)
<i>Total fund balances</i>	<u>(10,690)</u>	<u>-</u>	<u>(10,296)</u>	<u>(12,138)</u>	<u>(13,711)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 82,293</u>	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869</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, 2017

Statement B-1

	Carl D Perkins Secondary - PY Unliq. Obligations 24175	Carl D Perkins Secondary - Redistribution 24176	GRADS Child Care CYFD 25149	Title XIX Medicaid 0/2 Years 25152	Child Care Block Grant 25157
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ -	\$ 846	\$ -	\$ 654,341	\$ 179,815
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	1,371	-	56,865	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 2,217</u>	<u>\$ -</u>	<u>\$ 711,206</u>	<u>\$ 179,815</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ 259	\$ -	\$ 3,876	\$ 199
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	-	-	-	-
Unearned revenue	-	2,218	3,000	-	-
<i>Total liabilities</i>	<u>-</u>	<u>2,477</u>	<u>3,000</u>	<u>3,876</u>	<u>199</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	-	-	-	437,891	179,616
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	269,439	-
Unassigned	-	(260)	(3,000)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(260)</u>	<u>(3,000)</u>	<u>707,330</u>	<u>179,616</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 2,217</u>	<u>\$ -</u>	<u>\$ 711,206</u>	<u>\$ 179,815</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, 2017

Statement B-1

	TANF/GRADS HSD 25162	New Mexico Community Foundation 26176	Dual Credit Instructional Materials 27103	2012 GO Bonds Student Library Fund (SB66) 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ -	\$ -	\$ 3,133	\$ -	\$ 1,055
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,133</u>	<u>\$ -</u>	<u>\$ 1,055</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	-	-	112,463	-
Unearned revenue	5,666	-	-	-	-
<i>Total liabilities</i>	<u>5,666</u>	<u>-</u>	<u>-</u>	<u>112,463</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	-	-	3,133	-	1,055
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	(5,666)	-	-	(112,463)	-
<i>Total fund balances</i>	<u>(5,666)</u>	<u>-</u>	<u>3,133</u>	<u>(112,463)</u>	<u>1,055</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,133</u>	<u>\$ -</u>	<u>\$ 1,055</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, 2017

Statement B-1

	Technology for Education PED 27117	Truancy Prevention/ Intervention 27139	Truancy Initiative PED 27141	PreK Initiative 27149	Beginning Teacher Mentoring Program 27154
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 1,314	\$ -	\$ -	\$ -	\$ 6,629
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	71,028	40,439	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$ 71,028</u>	<u>\$ 40,439</u>	<u>\$ 6,629</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ 2,000	\$ 1,273	\$ -
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	-	71,462	39,805	-
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>73,462</u>	<u>41,078</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	1,314	-	-	-	6,629
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(2,434)	(639)	-
<i>Total fund balances</i>	<u>1,314</u>	<u>-</u>	<u>(2,434)</u>	<u>(639)</u>	<u>6,629</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$ 71,028</u>	<u>\$ 40,439</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, 2017

Statement B-1

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	After School and Summer Enrichment Program 27168	2013 School Bus 27178	NM Grown Fresh Fruits and Vegetables 27183
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 55,971	\$ -	\$ 133,517	\$ -	\$ -
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	8,631	-	24,508	-	2,634
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 64,602</u>	<u>\$ -</u>	<u>\$ 158,025</u>	<u>\$ -</u>	<u>\$ 2,634</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-	-
Interfund payables	-	1,202	-	-	3,215
Unearned revenue	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>3,215</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<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	-	(1,202)	-	-	(581)
<i>Total fund balances</i>	<u>64,602</u>	<u>(1,202)</u>	<u>158,025</u>	<u>-</u>	<u>(581)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 64,602</u>	<u>\$ -</u>	<u>\$ 158,025</u>	<u>\$ -</u>	<u>\$ 2,634</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, 2017

Statement B-1

	School Library Material Fund FY 08 27549	GEAR-UP CHE 28178	GRADS - Child Care 28189	GRADS - Instruction 28190	GRADS Plus 28203
ASSETS					
<i>Current assets:</i>					
Cash and temporary investments	\$ 6,452	\$ -	\$ -	\$ -	\$ 868
Accounts receivable					
Taxes	-	-	-	-	-
Due from other governments	-	-	-	2,965	5,815
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 6,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,965</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>-</u>	<u>8,364</u>	<u>18,672</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					
Grant mandates	6,452	-	-	-	6,683
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	(8,364)	(15,707)	-
<i>Total fund balances</i>	<u>6,452</u>	<u>-</u>	<u>(8,364)</u>	<u>(15,707)</u>	<u>6,683</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 6,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,965</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, 2017

	School Based Health Center 29130	Total
ASSETS		
<i>Current assets:</i>		
Cash and temporary investments	\$ -	\$ 2,857,902
Accounts receivable	-	-
Taxes	-	-
Due from other governments	-	692,835
Interfund receivables	-	-
Inventory	-	109,377
	<u>-</u>	<u>109,377</u>
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 3,660,114</u>
LIABILITIES		
<i>Current liabilities:</i>		
Accounts payable	\$ -	\$ 45,914
Accrued payroll liabilities	-	26
Interfund payables	-	976,549
Unearned revenue	-	24,110
	<u>-</u>	<u>1,046,599</u>
<i>Total liabilities</i>	<u>-</u>	<u>1,046,599</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	-	-
	<u>-</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>
FUND BALANCES		
Nonspendable	-	109,377
Restricted for:		
Grant mandates	-	1,933,736
Capital projects	-	-
Debt service	-	-
Assigned	-	1,069,439
Unassigned	-	(499,037)
	<u>-</u>	<u>(499,037)</u>
<i>Total fund balances</i>	<u>-</u>	<u>2,613,515</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 3,660,114</u>

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

STATE OF NEW MEXICO

Statement B-2

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, 2017

	Food Services 21000	Athletics 22000	IDEA-B Entitlement 24106	IDEA-B Discretionary 24107	IDEA-B Preschool 24109
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	186,395	-	-	-	-
Federal grants	2,456,536	-	1,107,571	-	6,682
Miscellaneous	-	-	-	-	-
Charges for services	87,706	175,631	-	-	-
Investment Income	143	1	-	-	-
<i>Total revenues</i>	<u>2,730,780</u>	<u>175,632</u>	<u>1,107,571</u>	<u>-</u>	<u>6,682</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	220,172	848,580	-	6,635
Support services					
Students	-	-	110,423	-	-
Instruction	-	-	82,013	-	-
General administration	-	-	45,968	-	287
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	21,232	-	-
Other support services	-	-	-	-	-
Food services operations	2,302,603	-	-	-	-
Community service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>2,302,603</u>	<u>220,172</u>	<u>1,108,216</u>	<u>-</u>	<u>6,922</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>428,177</u>	<u>(44,540)</u>	<u>(645)</u>	<u>-</u>	<u>(240)</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>	<u>428,177</u>	<u>(44,540)</u>	<u>(645)</u>	<u>-</u>	<u>(240)</u>
<i>Fund balances - beginning of year</i>	<u>1,549,536</u>	<u>(151,854)</u>	<u>(11,485)</u>	<u>(5,040)</u>	<u>(63)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,977,713</u>	<u>\$ (196,394)</u>	<u>\$ (12,130)</u>	<u>\$ (5,040)</u>	<u>\$ (303)</u>

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

STATE OF NEW MEXICO

Statement B-2

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, 2017

	Education of the Homeless 24113	Fresh Fruits and Vegetables 24118	IDEA-B "Risk Pool" 24120	IDEA-B Results Plan 24132	English Language Acquisition 24153
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-
Federal grants	13,001	116,804	-	69,064	18,559
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>13,001</u>	<u>116,804</u>	<u>-</u>	<u>69,064</u>	<u>18,559</u>
<i>Expenditures:</i>					
Current:					
Instruction	19,522	-	-	69,589	18,196
Support services					
Students	1,498	-	-	-	-
Instruction	-	-	-	52	-
General administration	171	-	-	-	364
School administration	-	-	-	80	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Other support services	-	-	-	-	-
Food services operations	-	107,702	-	-	-
Community service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>21,191</u>	<u>107,702</u>	<u>-</u>	<u>69,721</u>	<u>18,560</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(8,190)</u>	<u>9,102</u>	<u>-</u>	<u>(657)</u>	<u>(1)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	288	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>288</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(8,190)</u>	<u>9,102</u>	<u>288</u>	<u>(657)</u>	<u>(1)</u>
<i>Fund balances - beginning of year</i>	<u>(2,999)</u>	<u>(26,023)</u>	<u>(288)</u>	<u>(26,299)</u>	<u>(32,952)</u>
<i>Fund balances - end of year</i>	<u>\$ (11,189)</u>	<u>\$ (16,921)</u>	<u>\$ -</u>	<u>\$ (26,956)</u>	<u>\$ (32,953)</u>

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

STATE OF NEW MEXICO

Statement B-2

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, 2017

	Teacher/Principal Training & Recruiting 24154	Safe & Drug Free Schools & Community 24157	Title I School Improvement 24162	Reading First 24167	Carl D Perkins Secondary - Current 24174
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-
Federal grants	246,424	-	10,238	-	50,344
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>246,424</u>	<u>-</u>	<u>10,238</u>	<u>-</u>	<u>50,344</u>
<i>Expenditures:</i>					
Current:					
Instruction	235,310	-	20,534	-	57,891
Support services					
Students	-	-	-	-	-
Instruction	-	-	-	-	-
General administration	10,260	-	-	-	1,869
School administration	-	-	-	-	-
Central services	900	-	-	-	-
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>246,470</u>	<u>-</u>	<u>20,534</u>	<u>-</u>	<u>59,760</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(46)</u>	<u>-</u>	<u>(10,296)</u>	<u>-</u>	<u>(9,416)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	-	68,445	(12,138)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>68,445</u>	<u>(12,138)</u>	<u>-</u>
<i>Net changes in fund balances</i>	(46)	-	58,149	(12,138)	(9,416)
<i>Fund balances - beginning of year</i>	<u>(10,644)</u>	<u>-</u>	<u>(68,445)</u>	<u>-</u>	<u>(4,295)</u>
<i>Fund balances - end of year</i>	<u>\$ (10,690)</u>	<u>\$ -</u>	<u>\$ (10,296)</u>	<u>\$ (12,138)</u>	<u>\$ (13,711)</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, 2017

	Carl D Perkins Secondary - PY Unliq. Obligations 24175	Carl D Perkins Secondary - Redistribution 24176	GRADS Child Care CYFD 25149	Title XIX Medicaid 0/2 Years 25152	Child Care Block Grant 25157
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-	-
Federal grants	-	1,371	-	792,383	29,506
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,371</u>	<u>-</u>	<u>792,383</u>	<u>29,506</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	1,631	-	11,037	11,630
Support services					
Students	-	-	-	327,958	-
Instruction	-	-	-	-	-
General administration	-	-	-	14,612	-
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	373	-
Student transportation	-	-	-	512	-
Other support services	-	-	-	-	-
Food services operations	-	-	-	-	-
Community service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,631</u>	<u>-</u>	<u>354,492</u>	<u>11,630</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(260)</u>	<u>-</u>	<u>437,891</u>	<u>17,876</u>
<i>Other financing sources (uses):</i>					
Operating transfers	472	-	(3,000)	-	-
<i>Total other financing sources (uses)</i>	<u>472</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	472	(260)	(3,000)	437,891	17,876
<i>Fund balances - beginning of year</i>	<u>(472)</u>	<u>-</u>	<u>-</u>	<u>269,439</u>	<u>161,740</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (260)</u>	<u>\$ (3,000)</u>	<u>\$ 707,330</u>	<u>\$ 179,616</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, 2017

	TANF/GRADS HSD 25162	New Mexico Community Foundation 26176	Dual Credit Instructional Materials 27103	2012 GO Bonds Student Library Fund (SB66) 27107	New Mexico Reads to Lead K-3 Reading Initiative 27114
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	13,902	-	-
Federal grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>13,902</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	14,054	-	-
Support services					
Students	-	-	-	-	-
Instruction	-	-	-	38,050	-
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>14,054</u>	<u>38,050</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(152)</u>	<u>(38,050)</u>	<u>-</u>
<i>Other financing sources (uses):</i>					
Operating transfers	(5,666)	(2,465)	-	5,040	-
<i>Total other financing sources (uses)</i>	<u>(5,666)</u>	<u>(2,465)</u>	<u>-</u>	<u>5,040</u>	<u>-</u>
<i>Net changes in fund balances</i>	(5,666)	(2,465)	(152)	(33,010)	-
<i>Fund balances - beginning of year</i>	-	2,465	3,285	(79,453)	1,055
<i>Fund balances - end of year</i>	<u>\$ (5,666)</u>	<u>\$ -</u>	<u>\$ 3,133</u>	<u>\$ (112,463)</u>	<u>\$ 1,055</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, 2017

	Technology for Education PED 27117	Truancy Prevention/ Intervention 27139	Truancy Initiative PED 27141	PreK Initiative 27149	Beginning Teacher Mentoring Program 27154
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	177,168	98,313	-
Federal grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>177,168</u>	<u>98,313</u>	<u>-</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	-	95,516	-
Support services	-	-	-	-	-
Students	-	-	-	-	-
Instruction	-	-	179,183	-	-
General administration	-	-	-	973	-
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	3,101	-
Other support services	-	-	-	-	-
Food services operations	-	-	-	-	-
Community service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>179,183</u>	<u>99,590</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>(2,015)</u>	<u>(1,277)</u>	<u>-</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	612	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>612</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	612	(2,015)	(1,277)	-
<i>Fund balances - beginning of year</i>	<u>1,314</u>	<u>(612)</u>	<u>(419)</u>	<u>638</u>	<u>6,629</u>
<i>Fund balances - end of year</i>	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$ (2,434)</u>	<u>\$ (639)</u>	<u>\$ 6,629</u>

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

STATE OF NEW MEXICO

Statement B-2

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, 2017

	Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	After School and Summer Enrichment Program 27168	2013 School Bus 27178	NM Grown Fresh Fruits and Vegetables 27183
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	82,243	215,764	41,054	175,662	6,999
Federal grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>82,243</u>	<u>215,764</u>	<u>41,054</u>	<u>175,662</u>	<u>6,999</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	187,713	31,362	-	-
Support services					
Students	-	5,077	-	-	-
Instruction	-	-	-	-	-
General administration	-	4,332	9,692	-	-
School administration	-	-	-	-	-
Central services	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-
Student transportation	-	12,749	-	175,662	-
Other support services	-	-	-	-	-
Food services operations	82,243	-	-	-	6,999
Community service	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>82,243</u>	<u>209,871</u>	<u>41,054</u>	<u>175,662</u>	<u>6,999</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>5,893</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>	<u>-</u>
<i>Net changes in fund balances</i>	-	5,893	-	-	-
<i>Fund balances - beginning of year</i>	<u>64,602</u>	<u>(7,095)</u>	<u>158,025</u>	<u>-</u>	<u>(581)</u>
<i>Fund balances - end of year</i>	<u>\$ 64,602</u>	<u>\$ (1,202)</u>	<u>\$ 158,025</u>	<u>\$ -</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, 2017

	School Library Material Fund FY 08 27549	GEAR-UP CHE 28178	GRADS - Child Care 28189	GRADS - Instruction 28190	GRADS Plus 28203
<i>Revenues:</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	7,371	8,780
Federal grants	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment Income	-	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,371</u>	<u>8,780</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	-	5,931	10,334
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>-</u>	<u>5,931</u>	<u>10,334</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,440</u>	<u>(1,554)</u>
<i>Other financing sources (uses):</i>					
Operating transfers	-	(5,367)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(5,367)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	(5,367)	-	1,440	(1,554)
<i>Fund balances - beginning of year</i>	<u>6,452</u>	<u>5,367</u>	<u>(8,364)</u>	<u>(17,147)</u>	<u>8,237</u>
<i>Fund balances - end of year</i>	<u>\$ 6,452</u>	<u>\$ -</u>	<u>\$ (8,364)</u>	<u>\$ (15,707)</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, 2017

	School Based Health Center 29130	Total
<i>Revenues:</i>		
Property taxes	\$ -	\$ -
State grants	-	1,013,651
Federal grants	-	4,918,483
Miscellaneous	-	-
Charges for services	-	263,337
Investment Income	-	144
<i>Total revenues</i>	<u>-</u>	<u>6,195,615</u>
<i>Expenditures:</i>		
Current:		
Instruction	-	1,865,637
Support services		
Students	-	444,956
Instruction	-	299,298
General administration	-	88,528
School administration	-	80
Central services	-	900
Operation & maintenance of plant	-	373
Student transportation	-	213,256
Other support services	-	-
Food services operations	-	2,499,547
Community service	-	-
Capital outlay	-	-
Debt service		
Principal	-	-
Interest	-	-
<i>Total expenditures</i>	<u>-</u>	<u>5,412,575</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>783,040</u>
<i>Other financing sources (uses):</i>		
Operating transfers	<u>(162,276)</u>	<u>(116,055)</u>
<i>Total other financing sources (uses)</i>	<u>(162,276)</u>	<u>(116,055)</u>
<i>Net changes in fund balances</i>	(162,276)	666,985
<i>Fund balances - beginning of year</i>	<u>162,276</u>	<u>1,946,530</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 2,613,515</u>

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

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CAPITAL PROJECTS FUNDS

CAPITAL PROJECTS FUNDS DESCRIPTIONS

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

Special Capital Outlay – Local (31300) – The purpose of this fund is to account for financing from local revenues for the construction and improvements to District buildings and facilities. 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 (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 and 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, 2017

	Special Capital Outlay - Local 31300	Special Capital Outlay - State 31400	Capital Improvements SB-9 31700	Total
ASSETS				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ -	\$ 1,034,992	\$ 1,034,992
Accounts receivable				
Taxes	-	-	465,548	465,548
Due from other governments	-	-	190,084	190,084
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,690,624</u>	<u>\$ 1,690,624</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ 5,077	\$ 5,077
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	14,423	-	14,423
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>14,423</u>	<u>5,077</u>	<u>19,500</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - property taxes	-	-	422,484	422,484
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>422,484</u>	<u>422,484</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	349,814	349,814
Debt service	-	-	-	-
Assigned	-	-	913,249	913,249
Unassigned	-	(14,423)	-	(14,423)
<i>Total fund balances</i>	<u>-</u>	<u>(14,423)</u>	<u>1,263,063</u>	<u>1,248,640</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,690,624</u>	<u>\$ 1,690,624</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
FOR THE YEAR ENDING JUNE 30, 2017

Statement C-2

	Special Capital Outlay - Local 31300	Special Capital Outlay - State 31400	Capital Improvements SB-9 31700	Total
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ 1,196,443	\$ 1,196,443
State grants	-	-	190,084	190,084
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment Income	-	-	79	79
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,386,606</u>	<u>1,386,606</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	11,853	11,853
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service	-	-	-	-
Capital outlay	-	-	1,093,153	1,093,153
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>1,105,006</u>	<u>1,105,006</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>281,600</u>	<u>281,600</u>
<i>Other financing sources (uses):</i>				
Operating transfers	(2,675)	-	-	(2,675)
<i>Total other financing sources (uses)</i>	<u>(2,675)</u>	<u>-</u>	<u>-</u>	<u>(2,675)</u>
<i>Net changes in fund balances</i>	(2,675)	-	281,600	278,925
<i>Fund balances - beginning of year</i>	<u>2,675</u>	<u>(14,423)</u>	<u>981,463</u>	<u>969,715</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (14,423)</u>	<u>\$ 1,263,063</u>	<u>\$ 1,248,640</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
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

Schedule III

	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
Belen High School	\$ 235,389	\$ 197,779	\$ 190,548	\$ (45,384)	\$ 197,236
Belen Middle School	43,063	48,326	\$40,783.01	(5,980)	44,626
Central Elementary	9,568	16,812	\$18,531.91	(75)	7,773
Dennis Chavez Elementary	1,068	33,472	\$27,478.20	369	7,431
Gil Sanchez Elementary	5,510	33,472	\$27,478.20	(181)	11,323
Jaramillo Elementary	29,658	27,213	\$28,768.48	(1,698)	26,405
La Merced Elementary	29,064	51,802	\$53,773.79	1,558	28,650
La Promesa Elementary	(3,292)	19,855	\$17,211.75	6,740	6,091
Rio Grande Elementary	8,636	26,707	\$33,203.19	1,354	3,494
Infinity High School	4,988	2,445	\$1,897.52	2,024	7,559
Logsdan Middle School	3,713	6,011	\$4,794.23	(161)	4,769
Family School	3,694	905	\$877.27	(933)	2,789
Administration	19,279	18,441	33,719	42,367	46,368
Total	\$ 390,338	\$ 483,240	\$ 479,065	\$ -	\$ 394,514
Less: Uncollected Checks	(1,887)	1,887	-	-	-
Less: Cash Loaned to Operational	(250,000)	250,000	-	-	-
Total Fiduciary Fund Cash	\$ 138,451				\$ 394,514

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, 2017

Schedule IV

<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, 2017</u>
US Bank:				
	FHLB Letter of Credit	7/3/2017		\$ 7,039,228
Total US Bank				<u>\$ 7,039,228</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	11/1/2025	3128MMMS9	\$ 443,893
	FNMA FNMS	11/1/2026	3138EHD58	53,279
	FNMS	12/1/2033	31418A2W7	1,799,165
Total Wells Fargo Bank				<u>\$ 2,296,337</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, 2017

Schedule V

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
US Bank						
Federal Programs	Checking	\$ 166,562	\$ -	\$ -	\$ 110	\$ 166,672
Student Nutrition	Checking	1,821,311	-	-	45	1,821,356
Capital Projects	Checking	6,792,953	-	-	110	6,793,063
Capital Improvement	Checking	341,675	-	-	110	341,785
Athletics	Checking	321	-	-	110	431
Debt Service	Checking	4,938,181	-	-	45	4,938,226
Activity Fund	Checking	267,451	443	(99)	45	267,840
Total US Bank		<u>\$14,328,454</u>	<u>\$ 443</u>	<u>\$ (99)</u>	<u>\$ 575</u>	<u>\$ 14,329,373</u>
Wells Fargo Bank N.A.						
Operational	Checking	\$ 761,320	\$ -	\$ -	\$ -	\$ 761,320
Accounts Payable Clearing	Checking	5,058	54,843	(30,104)	-	29,797
Payroll Clearing	Checking	3,076,954	-	(3,069,388)	1,909,497	1,917,063
Total Wells Fargo Bank		<u>\$ 3,843,332</u>	<u>\$ 54,843</u>	<u>\$ (3,099,492)</u>	<u>\$ 1,909,497</u>	<u>\$ 2,708,180</u>
Cash on hand						<u>\$ 5,115</u>
Total		<u>\$18,171,786</u>	<u>\$ 55,286</u>	<u>\$ (3,099,591)</u>	<u>\$ 1,910,072</u>	<u>\$ 17,042,668</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Exhibit A-1						16,648,154
Fiduciary funds - Exhibit D-1						394,514
Total						<u>\$ 17,042,668</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, 2017

Schedule VI

Primary Government

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000	Athletics 22000
Cash, June 30, 2016	\$ 1,596,644	\$ (36,639)	\$ 169,750	\$ 1,519,156	\$ (145,494)
Add:					
Current year revenues	30,088,165	1,280,548	240,301	2,492,734	175,632
Permanent cash transfers	118,730	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	2,044	167,831	-	-	196,368
Total cash available	31,805,583	1,411,740	410,051	4,011,890	226,506
Less:					
Current year expenditures	(29,922,854)	(1,411,740)	(141,370)	(2,199,017)	(226,506)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	(1,882,729)	-	-	-	-
Cash, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,681</u>	<u>\$ 1,812,873</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, 2017

Schedule VI

Primary Government

	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000	State Direct 28000
Cash, June 30, 2016	\$ (1,155,839)	\$ 455,359	\$ 2,465	\$ (513,325)	\$ (11,907)
Add:					
Current year revenues	3,285,788	767,171	-	1,400,773	7,371
Permanent cash transfers	57,067	-	-	5,652	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	1,248,924	-	-	228,147	27,036
Total cash available	3,435,940	1,222,530	2,465	1,121,247	22,500
Less:					
Current year expenditures	(3,434,006)	(379,708)	-	(913,176)	(16,265)
Permanent cash transfers	-	(8,666)	(2,465)	-	(5,367)
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2017	<u>\$ 1,934</u>	<u>\$ 834,156</u>	<u>\$ -</u>	<u>\$ 208,071</u>	<u>\$ 868</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, 2017

Schedule VI

Primary Government

	Local / State 29000	Bond Building 31100	Special Capital Outlay - Local 31300	Special Capital Outlay-State 31400	Capital Improvements SB-9 31700
Cash, June 30, 2016	\$ 162,276	\$ 6,874,025	\$ 2,675	\$ (203,558)	\$ 970,499
Add:					
Current year revenues	-	5,200,828	-	189,135	1,185,445
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	14,423	-
Total cash available	162,276	12,074,853	2,675	-	2,155,944
Less:					
Current year expenditures	-	(5,199,020)	-	-	(1,120,952)
Permanent cash transfers	(162,276)	-	(2,675)	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	(2,044)	-	-	-
Cash, June 30, 2017	<u>\$ -</u>	<u>\$ 6,873,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,034,992</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, 2017

Schedule VI

Primary Government

	Debt Service 41000	Total
	<u> </u>	<u> </u>
Cash, June 30, 2016	\$ 5,505,021	\$ 15,191,108
Add:		
Current year revenues	8,395,396	54,709,287
Permanent cash transfers	-	181,449
Prior period adjustment	-	-
Loans from other funds	<u>-</u>	<u>1,884,773</u>
Total cash available	13,900,417	71,966,617
Less:		
Current year expenditures	(8,287,627)	(53,252,241)
Permanent cash transfers	-	(181,449)
Prior period adjustment	-	-
Loans to other funds	<u>-</u>	<u>(1,884,773)</u>
Cash, June 30, 2017	<u>\$ 5,612,790</u>	<u>\$ 16,648,154</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, 2017

Schedule VII

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 2016-2017
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

Timothy Keller
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, 2017, 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 14, 2017.

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, FS 2010-009, 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 2017-001)

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 2017-002, NM 2017-003, NM 2017-004, NM 2017-005, NM 2017-006, NM 2017-007, NM 2017-008, NM 2017-009, NM 2017-010, NM 2017-011, 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 14, 2017

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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

Timothy Keller, 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, 2017. 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, 2017.

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, FA 2017-001, 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 14, 2017

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VIII

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	\$ 1,108,216
IDEA-B Results Plan (1)	24132	84.027	69,721
Subtotal CFDA # 84.027			<u>1,177,937</u>
IDEA-B Preschool (1)	24109	84.173	6,922
Total Special Education Cluster (IDEA)			<u>1,184,859</u>
Other Programs (Treated individually for major program determination)			
Carl D Perkins Secondary - Current	24174	84.048	59,760
Carl D Perkins Secondary - Redistribution	24176	84.048	1,631
Total of CFDA #84.048			<u>61,391</u>
Title I IASA (1)	24101	84.010	2,161,163
Education of the Homeless	24113	84.196	21,191
English Language Acquisition	24153	84.365A	18,560
Teacher / Principal Training & Recruiting (1)	24154	84.367	246,470
Title I School Improvement	24162	84.377A	20,534
Total Other Programs			<u>2,529,309</u>
<i>Subtotal - Passthrough State of New Mexico Public Education Department</i>			<u>3,714,168</u>
Total U.S. Department of Education			<u>3,714,168</u>
U.S. Health and Human Services			
<i>Direct U. S. Health and Human Services</i>			
Child Care Block Grant	25157	93.575	11,630
Total U.S. Health and Human Services			<u>11,630</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	303
<i>Subtotal - Direct U.S. Department of Agriculture</i>			<u>303</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	107,702
Child Nutrition Cluster			
USDA School Breakfast Program	21000	10.553	701,467
National School Lunch Program	21000	10.555	1,418,762
<i>Passthrough State of New Mexico Department of Health and Human Services</i>			
Food Distribution (Commodities)	21000	10.553/10.555	182,374
Total Child Nutrition Cluster			<u>2,302,603</u>
<i>Subtotal - Passthrough State of New Mexico Public Education Department</i>			<u>2,227,931</u>
<i>Subtotal - Passthrough State of Department of Health and Human Services</i>			<u>182,374</u>
Total U.S. Department of Agriculture			<u>2,410,608</u>
Total Federal Financial Assistance			<u>\$ 6,136,406</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, 2017

Schedule VIII

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, 2017 was \$182,374 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 4.33%

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	\$ 6,136,406
Total expenditures funded by other sources	<u>48,164,919</u>
Total expenditures	<u><u>\$ 54,301,325</u></u>

(1) Denotes Major Federal Financial Assistance Program

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

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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? | Yes |

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
84.010	Title I IASA
84.027	Special Education Cluster
84.367	Teacher / Principal Training & Recruiting

- | | |
|---|-----------|
| 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 (Continued)

FS 2010-004 [FS10-04] – 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.
- None of the ten bank accounts were properly reconciled as of June 2017 even as late as November 2017. Significant variances exist between the bank balance and the book balance of cash.
- Variances in cash reconciliations were not quickly identified and corrected through appropriate journal entries.
- 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.
- Interfund amount were out of balance at year-end.
- A bond refunding sale at mid-year of over \$3.56 million which was used to refund another bond in August was never booked because the funds went to a trustee bank in Oklahoma instead of one of the normal bank accounts.
- During our review of cash, we noted that the 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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2010-004 [FS10-04] – Internal Controls over District Cash and Bank Reconciliations (Material Weakness) Repeated and Revised (Continued)

- Three funds over-expended their total expenditure budget. The Operational Fund had over \$300,000 less in revenues than budgeted and expended more than \$500,000 more than budgeted expenditures. The Transportation Fund over-expended its budget by over \$131,000, and the NM Reads to Lead K-3 Reading Initiative was over-expended by over \$3,700, as a budget was never set up for this fund. The Operational Fund is responsible for this \$135,000 over-expended in those two funds.
- Payments were made for “repayments of loans” from the Federal Programs bank account to the Operational bank account, but no original “loan” could be identified which was being repaid.
- The Operational Fund, even after receiving emergency supplemental funds, had a negative balance at year-end.
- Between inaccurate tracking of interfund loans, improper cash reconciliations, and over-expenditure of budgets, it is impossible for management to have a true understanding of its cash flows in particular funds.
- Permanent cash transfers which were approved by the Board and by the Public Education Department were never completed.
- Individual amounts in the various activity accounts provided in the current year are significantly different from the amounts which were provided in prior years.

There was a significant decrease in compliance in most areas related to cash management this year in relation to last year, particularly in completing cash reconciliations, managing cash budgets, and managing the reporting of cash.

Cause: The Business Office has had a reduction in staff in the past few years which appears to be part of the issue affecting when and how bank reconciliations and other required functions are completed. Not all reconciliation functions are being completed timely even though the former Business Manager had informed the auditor throughout the year that he was staying up on all bank reconciliations. Additionally, discrepancies are not always corrected in the general ledger when identified and adjustments are included in the bank reconciliation which doesn't correct the actual books of record.

The Business Manager was known to be retiring, and it appears that many of the areas of responsibility were not maintained at the same level this year as in the past, even though the previous years were not up to expectations.

While the Superintendent had been making significant cuts to the District's budget, the Business Manager, by not maintaining accurate and timely records could not, and did not, provide the Superintendent with accurate budget and cash information.

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

Auditors' Recommendation: We recommend that the District invest the necessary resources to complete all bank reconciliations. The District has not been timely with its reconciliations since at least before 2010. Until the District is able to get these reconciliations completed and the general ledger corrected, it will have no idea where it really is with regards to its cash position. With the District Business Office short-handed, it has difficulty completing its normal monthly requirements. There is no way for the District personnel to catch up the past deficiencies and complete the normal requirements without all staff working serious amounts of overtime for months or bringing in outside help to complete this process.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section II – Financial Statement Findings (Continued)

**FS 2010-004 [FS10-04] – Internal Controls over District Cash and Bank Reconciliations (Material Weakness)
Repeated and Revised (Continued)**

Responsible Official's Plan:

- Specific corrective action plan for finding:
Contract with an outside consultant to provide immediate relief and bring all of the monthly bank accounts up to date for current reconciliations. Reassignment or reconfiguration of the Finance Department to keep the job of reconciliations as a sole element for an employee. Provide updates on reconciliation to quarterly budget report. Any issues with reconciliation are immediately provided to the Superintendent and Finance Committee

- Timeline for completion of corrective action plan:
Contract with outside consultant ASAP, preferably within the next 30 days. Reports to begin January 2018.

- Employee position(s) responsible for meeting the timeline
Superintendent, Finance Director, Finance Department, Board of Education

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings (Continued)

FS 2010-009 [10-09] – Budgetary Controls (Material Weakness) Repeated and Revised

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:		
11000	Operational - Central Services	\$ 49,076
11000	Operational - Community Services	34,060
13000	Transportation - Student Transportation	131,192
41000	Debt Service - Principal	3,450,000
41000	Debt Service - Interest	551,642
Non-Major Funds:		
24113	Education of the Homeless - Instruction	11,335
24132	IDEA B Results Plan - Instruction	52
24132	IDEA B Results Plan - School Administration	30
24153	English Language Acquisition - General Administration	2
24162	Title I School Improvement - Instruction	2,534
25152	Title XIX Medicaid 0/2 Years - Instruction	9,966
25152	Title XIX Medicaid 0/2 Years - Operation & Maintenance of Plant	373
25152	Title XIX Medicaid 0/2 - Student Transportation	512
27114	NM Reads to Lead K-3 Reading Initiative - General Administration	3,722
27149	Pre-K Initiative - Instruction	3,114
27149	Pre-K Initiative - General Administration	53
27149	Pre-K Initiative - Student Transportation	3,101
27166	Kindergarten Three Plus - Instruction	23,008
	Total	<u><u>\$ 4,273,772</u></u>

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2010-009 [10-09] – Budgetary Controls (Material Weakness) Repeated and Revised (Continued)

The District over-expended the total expenditure budget in the Operational Fund (11000) by over \$514,000, over-expended the total expenditure budget in the Transportation Fund (13000) by over \$131,000, over-expended the NM Reads to Lead K-3 Reading Initiative by over \$3,700. The NM Reads to Lead fund never even had an established budget. This is a very serious situation to over-expend the main fund by over one-half million dollars, especially when the District is in a significant cash crunch as it is. No adjustments were made to the Operational Fund throughout the year as the final budget was the same as the original budget.

The Debt Service over-expenditures relate to a bond refunding which the District didn't budget.

The District has had this finding continuously since 2010, and this is the worst over-expenditure in recent years. In the prior year, the total expenditures in excess of budget were about \$262,000.

Effect: The District has expended funds in excess of its budget authority by significant amounts. The over-expenditure actually put the District in a negative cash situation at year-end.

Cause: Modifying the cash balance of the funds and improper internal controls regarding expenditures were missed by District personnel. Proper monthly monitoring of the budget and expenditures and revenues related to that budget were not followed during the year for the Operational and Transportation funds in total and many other funds as well.

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.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Provide budget reports to the budget committee (all board members along with parent and community member) that will meet at least quarterly (more frequently as the budget is being developed). Provide updated reports by fund to the board. All BARs will go before the board and have PED approval prior to expending of funds. Adjustments to EOY cash balances to be done in conjunction with the final CASH report to PED so that budgets for the new year are accurate. If estimating for coming year, estimation will be conservative to reduce risk of overspending.
- Timeline for completion of corrective action plan:
Next meeting will be in December which will provide the committee with information from the audit and our current budgetary position for FY 18. Reports will be provided to BOE no later than January 2018.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Finance Staff, Superintendent, Board of Education

Section II – Financial Statement Findings (Continued)

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

Criteria: 2.20.1.8 NMAC 1978 FIXED ASSET ACCOUNTING SYSTEM:

- A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.
- B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following:
 - 1. agency name or commonly used initials used to identify the agency;
 - 2. fixed asset number or fixed asset number plus component number;
 - 3. a description using words meaningful for identification;
 - 4. location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
 - 5. manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
 - 6. model number or model name;
 - 7. serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
 - 8. estimated useful life or units expected to be produced;
 - 9. date acquired (month and year)
 - 10. cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC];
 - 11. fund and organization that purchased the asset, or to which it was transferred.
- C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

Additionally 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).**

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section II – Financial Statement Findings (Continued)

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

Finally 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.**

Condition: The fixed asset detail and the depreciation detail provided to us in the current year were missing items which were added to fixed assets in the prior year. Additionally, the detail for vehicles and furniture, fixtures, and equipment included items which were not included on the prior year's listing as certain assets on hold for auction had not been included in the prior year. Depreciation on certain assets, when reviewed in detail, had assets that weren't being depreciated and other assets that were depreciated in excess of original costs.

The District has made corrections to its fixed asset and depreciation listings to correct these errors. The errors in the various fixed asset details and depreciation details resulted in a prior period adjustment which increased Net Position by \$41,488.

Additionally, 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 adjustments to fixed assets resulted in a decrease to Net Position of \$619,474.

Cause: The District had not been using the same information provided during the audits and reviewed by its auditors to complete its internal detail. This resulted in significant additions being left off the detail provided to the auditors for the current audit. The District had also not been correlating its detail for vehicles and for furniture, fixtures, and equipment to its depreciation detail to make sure all assets were being depreciated correctly. Additionally, the District is not reviewing its depreciation calculations in detail to identify if any errors or omissions exist in the calculations.

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. Also, the District was not in compliance with State statutes regarding the certification of its annual physical inventory.

Auditors' Recommendations: We recommend that the District emphasize the importance of accurately maintaining their fixed asset and depreciation listings. These listings should be periodically compared to one another to verify that the two listings include the same assets. 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.

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section II – Financial Statement Findings (Continued)

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

Responsible Official's Plan:

- Specific corrective action plan for finding:
Because in reviewing the fixed assets this year it was determined that there were many items left off of the list due to a miscommunication between the parties involved in acquiring these assets (warehouse, maintenance, transportation, technology, and finance) as well as a glitch in the I-Visions Program. The plan is to put a shared spreadsheet that the person responsible for ordering these items in each of these areas will add to at the time the order is placed. It would then be the responsibility of the finance department to update actual costs onto this list and on a monthly basis add in any new fixed assets to the list. Those same items would also be added to the depreciation list. Any items that are to be removed (such as a district vehicle no longer being a part of our inventory) would be included on the fixed assets list with a notation of the disposal date and any compensation received for the item. A physical inventory on the District's General Fixed Assets will be done every year in June and the list will be submitted for board approval the first board meeting in July to certify for correctness.

- Timeline for completion of corrective action plan:
The lists will be created and put into a shared file with the identified parties being given permission to add to the list after the next District Leadership Team meeting in December 2017.

- Employee position(s) responsible for meeting the timeline:
Finance Director, Warehouse Director, Transportation Director, Maintenance Director, Technology Director or substitute from each department.

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Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2017- 001 – Improper Loans of Student Activity Funds (Significant Deficiency)

Criteria: According to PSAB Supplement 18 – Student Activity and Athletic Funds:

Student activity accounts represent the monies raised or collected by and/or for school sponsored student activities. The activity accounts are typically used to account for monies raised **by the students for the students** (PED emphasis).

Policies and controls relating to student and district activity/athletic funds should be in writing and distributed to all activity fund supervisors, sponsors, and athletic personnel as applicable and accounting personnel. It is strongly recommended that all personnel involved with activity fund transactions or supervision of the same, read, understand and sign a sheet that sets forth all procedural requirements. A useful set of general controls, policies, and procedures includes at least the following:

- All activity funds shall operate on a cash basis, meaning that no commitments or indebtedness may be incurred unless the fund contains sufficient cash.
- **Using activity fund receipts to cash checks to accommodate individuals, to make any kind of loan, to pay any form of compensation directly to employees, or to extend credit is strictly prohibited** (PED emphasis)

EXPENDITURE OF STUDENT ACTIVITY FUNDS

The activity fund administrator (principal) will be handling two types of funds at the building level: 1) funds which contain monies belonging to the students (student activity funds or “club accounts”), and 2) funds which contain monies belonging to the district. Monies which belong to the students will normally be approved for disbursement at the building level, whereas monies which belong to the district (such as lab fees or textbook monies) will be managed, approved, and accounted for by the central office.

Disbursement of student activity funds requires approval of the student organization’s sponsor and activity fund supervisor (principal). The following procedures are recommended for student activity fund disbursements:

- Student activity fund cash disbursements should be first approved by the student organization and then by the organization’s sponsor and the principal. The district or charter school may wish to establish a dollar limit for student activity fund disbursements, any disbursement in excess of the limit requiring approval at the district level by either the superintendent or the governing board.

Under good accounting policies and practices the District should not be loaning agency funds to the operational activities of the District as they have in the past.

Condition: During our review of activity accounts we identified instances in which the District loaned student activity funds in the amount of \$250,000 to the District’s operational account to pay obligations of the District.

Cause: The District does not have sufficient cash reserves in the Operational Fund to cover all deficit balances within its Federal and State reimbursement funds. As a result of poor cash flow management some funds may have significant deficit balances. As such the District does not have enough unrestricted funds to meet its monthly cash requirements.

Effect: The District is not in compliance with good accounting practices or New Mexico Public Education Department requirements as they do not condone the use of agency funds for District operational needs.

Auditor’s Recommendation: We recommend that the District refrain from using student activity accounts for loans as these are trust accounts, and the students of the schools are the owners of these funds, not the District.

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Schedule IX

Section II – Financial Statement Findings (Continued)

FS 2017- 001 – Improper Loans of Student Activity Funds (Significant Deficiency)

Responsible Official's View:

- Specific corrective action plan for finding:
Review with all staff in Finance Department the guidelines for the use of student activity funds. Emphasize that these funds are for student use only and that any purchase requests or requests to transfer funds from these accounts that are not generated by and for student use.

- Timeline for completion of corrective action plan:
Topic will be discussed at next Finance Department Meeting (last week in November 2017)

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

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Schedule IX

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: 2017

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, subawards, 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 subrecipients 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 three 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. The District had not been checking the procurement and suspension listing in the previous year as well.

Section III – Federal Awards Findings (Continued)

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

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.

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:
The specific correction action plan for this finding with vendors who regularly work with the district on a yearly basis would be to have them provide annual certification that it is not currently suspended, debarred or otherwise prevented from receiving Federal funds. For any unique vendors (single use or rarely used), the director of the office providing final approval prior to submission to the Finance Department would use the GSA website to determine eligibility of the vendor to receive Federal funds. A copy would be scanned and attached to the purchase request prior to submission.

- Timeline for completion of corrective action plan:
Initially, because we have not asked for an annual certification from vendors, this would need to take place by using the GSA website and printing a copy. Training for staff in steps to take to complete this verification would be within 30 days. Once we have established vendor eligibility, then yearly certification would be required prior to submitting initial purchase requests for the fiscal year.

- Employee position(s) responsible for meeting the timeline:
Director of Federal Grants and staff, Director of Special Education and staff, Director of Finance and staff.

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Schedule IX

Section III – Federal Awards Findings (Continued)

FA 2017-001 – Disallowed Expenses (Significant Deficiency)

Federal Program Information:

Funding Agency: U.S. Department of Education

Title: Teacher/Principal Training & Recruiting

CFDA Number: 84.367

Passthrough: New Mexico Department of Education

Award Year: 2017

Criteria: Uniform Grant Guidance § 200.31 Disallowed Costs

Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

Title II Section 2101 Purpose:

The purpose of this part is to provide grants to State educational agencies, local educational agencies, State agencies for higher education, and eligible partnerships in order to —

- (1) increase student academic achievement through strategies such as **improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools; and**
- (2) **hold local educational agencies and schools accountable for improvements in student academic achievement.**

Title II Section 2123 Local Use of Funds:

(a) IN GENERAL- A local educational agency that receives a subgrant under section 2121 shall use the funds made available through the subgrant to carry out one or more of the following activities, including carrying out the activities through a grant or contract with a for-profit or nonprofit entity:

- (1) Developing and implementing mechanisms to assist schools in effectively recruiting and retaining highly qualified teachers, including specialists in core academic subjects, principals, and pupil services personnel, except that funds made available under this paragraph may be used for pupil services personnel only —
 - (A) if the local educational agency is making progress toward meeting the annual measurable objectives described in section 1119(a)(2); and
 - (B) in a manner consistent with mechanisms to assist schools in effectively recruiting and retaining highly qualified teachers and principals.
- (2) Developing and implementing initiatives to assist in recruiting highly qualified teachers (particularly initiatives that have proven effective in retaining highly qualified teachers), and hiring highly qualified teachers, who will be assigned teaching positions within their fields, including —
 - (A) providing scholarships, signing bonuses, or other financial incentives, such as differential pay, for teachers to teach —
 - (i) in academic subjects in which there exists a shortage of highly qualified teachers within a school or within the local educational agency; and
 - (ii) in schools in which there exists a shortage of highly qualified teachers;
 - (B) recruiting and hiring highly qualified teachers to reduce class size, particularly in the early grades; and
 - (C) establishing programs that —
 - (i) train and hire regular and special education teachers (which may include hiring special education teachers to team-teach in classrooms that contain both children with disabilities and nondisabled children);

Section III – Federal Awards Findings (Continued)

FA 2017-001 – Disallowed Expenses (Significant Deficiency) (Continued)

- (ii) train and hire highly qualified teachers of special needs children, as well as teaching specialists in core academic subjects who will provide increased individualized instruction to students;
- (iii) recruit qualified professionals from other fields, including highly qualified paraprofessionals, and provide such professionals with alternative routes to teacher certification, including developing and implementing hiring policies that ensure comprehensive recruitment efforts as a way to expand the applicant pool, such as through identifying teachers certified through alternative routes, and using a system of intensive screening designed to hire the most qualified applicants; and
- (iv) provide increased opportunities for minorities, individuals with disabilities, and other individuals underrepresented in the teaching profession.

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

- The District reimbursed tuition for one of their business office personnel to take courses to obtain a teaching degree. The employee is not currently a teacher in the District. The cost of the tuition was \$900.00

Cause: The District was using federal grant monies for a cost which is not allowed under the grant guidance. The District did not have proper internal controls in place to verify personnel using this grant were permitted.

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. The PED rejected the reimbursement request and the District moved the expenditure to its operational account. However, proper internal controls were not in place to verify that a proper reimbursement was being made prior to the actual payment being made.

Auditor's Recommendation: The District should ensure that a comprehensive internal control structure, including mechanisms to identify risks of improper use of funds. Management should provide effective oversight of the internal controls and financial reporting process.

Responsible official's view:

- Specific corrective action plan for finding:
All staff who desire to take courses that would involve reimbursement must first submit a request to the Human Resources Department. This approval form for reimbursement would be completed prior to enrolling in the class. HR Director and Federal Funds Director would sign off on the form and submit to Finance Department for final approval. No purchase request would be processed without all three signatures appearing on the form along with the purchase request.
- Timeline for completion of corrective action plan:
Formalizing the process that has already been discussed can take place within 14 days. Because of the incident noted in the audit, there were now already formal steps being taken. Providing written documentation as a condition of the acceptance of the purchase request and having all of these steps done prior to enrolling in the class should provide sufficient process to eliminate and grey areas that may have previously existed.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Human Resources Director, Director of Federal Programs.

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Schedule IX

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 Results Plan and Title I IASA

CFDA Number: 84.027 and 84.010

Passthrough: New Mexico Department of Education

Award Year: 2017

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 3 of the 26 reimbursements reviewed the District was denied reimbursement due to the request not being made in the proper year or within the 90-day window for close-out. This led to \$9,057.21 in expenditures being disallowed.

Cause: The District is not completing RFR's in a reasonable period which has caused the District to use operational funds to cover the disallowed 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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Section III – Federal Awards Findings (Continued)

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

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 view:

- Specific corrective action plan for finding:
In order to ensure the prompt reimbursement of these Federal Funds, timelines need to be in place that expenditures must be made within a reasonable timeline to support the collection and submission of all necessary paperwork. Clear deadlines for spending will be established. Additionally, the district is in the process of using purchasing cards for payment and positive pay to allow for quicker payment to vendors, allowing for the faster submission of invoices. Additionally, more frequent communication between the finance department and the Federal Grants and Special Education Program Directors to assist in timely submission of documents.
- Timeline for completion of corrective action plan:
Purchasing cards and positive pay should be in place by end of year 2017. Deadlines for spending to be established with all departments in December Department Leadership Team Meeting December 19, 2017.
- Employee position(s) responsible for meeting the timeline:
Finance, Federal Grants and Special Education Program Directors and staff.

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Schedule IX

Section IV – 12-6-5 NMSA 1978 Findings

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

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 4 of 25 items tested the goods and or services were received prior to the approval of a purchase order. These disbursements ranged from \$150.00 to \$4,084.50
- In 2 of 25 items tested there was no receiving documentation to verify goods and or services were received.

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

- In 2 of 46 items reviewed the goods and or services were received prior to the approval of a purchase order. These disbursements were in the amounts of \$66,142.42 and \$101,075.34
- In 3 of 46 items reviewed there was no receiving documents to verify the goods and or services were received. The value of these disbursements were \$121,276.80, \$101,075.34, \$216,492.62.

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 3 of 40 items reviewed the goods and or services were received prior to the approval of a purchase order. The value of these disbursements were \$13,183.54, \$1,849.14, and \$900.00

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

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

In the prior year's audit there were 2 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 view:

- Specific corrective action plan for finding:
Provide all principals and other administrators with copy of specific guidelines and procedures for purchasing (they have been verbally advised of this at the start of the school year). Continue to work with the first level approvers (Department Leads, School Secretaries) and Directors who first approve PRs prior to submission to Finance Office. All staff in Finance office will notify Finance Director of anyone who has violated this process so that disciplinary action can be imposed.

- Timeline for completion of corrective action plan:
Specific guidelines will be provided to all principals as a part of their December Principal meeting. Revisit guidelines with Executive Leadership Team after the completion of the audit and with the Finance staff at our meeting in two weeks.

- Employee position(s) responsible for meeting the timeline:
Finance Director, Department Leads

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

NM 2017-002 [FS 2014-003] – Timeliness of Deposits (Compliance and Other Matters) Repeated and Revised

Criteria: [6.20.2.14 NMAC 1978](#): CASH CONTROL STANDARDS:

C. **Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.** If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.

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

- In 2 of 25 items tested cash received by the District was not deposited within 24 hours.
 - On 7/14/16 and 7/22/16 the District received \$5,282.00 that was not deposited until 7/26/16
 - On 12/12/16 the District received \$295.00, deposit was made on 12/14/16

During our review of activity cash receipts we noted the following instances in which proper procedures were not followed:

- In 1 of 25 items tested cash received by the District was not deposited within 24 hours
 - On 3/2/17 the District received \$120.00, deposit was made on 3/6/17

In the previous year's audit we noted 2 instances in which deposits were not made within 24 hours of receipt.

Cause: The staff of the District did not deposit the funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed.

Effect: Non-adherence to state statutes places the District in noncompliance and lack of timeliness of deposits could subject the District to a possible occurrence of fraud.

Auditors' Recommendations: We recommend that the District emphasize the importance of timely deposits of receipts, and monitor receipts more closely in order to be compliant with state statutes. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible.

Responsible Official's View:

- Specific corrective action plan for finding:
Provide all Finance Department Staff with information about banking guidelines. Provide cross training of the task for all Finance Department Staff to ensure adequate back up in the case of absences or planned vacations.
- Timeline for completion of corrective action plan:
Review banking guidelines at Finance Department Staff meeting in two weeks. Begin cross training of the three new Department Staff, so that any of the staff are able to complete a deposit if needed.
- Employee position(s) responsible for meeting the timeline:
Finance Director

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

NM 2017-003 [FS 2016-002] – Background Checks and Licensing (Compliance and Other Matters) 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 3 of the 25 files reviewed there was no copy of the FBI background check in the file. The District had a printout from the licensure bureau indicating that the license was clear for one employee, and this had been accepted as a background check.

In the prior year's audit there were 4 employees who did not have an FBI background check.

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

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

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

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.

Responsible Official's View:

- Specific corrective action plan for finding:
The current practice in the HR Office is that employees are not allowed to start employment until a background check is on hand in the HR Office. A contract will not be generated or signed until the background check is on hand in the office.
 - a. **The current employee that does not have a background check will be required to complete one.**
 - b. **The other two employees are no longer with the district.**
- Timeline for completion of corrective action plan:
November 13, 2017 all employees hired will not start employment nor sign a contract until the employee is cleared. Often times other supervisors are anxious to have new employees start and pressure the department to allow them to start and every time they are not allowed to start
- Employee position(s) responsible for meeting the timeline:
Yvonne Tabet, Director of Human Resources

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

NM 2017- 004 – Improper Approval of Budget Adjustment (Compliance and Other Matters)

Criteria: [6.20.2.10 NMAC 1978](#) BUDGET MAINTENANCE STANDARDS:

A. Budget adjustment requests shall be submitted on the most current form prescribed by the department. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

B. School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. The department must take action on budget adjustment requests within 30 calendar days from the date of receipt by the department or such requests will otherwise be considered approved. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. **Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.**

Condition: During our testing of budget adjustment requests, we identified the following instances in which proper procedures were not followed.

- The District recorded the first adjustment on 7/1/2016 but the Board did not approve until 8/30/16 and the PED did not approve the adjustment until 9/8/2016. In the second instance the District recorded the adjustment on 4/30/2017 which was after Board approval on 4/25/2017, but PED approval was not received until 5/11/2017.

Cause: The District wanted to get the changes into their system and didn't wait until all approvals had been received. The recording to the incorrect line item was simply human error in keying the entry.

Effect: The budget adjustments have not been properly authorized according to statute and an incorrect line item has budget which it shouldn't have while another line item doesn't have its proper amount of budget.

Auditor's Recommendation: We recommend that the District ensure that all budget adjustments are not recorded in the ledger until after approval from the Board and PED has been completed.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Work closely with PED staff to be sure that all budget items are approved prior to appropriation. Once the BAR has been submitted following board approval, do not enter it into budget until all steps of approval from BCS and PED have been completed. Once the BAR has been approved by PED, enter the changes into the budget and at that time advise the budget manager that those funds are now available.
- Timeline for completion of corrective action plan:
This has been the practice since August 2017 once the new Finance Director had a full understanding of the timelines for BARs. No funds have been approved until the BAR has been approved.
- Employee position(s) responsible for meeting the timeline:
Finance Department Staff and Finance Director

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Schedule IX

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

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

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 2 of 25 items tested the District reimbursed the cost of meals for employees who were not on an overnight trip and which were during the normal working hours of the employees. The employees had traveled to Albuquerque during their normal working hours and returned the same day.
- In 1 of 25 items tested the District paid an employee in excess of the allowable mileage rate. In January 2017 the allowable rate decreased from \$0.45 to \$0.43, however an employee was still paid for travel in a personal vehicle at the rate of \$0.45 on June 15, 2017.

In the prior year, 3 items tested did not reimburse the employee for taxes paid by the employee.

Cause: The District reimbursed employees for meals when statute does not allow for reimbursement as it was during the employees' normal work hours. The District did not change its mileage reimbursement rate to reflect the change in the IRS rate.

Effect: The District is not in compliance with State guidelines.

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 (Compliance and Other Matters)
Repeated and Revised (Continued)

Responsible Official's View:

- Specific corrective action plan for finding:
Review travel reimbursement with District Leadership Team at December meeting. Follow up with principals at their meeting . Provide documentation to school secretaries so that anyone completing a PR that involves travel, understands the guidelines for reimbursement.

- Timeline for completion of corrective action plan:
Process is already underway, should be fully implemented in December 2017.

- Employee position(s) responsible for meeting the timeline:
Finance Director, Superintendent, Department Directors

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Schedule IX

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

NM 2017-006 – Improper Employee Retirement Board (ERB) Contributions (Compliance and Other Matters)

***Criteria:* 22-11-21 NMSA 1978 Contributions; members; local administrative units:**

A. Except as provided in Subsection D of this section, **for a member whose annual salary is greater than twenty thousand dollars (\$20,000), the member shall make contributions to the fund according to the following schedule:**

(1) from July 1, 2013 through June 30, 2014, the member contribution rate shall be ten and one-tenth percent of the member's annual salary; and

(2) **on and after July 1, 2014, the member contribution rate shall be ten and seven-tenths percent of the member's annual salary.**

B. On and after July 1, 2008, for a member whose annual salary is twenty thousand dollars (\$20,000) or less, the member contribution rate shall be seven and nine-tenths percent of the member's annual salary.

C. Except as provided in Subsection D of this section, each local administrative unit shall make an annual contribution to the fund according to the following schedule:

(1) from July 1, 2013 through June 30, 2014, a sum equal to thirteen and fifteen-hundredths percent of the annual salary of each member employed by the local administrative unit; and

(2) on and after July 1, 2014, a sum equal to thirteen and nine-tenths percent of the annual salary of each member employed by the local administrative unit.

D. If, in a calendar year, the salary of a member, initially employed by a local administrative unit on or after July 1, 1996, equals the annual compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, then:

(1) for the remainder of that calendar year, no additional member contributions or local administrative unit contributions for that member shall be made pursuant to this section; provided that no member shall be denied service credit solely because contributions are not made by the member or on behalf of the member pursuant to the provisions of this subsection; and

(2) the amount of the annual compensation limit shall be divided into four equal portions, and, for purposes of attributing contributory employment and crediting service credit, each portion shall be attributable to one of the four quarters of the calendar year.

Condition: During our review of personnel files we noted the following instance in which there was insufficient documentation:

- In 1 of 25 personnel files reviewed showed that an employee was not having their retirement contribution deducted at the proper rate. The employee's salary is greater than \$20,000 but was being deducted at the less than \$20,000 rate.

Cause: The District has not followed State guidelines in regards to retirement contributions. When an employee's wage rate changes during the year, there is no communication within the departments which allows for proper adjustment of deductions based on employee salary levels.

Effect: The District's failure to withhold retirement contributions harms the employee's ability to participate in the State's retirement plan at proper salary rates, and the District is not submitting the proper amount to ERB.

Auditor's Recommendation: We recommend that the District review its personnel files to ensure that the proper deductions are being made on behalf of employees in all State administered plans the employee has elected to or is required to participate in.

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

NM 2017-006 – Improper Employee Retirement Board (ERB) Contributions (Compliance and Other Matters) (Continued)

Responsible Official's View:

- Specific corrective action plan for finding:
The district worked with iVisions to create a report that shows salary and what deduction category the employee qualifies for. After discovering this issue, the Finance Department reached out to iVisions to generate this solution.

- Timeline for completion of corrective action plan:
The solution was already implemented on September 8, 2017. If an instance is discovered, the adjustment is made and benefits are paid back to the date of the change in salary.

- Employee position(s) responsible for meeting the timeline:
Finance Specialist III – Payroll

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Schedule IX

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

NM 2017-007 – I-9 Documentation (Compliance and Other Mattes)

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.

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

- In 1 of 25 items reviewed an employee’s I-9 was not marked as to whether the employee was or was not a citizen.
- In 1 of 25 items reviewed the employee did not sign and date the I-9 form and it was not dated by District personnel.

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.

Responsible Official’s Plan:

- Specific corrective action plan for finding:
 1. **The Clerical Receptionist will serve as a checks and balance to the Secretary to ensure the I-9 is signed and filled out correctly.**
 2. **The goal is to go to an electronic form for the I-9 through a district portal whereas the employee fills it out and then comes in and presents necessary identification.**
- Timeline for completion of corrective action plan:
 1. **November 13, 2017, Clerical Receptionist will be made responsible for serving as a check and balance of the I-9.**
 2. **Training for payroll portal will occur in the spring of 2018.**
- Employee position(s) responsible for meeting the timeline:
Director of Human Resources, Director of Finance and Facilities

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

NM 2017-008 [FS 2014-008] Improper Procedures for Bid/RFP's and Assigning Statutory Preferences (Compliance and Other Matters) Repeated and Revised

Criteria: 1.4.1.15 NMAC 1978: COMPETITIVE SEALED BIDS REQUIRED:

All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

- A. competitive sealed proposals;
- B. small purchases;
- C. sole source procurement;
- D. emergency procurement;
- E. procurement under existing contracts; and
- F. purchases from anti-poverty program businesses.

1.4.1.17 NMAC 1978: PUBLIC NOTICE INVITATION FOR BID:

Publication. **The IFB or notice thereof shall be published not less than ten calendar days prior to the date set for the opening of bids.** The IFB or notice must be published once in at least three newspapers of general circulation in this state.

- A. These requirements of publication are in addition to any other procedures that may be adopted by the state purchasing agent to notify prospective bidders that bids will be received, including but not limited to publication in trade journals, if available.
- B. Bidder lists. The state purchasing agent shall send copies of the notice or IFB involving the expenditure of more than sixty thousand dollars (\$60,000) to those businesses which have signified in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and which have paid any required fees. (13-1-104 NMSA 1978). Reference is also given to 1.4.1.48 NMAC of this rule.
- C. Public availability. A copy of the IFB shall be made available for public inspection at the office of the state purchasing agent.

1.4.1.23 NMAC 1978: MISTAKES IN BIDS:

- A. **Receipt. Upon its receipt, each bid and modification shall be time-stamped but not opened and shall be stored in a secure place until the time and date set for bid opening.**
- B. No bids received. Except as provided in 1.4.1.68 through 1.4.1.72 NMAC of this rule, if no bids are received or if all bids received are rejected in accordance with the provisions of 1.4.1.68 through 1.4.1.72 NMAC of this rule, a new IFB shall be issued. If upon re-bidding with no change in specifications from the first IFB, the bids received are unacceptable, or if no bids are secured, the state purchasing agent may purchase (i.e., as opposed to procure) the items of tangible personal property, construction or services in the open market at the best obtainable price.
- C. Opening and recording. Bids and modifications shall be opened publicly in the presence of one or more witnesses at the time and place designated in the IFB. The name of each bidder, the amount of each bid and each bid item, if appropriate, the names and addresses of the required witnesses, and such other relevant information as may be specified by the state purchasing agent shall be recorded. The record shall be open for public inspection. Each bid, except those portions for which a bidder has made a written request for confidentiality, shall also be open to public inspection. Any data, which a bidder believes should be kept confidential shall accompany the bid and shall be readily separable from the bid in order to facilitate public inspection of the non-confidential portion of the bid. Prices and makes and models or catalogue numbers of the items offered, deliveries, and terms of payment shall be publicly available at the time of bid opening regardless of any designation to the contrary.

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

NM 2017-008 [FS 2014-008] Improper Procedures for Bid/RFP's and Assigning Statutory Preferences (Compliance and Other Matters) Repeated and Revised

1.4.1.25 NMAC 1978: STATUTORY PREFERENCES:

Statutory preferences to be applied in determining low bidder or low offeror. **New Mexico law provides certain statutory preferences to resident businesses, resident veteran businesses, resident contractors and resident veteran contractors as well as for recycled content goods** (13-1-21 and 13-1-22 NMSA 1978). These preferences must be applied in regard to invitations for bids and requests for proposals in accordance with statute in determining the lowest bidder or offeror.

Finally, **1.4.1.67 NMAC 1978: COPIES OF CONTRACTS AND PRICE AGREEMENTS:**

A central purchasing office shall retain for public inspection and for the use of auditors a copy of each state purchasing agent contract or current price agreement relied upon to make purchases without seeking competitive bids.

Condition: During our testing of bids and requests for proposals we identified the following instances in which proper procedures were not followed:

- One of the bids did not publish in a newspaper 10 days prior to the opening of the bids. The notice ran in the newspaper on 3/2/17 and the bids were opened on 3/10/17.
- In the bid for mop and linen services the bid document did not contain statutory preferences as part of the scoring.

During our testing of individually significant items we identified the following instances in which proper procedures were not followed:

- In 9 of 46 items tested the District did not have a copy of the CES contract they relied upon for the awarding of services.

In the previous year's audit there was 1 instance in which there was no statutory preference given to the vendors.

Cause: The District has not followed proper state statutes in publishing notices of bids and including statutory preferences for resident businesses.

Effect: The District is not in compliance with State Purchasing Guidelines. This opens the District up to possible incidences of fraud and possible occurrences of disputed awards which could cause additional legal and monetary consequences.

Auditor's Recommendation: We recommend that the District personnel responsible for the RFP/bid process be trained in the proper procedures and requirements.

Responsible official's view:

- Specific corrective action plan for finding:
Staff responsible for procurement have now been trained and have attended additional follow up training. Oversight of process has come directly from Finance Director. Steps are currently in place for the RFP and bid process.
- Timeline for completion of corrective action plan:
Already being enacted.
- Employee position(s) responsible for meeting the timeline:
Finance Director and Procurement Officer

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

NM 2017-009 [FS 2014-010] – Improper Use of Credit Cards and Improper Credit to Funds (Compliance and Other Matters) Repeated and Revised

Criteria: Laws of 2016, Regular Session, Chapter 28, Section 3, Subsection J states, “Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by Section 6-5-9(l) NMSA 1978, none of the appropriations contained in the General Appropriations Act of 2016 may be expended for the payment of agency-issued credit card invoices.”

Condition: During our review of credit card compliance we noted that the District has a credit card issued by Wells Fargo Bank which is used for payment of items purchased with appropriations from the General Appropriations Act which is contrary to state law. It was also noted during review of credit card disbursements that a credit of \$255.63 which should have applied to Fund 27103 Dual Credit Instructional Materials was incorrectly applied to the General Fund.

The District has been using this Wells Fargo Credit Card for years. There were no improper credits in the previous year.

Cause: The District has been gathering information in order to obtain a state approved purchasing card but has not completed the process or obtained those cards at this time.

Effect: The District is in violation of State statute regarding the use of a bank issued credit card

Auditor’s Recommendation: The District should only utilize procurement cards authorized by Section 6-5-9(l) NMSA 1978. The District should properly credit its funds when a credit is received.

Responsible Official’s Plan:

- Specific corrective action plan for finding:
Use of credit card was suspended by new Finance Director effective July 1, 2017. Card was destroyed and account has been cancelled by Wells Fargo. Procurement cards and positive pay have been planned and meeting with bank will be November 17, 2017. Timeline for implementation will be dependent upon conditions of that meeting.
- Timeline for completion of corrective action plan:
Issue was corrected effective July 1. School board was advised of action at next meeting and is supportive of the move to purchasing cards.
- Employee position(s) responsible for meeting the timeline:
Finance Department, Finance Director

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

NM 2017-010 [FS 2007-005] [07-05] – Cash Appropriations in Excess of Available Cash (Compliance and Other Matters)

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.

Condition: 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	\$ 314,408	\$ 284,953	\$ (29,455)
Total	<u>\$ 314,408</u>	<u>\$ 284,953</u>	<u>\$ (29,455)</u>

In the prior year one fund, Athletics, had cash appropriations in excess of budget in the amount of \$2,851. This has been a continual finding for the District since 2007.

Effect: The District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds.

Cause: Modifying the cash balance of the funds and improper internal controls regarding expenditures was missed by District personnel.

Auditor’s Recommendation: Budget for future years should be reviewed to ensure all funds have adequate budget authority for budgeted cash. Greater attention should be given to the budget monitoring process for end-of-the-year cash balance estimates. Adjustments should be made to cash balances after actual amounts are determined subsequent to the annual audit.

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BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

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

NM 2017-010 [FS 2007-005] [07-05] – Cash Appropriations in Excess of Available Cash (Compliance and Other Matters)

Responsible Official's Plan:

- Specific corrective action plan for finding:
Determine true numbers for each fund in order to begin to have a budget that has meaning. Hold discussions with each budget manager to develop priorities and be sure that those are within the areas of budget as it currently exists. Create BARs to request changes for any differences. Track within the system the level of spending for each fund. Provide programs and sites with regular updates on their budget so that any discrepancies are discovered in a timely manner. Complete monthly reports to PED and the Belen Board of Education, along with current list of payables.
- Timeline for completion of corrective action plan:
Work with PED and iVisions to determine available funds and how to provide reports within the system for each budget manager. ASAP but no later than mid – December.
- Employee position(s) responsible for meeting the timeline:
Finance Director and Superintendent

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

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

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

STATE OF NEW MEXICO
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

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

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

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

- The Activities cash account has stale dated deposits in transit of \$442.92
- The Activities cash account has stale dated checks in the amount of \$41.00
- The Payroll Clearing cash account has stale dated checks of \$3,448.96
- The Accounts Payable cash account has stale dated checks of \$1,701.56

The same issues existed in the prior year. The District reduced the number of outstanding and stale dated checks and deposits.

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. The District has taken care of this in October for the old outstanding items, but we recommend that this be a monthly process in the normal reconciliation procedures of the District.

Responsible Official's Plan:

- Specific corrective action plan for finding:
Provide training for all Finance Department Staff in the use of our online program. Currently staff is reluctant to complete tasks such as removing stale dated deposits and checks because of unsureness how to correct it within the program. Provide monthly oversight of all accounts and reduce the number of bank accounts to make overall monitoring and reconciling easier in the long run.
- Timeline for completion of corrective action plan:
Reduction in the number of bank accounts as soon after audit as allowable by PED. Training for staff as soon as possible now that the department is fully staffed (at current levels). If possible, prior to the end of December.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Finance Department Staff

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

NM 2017-012 – Improper Recording of Journal Entries (Compliance and Other Matters)

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 1 of 25 journal entries reviewed the bond payments interest portion was recorded twice.

Cause: The District did not properly book its bond principal and interest expense.

Effect: The District has overstated its interest expense.

Auditor's Recommendation: We recommend that management record all journal entries properly.

Responsible Official's View:

- Specific corrective action plan for finding:
All journal entries will be reviewed by two parties according to procedures that were already in place. The journal entries should be done in a timely fashion, same day as transaction occurs if possible, and should be done with one party entering in the journal entry and an approval coming from the second party. All journal entries should also be printed and filed, with copies being kept in a numerical file for easy access to review. Signatures of both parties including date completed should be documented on their paperwork. In order to provide consistency of practice, doing these entries at the beginning of the workday prior to the interruptions that often occur, may better ensure that both entry and approval are done in a timely manner.
- Timeline for completion of corrective action plan:
Process has been evolving over the past several months as problems have been identified. Documentation of procedures should allow for a completion within the next week.
- Employee position(s) responsible for meeting the timeline:
Finance Director and Finance Specialist III

STATE OF NEW MEXICO
BELEN CONSOLIDATED SCHOOL DISTRICT NO. 2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Schedule IX

Section V – Prior Year Audit Finding

Financial Statement Findings

FS 2007-005 [07-05] – Cash Appropriations in Excess of Available Cash Balances – Repeated and Revised
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 2014-002 – Purchase Orders and Payment Authorization – Repeat and Revised (Reclassified to NM 2017-001)
FS 2014-003 – Timeliness of Deposits – Repeated and Revised (Reclassified to NM 2017-002)
FS 2014-007 – Improper Cash Controls Outstanding Warrants – Repeated and Revised (Reclassified to NM 2017-011)
FS 2014-008 – Improper Procedures for Bids RFPs and Assigning Statutory Preferences – Repeated and Revised (Reclassified to NM 2017-008)
FS 2014-010 – Improper Usage of Credit Cards – Repeated and Revised (Reclassified to NM 2017-009)
FS 2016-001 – Improper Reimbursement of Travel Expense – Repeated and Revised (Reclassified to NM 2017-005)
FS 2016-002 – Background Checks – Repeated and Revised (Reclassified to NM 2017)
FS 2016-003 – Insufficient Pledged Collateral – Resolved
FS 2016-004 – Deficit Cash in Activity Funds – Resolved
FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification – Repeated and Revised

Federal Awards Findings

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

12-6-5 NMSA Findings

None classified as 12-6-5 NMSA findings in the prior year

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UNAUDITED SUPPLEMENTAL INFORMATION

Max E. Perez
Superintendent



Paul McCarty
Director of Finance/Facilities

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Prior Year Audit Findings:

2015 Audit Findings

Federal Awards Findings:

FA 2014-001 Improper Maintenance of Personnel Activity Reports – Resolved
FA 2014-004 Indirect Costs Charges Exceeded Allowable Rate – Resolved
FA 2015-001 Purchase Orders and Travel Reimbursement – Resolved

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

Specific corrective action plan for finding (written November 2016):

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 has been implemented currently and ongoing. Oversight by Executive Director of Finance and Purchasing Specialist in Business Office. This was not resolved because the responsibility was too narrow and not enough individuals who were involved in providing staff were trained in the process.

Financial Statement Findings

FS 2010-001 [10-01] — Entity-Wide Control Deficiency- Resolved
FS 2014-001 Incomplete I-9 Information – Resolved
FS 2015-001 Improper Mileage Reimbursement – Resolved
FS 2015-002 Segregation of Duties – Resolved

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

Specific corrective action plan for finding (written November 2016)

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. 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. (Nov 2017). This was not resolved due to issues with the projections and not having budget for all areas as it should have been.

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

Specific corrective action plan for finding (written November 2016)

The district is now current on all bank reconciliations and they are done monthly. We have trained staff on this duty and are up to date with reconciliations. Timeline for completion of corrective action plan: This has been resolved as of current. Employee position(s) responsible for meeting the timeline: The Executive Director of Finance and Superintendent will be ensuring compliance with these tasks and reported to Board and Finance Committee. (Nov 2017) Bank reconciliations continued to not be completed in a timely manner which created challenges to reconcile accounts.

FS 2010-009 [10-09] — Expenditures in Excess of Budget- Repeated and Revised

Specific corrective action plan for finding (written November 2016)

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. (Nov 2017) Projections were not met and budgets were not properly adjusted to reflect these shortfalls.

FS 2014-002 Improper Purchase Order and Payment Authorization – Repeat and Revised

Specific corrective action plan for finding(written November 2016)

The district will continue our training and awareness to all staff that generate requisitions for purchase orders, that purchasing before approval of a purchase order is not allowed and can be subject to consequences by the Superintendent. Timeline for completion of corrective action plan: This process will be ongoing as the district reviews daily the purchase orders submitted by sites and departments. This area has improved but will be completed by June 2017. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Business Office Staff. Staff still not following procedures. Finance staff need to return any purchase requests to the site and privileges for ordering removed for non-compliance.

FS 2014-003 Deposits Not Made In a Timely Manner – Repeated and Revised

Specific corrective action plan for finding (written November 2016)

The district has made all staff dealing with deposits aware of this regulation and we have also trained site and department staff to make sure deposits are timely. Since bank reconciliations are done monthly we can verify that this is being done. Timeline for completion of corrective action plan: This has been accomplished and resolved currently and will be adhered to ongoing. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent. (Nov 2017) New staff and ancillary staff need to be trained and reminded on a regular basis.

FS 2014-007 Improper Cash Controls Outstanding Warrants – Repeated and Revised

Specific corrective action plan for finding (written November 2016)

The District has already removed all of these stale dated items from our bank reconciliations while the auditors were on site. This will be reviewed at the end of each fiscal year and once reaching the requirements for being considered stale dated will be removed prior to closing books at the end of each fiscal year. Timeline for completion of corrective action plan: This has been completed for FY 15-16 therefore considered resolved. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, and Board Finance Committee. (Nov 2017) Stale dated checks were not removed from the system prior to the end of the fiscal year.

FS 2014-008 Improper Procedures for Bids RFPs – Repeated and Revised

Specific corrective action plan for finding (written November 2016)

The district is currently in compliance with Bid and RFP requirements. We have a business office person who has completed the CPO requirements and is now certified. Timeline for completion of corrective action plan: This has been resolved and currently have a staff trained in the CPO requirements. This person has been making sure all bid and RFP requirements are met before bids and RFP's are presented to our Board for approval. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Board Finance Committee. (Nov 2017) Systems have improved but there were still issues with timelines that occurred earlier in the year.

FS 2014-010 Credit Cards and Supporting Documentation – Repeated and Revised

Specific corrective action plan for finding (written November 2016)

The District is in the process of working with the correct authorized bank to open an account and close our existing account. This has been presented to our Superintendent, and Board Finance Committee for review and approval, but has not been finalized as of yet. Timeline for completion of corrective action plan: This finding will be resolved by December 31, 2016. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, and Board of Education. (Nov 2017) Credit card still used up until June 2017. Card destroyed by new Finance Director after reviewing previous year's audit.

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- Contracted employees from outside vendors also need to be checked and this process has now been established.

Financial Statement Findings

FS 2016-003 – Insufficient Pledged Collateral – Resolved

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

Response -This was not completed because there were funds that were not budgeted at the beginning of the year and after the audit was completed the cash was not sufficient to cover the funds as budgeted. Emergency loan sought from PED in February 2017.

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- Bank reconciliations fell behind after the completion of the audit and once they were significantly behind, they never caught up until after year end.

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

Response – funds continued to not be closely monitored. Have provided additional support for FY18

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

Specific corrective action plan for finding: The district will continue our training and awareness to all staff that generate requisitions for purchase orders, that purchasing before approval of a purchase order is not allowed and can be subject to consequences by the Superintendent. Timeline for completion of corrective action plan: This process will be ongoing as the district reviews daily the purchase orders submitted by

sites and departments. This area has improved but will be completed by June 2017. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Business Office Staff.
Response – Ongoing training for staff, consequences at school site level for failure to comply.

FS 2014-003 – Timeliness of Deposits – Repeated and Revised (Reclassified to NM 2017-002)

Specific corrective action plan for finding: The district has made all staff dealing with deposits aware of this regulation and we have also trained site and department staff to make sure deposits are timely. Since bank reconciliations are done monthly we can verify that this is being done. Timeline for completion of corrective action plan: This has been accomplished and resolved currently and will be adhered to ongoing. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent
Response- Training of new staff needs to be ongoing. Turnover at school sites is significant and requires staff time to ensure those making deposits are aware of legal obligations.

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

Specific corrective action plan for finding: The District has already removed all of these stale dated items from our bank reconciliations while the auditors were on site. This will be reviewed at the end of each fiscal year and once reaching the requirements for being considered stale dated will be removed prior to closing books at the end of each fiscal year. Timeline for completion of corrective action plan: This has been completed for FY 15-16 therefore considered resolved. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, and Board Finance Committee.
Response- Delegation of duties not clear. Revised for FY18

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

Specific corrective action plan for finding: The district is currently in compliance with Bid and RFP requirements. We have a business office person who has completed the CPO requirements and is now certified. Timeline for completion of corrective action plan: This has been resolved and currently have a staff trained in the CPO requirements. This person has been making sure all bid and RFP requirements are met before bids and RFP's are presented to our Board for approval. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Board Finance Committee
Response- Procurement Officer new in position so findings were primarily prior to formally bringing in a person for that position.

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

Specific corrective action plan for finding: The District is in the process of working with the correct authorized bank to open an account and close our existing account. This has been presented to our Superintendent, and Board Finance Committee for review and approval, but has not been finalized as of yet. Time line for completion of corrective action plan: This finding will be resolved by December 31, 2016 Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, and Board of Education.
Response- Effective July 1, 2017 credit cards destroyed and district has been working to be set up with purchasing cards.

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

Specific corrective action plan for finding: The district was unaware of the regulation allowing individuals to be reimbursed the tax on travel items such as food. The district has trained staff and made sure that this is now the practice in place allowing the reimbursement of taxes for travel. Timeline for completion of corrective action plan: This has been resolved as of FY 16-17. Employee position(s) responsible for meeting the timeline: Executive Director of Finance, Superintendent, Board Finance Committee.
Response- Forms have become more specific for reimbursement. Finance Staff trained in reimbursement process. Procedures documented.

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

Specific corrective action plan for finding: The district has since for FY 16-17 done an internal audit of our records and made sure that this finding has been resolved completely. Timeline for completion of

corrective action plan: This has currently been resolved for FY 16-17. Employee position(s) responsible for meeting the timeline: Director of Human Resources, Superintendent.
Response- Processes have improved and appear to be within regulations at this time.

FS 2016-005 – Improper Maintenance of Fixed Assets and Fixed Asset Certification – Repeated and Revised
Specific corrective action plan for finding: The district has done extensive work with our auditor at year end FY16 to make sure our records accurately reflect all fixed assets are appropriately and accurately stated for FY17. Our beginning category balances going forward are now aligned and we are accurately tracking all asset additions and deletions. We feel that this has been resolved. Timeline for completion of corrective action plan: The reconciliation of assets has been done and resolved. The District will provide the Board of Education the assets for certification now in December 2016 for FY 15-16 and again in July 2017 for FY16-17. Employee position(s) responsible for meeting the timeline: Executive Director of Finance and Superintendent and Board of Education.
Response – Forms not shared between all major stakeholders so was not a coordinated effort. Process being established after finding repeated for FY 17.

2017 Audit Findings

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: The specific correction action plan for this finding with vendors who regularly work with the district on a yearly basis would be to have them provide annual certification that it is not currently suspended, debarred or otherwise prevented from receiving Federal funds. For any unique vendors (single use or rarely used), the director of the office providing final approval prior to submission to the Finance Department would use the GSA website to determine eligibility of the vendor to receive Federal funds. A copy would be scanned and attached to the purchase request prior to submission.
- Timeline for completion of corrective action plan: Initially, because we have not asked for an annual certification from vendors, this would need to take place by using the GSA website and printing a copy. Training for staff in steps to take to complete this verification would be within 30 days. Once we have established vendor eligibility, then yearly certification would be required prior to submitting initial purchase requests for the fiscal year.
- Employee position(s) responsible for meeting the timeline: Director of Federal Grants and staff, Director of Special Education and staff, Director of Finance and staff.

FA 2017-001 – Disallowed Expenses

- Specific corrective action plan for finding:
All staff who desire to take courses that would involve reimbursement must first submit a request to the Human Resources Department. This approval form for reimbursement would be completed prior to enrolling in the class. HR Director and Federal Funds Director would sign off on the form and submit to Finance Department for final approval. No purchase request would be processed without all three signatures appearing on the form along with the purchase request.
- Timeline for completion of corrective action plan:
Formalizing the process that has already been discussed can take place within 14 days. Because of the incident noted in the audit, there were now already formal steps being taken. Providing written documentation as a condition of the acceptance of the purchase request and having all of these steps done **prior** to enrolling in the class should provide sufficient process to eliminate and grey areas that may have previously existed.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Human Resources Director, Director of Federal Programs.

FA 2017-002 – Excessive Delays in Requests for Reimbursement

- Specific corrective action plan for finding:
In order to ensure the prompt reimbursement of these Federal Funds, timelines need to be in place that expenditures must be made within a reasonable timeline to support the collection and submission of all

necessary paperwork. Clear deadlines for spending will be established. Additionally, the district is in the process of using purchasing cards for payment and positive pay to allow for quicker payment to vendors, allowing for the faster submission of invoices. Additionally, more frequent communication between the finance department and the Federal Grants and Special Education Program Directors to assist in timely submission of documents.

- Timeline for completion of corrective action plan:
Purchasing cards and positive pay should be in place by end of year 2017. Deadlines for spending to be established with all departments in December Department Leadership Team Meeting December 19, 2017.
- Employee position(s) responsible for meeting the timeline:
Finance, Federal Grants and Special Education Program Directors and staff.

Financial Statement Findings

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

- Specific corrective action plan for finding:
Contract with an outside consultant to provide immediate relief and bring all of the monthly bank accounts up to date for current reconciliations. Reassignment or reconfiguration of the Finance Department to keep the job of reconciliations as a sole element for an employee. Provide updates on reconciliation to quarterly budget report. Any issues with reconciliation are immediately provided to the Superintendent and Finance Committee.
Timeline for completion of corrective action plan:
Contract with outside consultant asap, preferably within the next 30 days. Reports to begin January 2018.
- Employee position(s) responsible for meeting the timeline: Superintendent, Finance Director, Finance Department, Board of Education

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

- Specific corrective action plan for finding:
Provide budget reports to the budget committee (all board members along with parent and community member) that will meet at least quarterly (more frequently as the budget is being developed). Provide updated reports by fund to the board. All BARs will go before the board and have PED approval prior to expending of funds. Adjustments to EOY cash balances to be done in conjunction with the final CASH report to PED so that budgets for the new year are accurate. If estimating for coming year, estimation will be conservative to reduce risk of overspending.
- Timeline for completion of corrective action plan: Budget committee is already formed and has met once. Next meeting will be in December which will provide the committee with information from the audit and our current budgetary position for FY 18. Reports will be provided to BOE no later than January 2018.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Finance Staff, Superintendent, Board of Education

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

- Specific corrective action plan for finding:
Because in reviewing the fixed assets this year it was determined that there were many items left off of the list due to a miscommunication between the parties involved in acquiring these assets (warehouse, maintenance, transportation, technology, and finance) as well as a glitch in the I-Visions Program. The plan is to put a shared spreadsheet that the person responsible for ordering these items in each of these areas will add to **at the time the order is placed**. It would then be the responsibility of the finance department to update actual costs onto this list and on a monthly basis add in any new fixed assets to the list. Those same items would also be added to the depreciation list. Any items that are to be removed (such as a district vehicle no longer being a part of our inventory) would be included on the fixed assets list with a notation of the disposal date and any compensation received for the item. A physical inventory on the District's General Fixed Assets will be done every year in June and the list will be submitted for board approval the first board meeting in July to certify for correctness.
- Timeline for completion of corrective action plan:
The lists will be created and put into a shared file with the identified parties being given permission to add to the list after the next District Leadership Team meeting in December 2017.
- Employee position(s) responsible for meeting the timeline

Finance Director, Warehouse Director, Transportation Director, Maintenance Director, Technology Director or substitute from each department.

FS 2017- 001 – Improper Loans of Student Activity Funds

- Specific corrective action plan for finding:
Review with all staff in Finance Department the guidelines for the use of student activity funds. Emphasize that these funds are for student use only and that any purchase requests or requests to transfer funds from these accounts that are not generated by and for student use.
- Timeline for completion of corrective action plan:
Topic will be discussed at next Finance Department Meeting (last week in November)
- Employee position(s) responsible for meeting the timeline
Finance Director

New Mexico Findings

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

- Specific corrective action plan for finding:
Provide all principals and other administrators with copy of specific guidelines and procedures for purchasing (they have been verbally advised of this at the start of the school year). Continue to work with the first level approvers (Department Leads, School Secretaries) and Directors who first approve PRs prior to submission to Finance Office. All staff in Finance office will notify Finance Director of anyone who has violated this process so that disciplinary action can be imposed.
- Timeline for completion of corrective action plan:
Specific guidelines will be provided to all principals as a part of their December Principal meeting. Revisit guidelines with Executive Leadership Team after the completion of the audit and with the Finance staff at our meeting in two weeks.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Department Leads

NM 2017-002 [FS 2014-003] – Timeliness of Deposits – Repeated and Revised

- Specific corrective action plan for finding:
Provide all Finance Department Staff with information about banking guidelines. Provide cross training of the task for all Finance Department Staff to ensure adequate back up in the case of absences or planned vacations.
- Timeline for completion of corrective action plan:
Review banking guidelines at Finance Department Staff meeting in two weeks. Begin cross training of the three new Department Staff, so that any of the staff are able to complete a deposit if needed.
- Employee position(s) responsible for meeting the timeline:
Finance Director

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

- Specific corrective action plan for finding:
The current practice in the HR Office is that employees are not allowed to start employment until a background check is on hand in the HR Office. A contract will not be generated or signed until the background check is on hand in the office.
The current employee that does not have a background check will be required to complete one.
The other two employees are no longer with the district.
- Timeline for completion of corrective action plan:
November 13, 2017 all employees hired will not start employment nor sign a contract until the employee is cleared. Often times other supervisors are anxious to have new employees start and pressure the department to allow them to start and every time they are not allowed to start.
- Employee position(s) responsible for meeting the timeline:
Director of Human Resources

NM 2017- 004 – Improper Approval of Budget Adjustment

- Specific corrective action plan for finding:

Work closely with PED staff to be sure that all budget items are approved prior to appropriation. Once the BAR has been submitted following board approval, do not enter it into budget until all steps of approval from BCS and PED have been completed. Once the BAR has been approved by PED, enter the changes into the budget and at that time advise the budget manager that those funds are now available.

- Timeline for completion of corrective action plan:
This has been the practice since August 2017 once the new Finance Director had a full understanding of the timelines for BARs. No funds have been approved until the BAR has been approved.
- Employee position(s) responsible for meeting the timeline:
Finance Department Staff and Finance Director.

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

- Specific corrective action plan for finding:
Review travel reimbursement with District Leadership Team at December meeting. Follow up with principals at their meeting . Provide documentation to school secretaries so that anyone completing a PR that involves travel, understands the guidelines for reimbursement.
- Timeline for completion of corrective action plan:
Process is already underway, should be fully implemented in December 2017.
- Employee position(s) responsible for meeting the timeline:
- Finance Director, Superintendent, Department Directors.

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

- Specific corrective action plan for finding:
The district worked with iVisions to create a report that shows salary and what deduction category the employee qualifies for. After discovering this issue, the Finance Department reached out to iVisions to generate this solution.
- Timeline for completion of corrective action plan:
The solution was already implemented on September 8, 2017. If an instance is discovered, the adjust is made and benefits are paid back to the date of the change in salary.
- Employee position(s) responsible for meeting the timeline:
Finance Specialist III – Payroll.

NM 2017-007 – I-9 Documentation

- Specific corrective action plan for finding:
 1. The Clerical Receptionist will serve as a checks and balance to the Secretary to ensure the I-9 is signed and filled out correctly.
 2. The goal is to go to an electronic form for the I-9 through a district portal whereas the employee fills it out and then comes in and presents necessary identification.
- Timeline for completion of corrective action plan:
 1. November 13, 2017, Clerical Receptionist will be made responsible for serving as a check and balance of the I-9.
 2. Training for payroll portal will occur in the Spring of 2018.
- Employee position(s) responsible for meeting the timeline:
Director of Human Resources, Director of Finance and Facilities

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

- Specific corrective action plan for finding:
Staff responsible for procurement have now been trained and have attended additional follow up training. Oversight of process has come directly from Finance Director. Steps are currently in place for the RFP and bid process.
- Timeline for completion of corrective action plan:
Already being enacted.
- Employee position(s) responsible for meeting the timeline:

Finance Director and Procurement Officer

NM 2017-009 [FS 2014-010] – Improper Usage of Credit Cards – Repeated and Revised

- Specific corrective action plan for finding:
Use of credit card was suspended by new Finance Director effective July 1, 2017. Card was destroyed and account has been cancelled by Wells Fargo. Procurement cards and positive pay have been planned and meeting with bank will be November 17, 2017. Timeline for implementation will be dependent upon conditions of that meeting.
- Timeline for completion of corrective action plan:
Issue was corrected effective July 1. School board was advised of action at next meeting and is supportive of the move to purchasing cards.
- Employee position(s) responsible for meeting the timeline:
Finance Department, Finance 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:
Determine true numbers for each fund in order to begin to have a budget that has meaning. Hold discussions with each budget manager to develop priorities and be sure that those are within the areas of budget as it currently exists. Create BARs to request changes for any differences. Track within the system the level of spending for each fund. Provide programs and sites with regular updates on their budget so that any discrepancies are discovered in a timely manner. Complete monthly reports to PED and the Belen Board of Education, along with current list of payables.
- Timeline for completion of corrective action plan:
Work with PED and iVisions to determine available funds and how to provide reports within the system for each budget manager. ASAP but no later than mid - December
- Employee position(s) responsible for meeting the timeline:
Finance Director and Superintendent

NM 2017-011 [FS 2014-007] – Improper Cash Controls Outstanding Warrants – Repeated and Revised

- Specific corrective action plan for finding:
Provide training for all Finance Department Staff in the use of our online program. Currently staff is reluctant to complete tasks such as removing stale dated deposits and checks because of unsureness how to correct it within the program. Provide monthly oversight of all accounts and reduce the number of bank accounts to make overall monitoring and reconciling easier in the long run.
- Timeline for completion of corrective action plan:
Reduction in the number of bank accounts as soon after audit as allowable by PED. Training for staff as soon as possible now that the department is fully staffed (at current levels). If possible, prior to the end of December.
- Employee position(s) responsible for meeting the timeline:
Finance Director, Finance Department Staff

NM 2017-012 – Improper Recording of Journal Entries

- Specific corrective action plan for finding:
All journal entries will be reviewed by two parties according to procedures that were already in place. The journal entries should be done in a timely fashion, same day as transaction occurs if possible, and should be done with one party entering in the journal entry and an approval coming from the second party. All journal entries should also be printed and filed, with copies being kept in a numerical file for easy access to review. Signatures of both parties including date completed should be documented on their paperwork. In order to

provide consistency of practice, doing these entries at the beginning of the workday prior to the interruptions that often occur, may better ensure that both entry and approval are done in a timely manner.

- Timeline for completion of corrective action plan:
Process has been evolving over the past several months as problems have been identified. Documentation of procedures should allow for a completion within the next week.
- Employee position(s) responsible for meeting the timeline:
Finance Director and Finance Specialist III.

STATE OF NEW MEXICO
BELÉN CONSOLIDATED SCHOOL DISTRICT NO. 2
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2017

Auditor Prepared Financial Statements

Manning Accounting and Consulting Services, LLC prepared the GAAP-basis financial statements and footnotes of Belén 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 14, 2017 the following individuals were in attendance.

Belen Consolidated School District No. 2

Max Perez, Superintendent
Paul McCarty, Director of Finance
Larry Lindberg, Board Member
Elizabeth Chavez, Board Member
Alexandra Navarrete, Community Member
Joe Hidalgo, Community Member
Yvonne Tabet, Director of Human Resources
Cynthia Moya, Administrative Assistant to the Superintendent

Manning Accounting and Consulting Services, LLC

Byron R. Manning, CPA, Managing Partner
Chris Manning, Staff Accountant