

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.
COMPONENT OF
MORENO VALLEY HIGH SCHOOL

COMPREHENSIVE FINANCIAL ANNUAL REPORT
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2012
WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

KEYSTONE ACCOUNTING, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

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STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

OFFICIAL ROSTER
June 30, 2012

Board of Directors

Shaylee Tiblias	President
Carrie Belicheck	Treasurer
Joyce Burke	Member
Jacque Boyd	Member
Mary Shaffer	Member

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FINANCIAL SECTION

FISCAL YEAR 2012

JULY 1, 2011 THROUGH JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
And the Board of Directors of
Moreno Valley Education Foundation, Inc.

We have audited the accompanying statement of financial position of the Moreno Valley Education Foundation, Inc. (a non-profit organization)(a component of Moreno Valley High School), as of and for the year ended June 30, 2012, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Moreno Valley Education Foundation, Inc. internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Moreno Valley Education Foundation, Inc. as of June 30, 2012, and the respective changes in financial position and cash flows of the Foundation for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above presents fairly, in all material respects the budgetary comparison of the District for the year ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2012, on our consideration of the Moreno Valley Education Foundation, Inc.'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 and should be considered in conjunction with this report in assessing the results of our audit.

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by GASB 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.

Hector H. Balderas, State Auditor
And the Board of Directors of
Moreno Valley Education Foundation, Inc.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keystone Accounting LLC

September 13, 2012
Farmington, NM



BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 78,719
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Noncurrent assets:

Capital assets:

Land	284,843
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Buildings and improvements	370,934
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Equipment	70,324
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Less: accumulated depreciation	<u>(212,292)</u>
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Total noncurrent assets	<u>513,809</u>
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Total assets	\$ <u>592,528</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ 513,809
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Unrestricted	<u>78,719</u>
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Total net assets	\$ <u>592,528</u>
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**STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION**

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
Year ended June 30, 2012**

Operating revenue:	
Fundraising	\$ 4,155
Donations	3,000
Rental	58,000
Grant	62,500
Other	<u>81</u>
Total operating revenue	<u>127,736</u>
 Operating expenses:	
Office expense	44
Insurance	930
Legal and professional	4,069
Education	52,076
Depreciation	<u>24,329</u>
Total operating expenses	<u>81,523</u>
Operating income (loss)	<u>46,213</u>
 Non-Operating income (expenses):	
Gain or loss on sale of asset	(46,089)
Interest expense	<u>(3,976)</u>
Total nonoperating revenues (expenses)	<u>(50,065)</u>
Change in net assets	<u>(3,852)</u>
Net assets - beginning	601,247
Restatement	<u>(4,867)</u>
Net assets - as restated	<u>596,380</u>
Net assets - ending	<u><u>\$ 592,528</u></u>

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
Year ended June 30, 2012

CASH FLOWS FROM OPERATING

ACTIVITIES

Cash received from customers	\$	127,736
Cash payments for supplies and maintenance		<u>(57,194)</u>
Net cash provided by operating activities		<u>70,542</u>

CASH FLOWS FROM CAPITAL AND RELATED

FINANCING ACTIVITIES

Principal paid on capital debt		(105,428)
Interest paid on capital debt		<u>(4,223)</u>
Net cash used in capital and related financing activities		<u>(108,901)</u>

Net increase (decrease) in cash and cash equivalents (38,359)

Cash and cash equivalents at beginning of year 117,078

Cash and cash equivalents at end of year \$ 78,719

RECONCILIATION OF OPERATING INCOME

TO NET CASH PROVIDED (USED) BY

OPERATING ACTIVITIES

Operating income	\$	46,213
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		<u>24,329</u>

Net cash provided by operating activities \$ 70,542

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Moreno Valley Education Foundation, Inc. (Foundation) is a legally separate, tax exempt component of Moreno Valley High School (School). The Foundation and is governed by an elected four-member board. The Council is the basic level of government, which has oversight responsibility and control over all activities related to the Foundation. The Foundation operates for the purpose of providing supporting funds to the Moreno Valley High School. The Foundation received funds from renting facilities to the School, and donations and fund raising.

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

The Foundation's financial statements include all entities over which the Board exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component unit and no fiduciary units were included in the financial statements.

The Foundation is reported as discretely presented component unit of Moreno Valley High School as required in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14* Moreno Valley High School's report can be obtained at:

Moreno Valley High School
P.O. Box 1037
Angel Fire, NM 87710

The Moreno Valley Education Foundation, Inc., New Mexico (Foundation) was incorporated, and it is administered by a manager, who is overseen by a local advisory board for the purpose of providing supporting funds to the Moreno Valley High School. The reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary governments is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Foundation's financial statements to be misleading or incomplete. The Foundation provides the usual municipal services with the exception of education, which administered by other governmental agencies.

As required by GAAP, these financial statements present the Foundation (primary government).

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Depending upon the significance of the financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units.

1. Blended Component Units.

Legally separate component units for which the Foundation is financially accountable are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government. The Foundation had no blended component units during the fiscal year ended June 30, 2012.

2. Discretely Presented Component Units.

The financial data of component units are reported in separate columns to emphasize that they are legally separate from the Foundation. The Foundation had no discrete component units during the fiscal year ended June 30, 2012.

3. Related Organizations.

The Foundation appoints members to the boards, but the Foundation's accountability for the organizations does not extend beyond making these appointments and there is no fiscal dependency of these organizations on the Foundation.

B. Financial statement presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows.

C. Cash and equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Use of Estimates

The preparation of financial statements in conformity with principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

I. SUMMARY OF ALL SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Property and equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as unrestricted support at their estimated value. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

F. Long-term liabilities

The Foundation borrowed long-term financing for the purpose of financing a portion of the facilities for the Moreno Valley High School. Funding to service the debt is provided by rent charges for the facilities. Loan was paid in full as of June 30, 2012.

G. Income taxes

The Foundation is a tax exempt organization under Section 501(c)(3) of the Code.

H. Restricted cash

Restricted cash reported on the statement of net assets are contributions made for specific purposes. The money is earmarked for such purposes and should be spent accordingly.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and Temporary Investments

At June 30, 2012, the carrying amount of the Foundation's deposits was \$78,719 and the bank balance was \$78,719. Of this balance \$78,719 was covered by federal depository insurance. The Foundation was not required to have pledged collateral at June 30, 2012.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

II. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and Temporary Investments (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. As of June 30, 2012, none of the Foundation's bank balance of \$78,719 was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging bank's trust dept not in the District's name		<u>-</u>
Total uninsured		-
Insured (FDIC)		<u>78,719</u>
Total deposits	\$	<u>78,719</u>

The collateral pledged is listed on Page 19 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools. 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.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

II. DETAILED NOTES ON ALL FUNDS (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Capital assets not being depreciated:				
Land and land rights	\$ 284,843	\$ -	\$ -	\$ 284,843
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>284,843</u>	<u>-</u>	<u>-</u>	<u>284,843</u>
Capital assets being depreciated:				
Improvements	335,244	-	-	335,244
Buildings and improvements	181,851	-	(146,161)	35,690
Equipment and other	<u>101,353</u>	<u>-</u>	<u>(31,029)</u>	<u>70,324</u>
Total capital assets being depreciated	<u>618,448</u>	<u>-</u>	<u>(177,190)</u>	<u>441,258</u>
Less accumulated depreciation for:				
Improvements	(157,904)	(16,934)	33,909	(140,929)
Buildings and improvements	(79,060)	(2,025)	71,984	(9,101)
Equipment and other	<u>(81,350)</u>	<u>(5,370)</u>	<u>24,458</u>	<u>(62,262)</u>
Total accumulated depreciation	<u>(318,314)</u>	<u>(24,329)</u>	<u>130,351</u>	<u>(212,292)</u>
Total capital assets being depreciated, net	<u>300,134</u>	<u>(24,329)</u>	<u>(46,839)</u>	<u>228,966</u>
Capital assets, net	<u>\$ 584,977</u>	<u>\$ (24,329)</u>	<u>\$ (46,839)</u>	<u>\$ 513,809</u>

Construction Commitments

The Foundation did not have any ongoing construction as of June 30, 2012.

C. Component unit transactions

The Moreno Valley High School pays the Moreno Valley Education Foundation rent for the land and land improvements in the amount of \$58,000. The Moreno Valley Education Foundation used the funds to pay off the loan for the land improvements. The loan for the land improvements was paid off as of June 30, 2012.

D. Subsequent events

Subsequent events were evaluated through September 13, 2012, which is the date the financial statements were available to be issued.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

Notes to the Financial Statements
June 30, 2012

II. DETAILED NOTES ON ALL FUNDS (continued)

E. Restatement

The checks written in June of 2011 were not included in the prior year general ledger, and were not posted until September of 2011 to the June 2011 general ledger, creating a restatement of cash by \$4,867.

OTHER SUPPLEMENTAL INFORMATION

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**STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION**

**SCHEDULE OF PLEDGED COLLATERAL
June 30, 2012**

International Bank

Cash on deposit	\$	78,719
Less FDIC Coverage	_____	(78,719)
Total uninsured funds	\$	<u> -</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Operating	Checking - Non Interest	International Bank	\$ <u>78,719</u>
		Adjustments to cash:	
		Bank Balance	\$ 78,719
		Reconciling items	_____ -
		Cash and cash equivalents	\$ <u>78,719</u>

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

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

Hector H. Balderas, State Auditor
and the Board of Directors
Moreno Valley Education Foundation, Inc.

We have audited the accompanying statement of financial position of the Moreno Valley Education Foundation, Inc. (a non-profit organization)(a component of Moreno Valley High School), as of and for the year ended June 30, 2012, and the related statement of activities and cash flows for the year then ended, and have issued our report thereon dated September 13, 2012. 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.

Internal Control Over Financial Reporting

Management of Moreno Valley Education Foundation, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Moreno Valley Education Foundation, Inc.'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 Moreno Valley Education Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Moreno Valley Education Foundation, Inc.'s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. F2012 – 2. We identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. F2012 – 1 and F2012 – 3. 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.

Hector H. Balderas, State Auditor
and the Board of Directors
Moreno Valley Education Foundation, Inc.

Compliance and other matters

As part of obtaining reasonable assurance about whether Moreno Valley Education Foundation, Inc.'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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings and responses as findings F2012 – 02.

We also noted a certain other matter that is required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6- 5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings F2012 – 02 through F2012 – 3.

The Foundation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Moreno Valley Education Foundation, Inc., the State Auditor, the New Mexico Legislature, New Mexico Public Education Department, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Keystone Accounting LLC

September 13, 2012
Farmington, NM

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2012

A. PRIOR YEAR AUDIT FINDINGS

F2009 – 4 MISSTATEMENT OF CASH

Current Status: Not resolved – repeated in the current year as finding F 2012 – 2.

F2010 – 2 EXPENSES POSTED IN REVENUE ACCOUNTS

Current Status: Resolved – not repeated in the current year.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION. INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

B. FINDINGS—FINANCIAL STATEMENTS AUDIT

F2012 – 1 FORM 1099 NOT ISSUED

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Internal Control?</u>	<u>Compliance?</u>	<u>Other Matter?</u>
Yes	No	Yes	No	No

Condition: The foundation paid contractors for services and did not issue form 1099 for those disbursements.

Criteria: In accordance with IRS Tax Code Form 1099 is to be issued to contractors for services that exceed \$600.

Effect of condition: The Foundation's internal controls over proper reporting to federal, state and local governmental agencies were limited in its ability to insure compliance with laws and regulations.

Cause: Information was not recorded in a timely manner in order to allow timely reporting of information required for Form 1099 reporting.

Recommendation: Proper controls should be put into place to ensure proper reporting to the required federal, state and local governmental agencies, to insure compliance with laws and regulations.

Management's Response: No response.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION. INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F2012 – 2 MISSTATEMENT OF CASH
(Repeat of original finding number F2009 – 4)

<u>Significant Deficiency?</u>	<u>Material Weakness?</u>	<u>Internal Control?</u>	<u>Compliance?</u>	<u>Other Matter?</u>
No	Yes	Yes	Yes	Yes

Condition: Reconciliations of the bank balance were not completed accurately. Checks written in June of 2011 were not included in the prior year general ledger, and were not posted until September of 2011 to the June 2011 general ledger, creating a misstatement of cash by \$4,867. Also, two bank electronic funds transfer (EFT) were backdated to a date earlier than the date of the EFT. The first occurrence was an EFT dated on July 1, 2011 and was later recorded into the accounting system in June of 2011. The second occurrence was on November 1, 2011 and was later recorded into the accounting system in January of 2011.

Criteria: Bank statements should be reconciled to the balances in the general ledger and subsidiary accounts as required by 1978 NMSA 6-10-2 and 6-NMAC 2.2.1.14.11.

Effect of condition: The Foundation's internal controls over cash disbursements were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of documents. The lack of timely reconciliation of cash to the general ledger, and not recording checks until they clear the bank, caused the financial statements to be incorrect.

Recommendation: Controls should be put into place to ensure proper recording and reconciliation of financial information.

Management's Response: No response.

STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION. INC.

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2012

B. FINDINGS—FINANCIAL STATEMENTS AUDIT (continued)

F2012 – 3 BACKUP DOCUMENTATION MISSING

<u>Significant Deficiency?</u> Yes	<u>Material Weakness?</u> No	<u>Internal Control?</u> Yes	<u>Compliance?</u> No	<u>Other Matter?</u> No
<p><i>Condition:</i> Transactions were missing appropriate backup documentation for disbursements. Two stipends were paid for summer help in the amount of \$500 each without the documentation to support the expense</p>				
<p><i>Criteria:</i> A system of internal controls designed to prevent and/or detect errors or violations of state and federal law is required as per 1978 NMSA 6-5-2, 6-NMAC-2.2.1.11 and 6-NMAC-2.2.1.14.</p>				
<p><i>Effect of condition:</i> The Foundation's internal controls over cash disbursements were limited in its ability to prevent and/or detect errors or violations of law due to the improper use of documents.</p>				
<p><i>Cause:</i> Management is disbursing funds without proper documentation.</p>				
<p><i>Recommendation:</i> Controls should be put into place to ensure proper review and approval of documentation before payment is made.</p>				
<p><i>Management's Response:</i> No response.</p>				

REQUIRED DISCLOSURES

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**STATE OF NEW MEXICO
MORENO VALLEY EDUCATION FOUNDATION, INC.**

**REQUIRED DISCLOSURES
Year Ended June 30, 2012**

The financial statements were prepared by the independent public accountant.

An exit conference was held September 13, 2012 during which the audit findings were discussed. The exit conference was attended by the following individuals:

MORENO VALLEY EDUCATION FOUNDATION, INC.

Carl Nelson	President
Shaylee Tiblias	Treasurer
Jacque Boyd	Member

KEYSTONE ACCOUNTING, LLC

Terry Ogle, C.P.A.	Partner
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