

State of New Mexico

DORA CONSOLIDATED SCHOOLS



FOR YEAR ENDED JUNE 30, 2017
ANNUAL FINANCIAL REPORT

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2017
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
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STATE OF NEW MEXICO
Dora Consolidated Schools
Official Roster
Year Ended June 30, 2017

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Kenneth Cox	President
Mr. John Mohon	Vice-President
Mr. Gary Simpson	Secretary
Ms. Jana Roberts	Member
Mr. Bill Prater	Member

School Officials

Mr. Steve Barron	Superintendent
Mr. Gowan Hays	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Education
Dora Consolidated Schools
Dora, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, School Buses, Highway Department and Wind Farm Funds of the Dora Consolidated Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Dora Consolidated Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Dora Consolidated Schools non-major governmental and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017 as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors. Also, we did not audit the Office of the State Auditor Consulting Services Report for the period June 1, 2013 through December 31, 2016. The Office of the State Auditor Findings included were audited by other auditors whose report has been furnished to use, and our opinion, insofar as it relates to the findings included for the School District, is based solely on the report of the other auditors.

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 misstatements, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dora Consolidated Schools, 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, School Buses, Highway Department and Wind Farm Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Dora Consolidated Schools, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof 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 MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a 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.

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information 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 inquiries, 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 Dora Consolidated Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is the responsibility of management and were derived from and relates 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 basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the Untied States of America. In our opinion, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2017 on our consideration of the Dora Consolidated Schools 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 Dora Consolidated Schools internal control over financial reporting and compliance.

Red & Associates, LLP

Albuquerque, New Mexico
October 3, 2017

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Net Position
June 30, 2017

Statement 1
Page 1 of 2

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,658,756
Accounts receivable	16,001
Due from grantor	147,915
Inventory	<u>1,047</u>
Total current assets	<u>1,823,719</u>
Non-current assets	
Land (non-depreciable)	64,381
Capital assets (depreciable)	21,917,806
Less accumulated depreciation	<u>(12,407,143)</u>
Total non-current assets	<u>9,575,044</u>
Total assets	<u>11,398,763</u>
 Deferred outflows of resources	
Actuarial experience in Net Pension Liability	18,992
Investment experience in Net Pension Liability	261,306
Change in proportion in Net Pension Liability	23,772
Change in assumption in Net Pension Liability	89,110
Post measurement date contributions	<u>258,402</u>
Total deferred outflows of resources	<u>651,582</u>
Total assets and deferred outflows of resources	<u><u>\$ 12,050,345</u></u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Net Position
June 30, 2017

Statement 1
Page 2 of 2

LIABILITIES

Current liabilities	
Accounts payable	\$ 17,695
Accrued interest payable	39,635
Current portion of long-term liabilities	<u>155,000</u>
Total current liabilities	<u>212,330</u>
Long-term obligations:	
Net pension liability	4,377,591
Compensated absences	29,771
Non-current portion of long-term liabilities	<u>1,260,000</u>
Total long-term liabilities	<u>5,667,362</u>
Total liabilities	<u>5,879,692</u>

Deferred inflows of resources

Actuarial experience in Net Pension Liability	41,636
Investment experience in Net Pension Liability	-
Change in proportion in Net Pension Liability	<u>104,995</u>
Total deferred inflows of resources	<u>146,631</u>

NET POSITION

Net investment in capital assets	8,160,044
Restricted for:	
Cafeteria fund (inventory)	1,047
Capital outlay	699,969
Debt service	281,353
State mandated reserves	2,823
Special grants	301,973
Unrestricted	<u>(3,423,187)</u>
Total net position	<u>6,024,022</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 12,050,345</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Activities
Year Ended June 30, 2017

Statement 2

<u>Functions/Programs</u>	<u>Program Revenues</u>				Net (Expenses) Revenue and Changes Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 1,865,974	\$ 17,088	\$ 228,070	\$ -	\$ (1,620,816)
Instructional support	1,551,654	-	328,095	368,475	(855,084)
Food services	144,575	22,492	76,094	-	(45,989)
Depreciation - unallocated	467,215	-	-	-	(467,215)
Interest on long-term obligations	48,713	-	-	-	(48,713)
 Total governmental activities	 <u>4,078,131</u>	 <u>39,580</u>	 <u>632,259</u>	 <u>368,475</u>	 <u>(3,037,817)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					12,370
Property taxes, levied for capital projects					49,711
Property taxes, levied for debt service					212,269
Federal and State aid not restricted to specific purpose General					2,619,171
Interest					235
 Sub-total, general revenues					 <u>2,893,756</u>
 Change in net position					 <u>(144,061)</u>
Net position - beginning of year					5,410,877
Restatement					<u>757,206</u>
Net position - beginning of year - restated					<u>6,168,083</u>
 Net position - end of year					 <u>\$ 6,024,022</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2017

Statement 3

	General	School Buses	Highway Department	Wind Farm	Bond Building	Special Capital Outlay State	Capital Improvements SB-9	Capital Improvements SB-9 Local	Other Governmental	Total
ASSETS										
Cash on deposit	\$ 393,000	\$ -	\$ 112,091	\$ 242,800	\$ 547,193	\$ -	\$ -	\$ 260,980	\$ 102,692	\$ 1,658,756
Accounts receivable	4,766	-	-	-	-	-	-	2,199	9,036	16,001
Inventory, at cost	-	-	-	-	-	-	-	-	1,047	1,047
Due from grantor	-	19,375	-	-	-	50,000	54,453	-	24,087	147,915
Due from other funds	153,029	-	-	-	-	-	-	-	-	153,029
Total assets	\$ 550,795	\$ 19,375	\$ 112,091	\$ 242,800	\$ 547,193	\$ 50,000	\$ 54,453	\$ 263,179	\$ 136,862	\$ 1,976,748
LIABILITIES										
Accounts payable	\$ 17,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,695
Due to other funds	-	19,375	-	-	-	50,000	54,453	-	29,201	153,029
Total liabilities	17,695	19,375	-	-	-	50,000	54,453	-	29,201	170,724
FUND BALANCE										
Nonspendable	-	-	-	-	-	-	-	-	1,047	1,047
Restricted	14,241	-	112,091	242,800	547,193	-	-	263,179	106,614	1,286,118
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	518,859	-	-	-	-	-	-	-	-	518,859
Total fund balance	533,100	-	112,091	242,800	547,193	-	-	263,179	107,661	1,806,024
Total liabilities and fund balance	\$ 550,795	\$ 19,375	\$ 112,091	\$ 242,800	\$ 547,193	\$ 50,000	\$ 54,453	\$ 263,179	\$ 136,862	\$ 1,976,748

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2017

Statement 4

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	\$ 1,806,024
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	21,982,187	
Accumulated depreciation	<u>(12,407,143)</u>	
		9,575,044

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows	504,951
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Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Net pension liability	(4,377,591)
Bonds Payable	(1,415,000)
Interest Payable	(39,635)
Compensated Absences Payable	<u>(29,771)</u>

Total net position - governmental funds	<u><u>\$ 6,024,022</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2017

Statement 5

	General	School Buses	Highway Department	Wind Farm	Bond Building	Special Capital Outlay State	Capital Improvements SB-9	Capital Improvements SB-9 Local	Other Governmental	Total
REVENUES										
Taxes	\$ 12,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,711	\$ 212,269	\$ 274,350
Charges for services	710	-	-	-	-	-	-	-	38,870	39,580
Local sources	28,398	-	-	121,400	-	-	-	-	-	149,798
State sources	2,835,105	86,303	175,000	-	-	52,719	54,453	-	58,607	3,262,187
Federal sources	-	-	-	-	-	-	-	-	207,920	207,920
Earnings from investments	-	-	-	-	-	-	-	3	232	235
Total revenues	2,876,583	86,303	175,000	121,400	-	52,719	54,453	49,714	517,898	3,934,070
EXPENDITURES										
Current:										
Direct instruction	1,578,849	-	-	-	-	-	-	-	195,459	1,774,308
Instructional support	1,369,906	-	-	-	39,858	2,719	-	57,432	81,739	1,551,654
Food services	82,865	-	-	-	-	-	-	-	61,710	144,575
Capital outlay	13,529	86,303	62,909	-	107,035	50,000	54,453	74,495	6,700	455,424
Debt service										
Bonds	-	-	-	-	-	-	-	-	150,000	150,000
Interest	-	-	-	-	-	-	-	-	42,683	42,683
Total expenditures	3,045,149	86,303	62,909	-	146,893	52,719	54,453	131,927	538,291	4,118,644
Net change in fund balances	(168,566)	-	112,091	121,400	(146,893)	-	-	(82,213)	(20,393)	(184,574)
Fund balance beginning of year	701,666	-	-	121,400	694,086	(6,771)	-	345,392	19,723	1,875,496
Restatement	-	-	-	-	-	6,771	-	-	108,331	115,102
Fund balance beginning of year - restated	701,666	-	-	121,400	694,086	-	-	345,392	128,054	1,990,598
Fund balance end of year	\$ 533,100	\$ -	\$ 112,091	\$ 242,800	\$ 547,193	\$ -	\$ -	\$ 263,179	\$ 107,661	\$ 1,806,024

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

DORA CONSOLIDATED SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Total net change in fund balances - governmental funds \$ (184,574)

Amounts reported for governmental activities in the
Statement of Activities are different because:

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 assets 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 in the period

Depreciation expense	(467,215)
Capital outlays	<u>455,424</u>

Excess of depreciation expense over capital outlay (11,791)

Governmental funds report School district pension
contributions as expenditures. However in the Statement
of Activities, the cost of pension benefits earned net of employee
contributions is reported as pension expense

Pension contributions	259,785
Pension expense	(370,813)

The issuance of long-term debt (e.g. bonds) provides
current financial resources to government funds
while the repayment of the principal of long-term debt
consumes the current financial resources of governmental
funds

Proceeds of bond issue	-
Repayment of long-term debt	150,000
Compensated absences	19,362
Interest	<u>(6,030)</u>

Change in net position of governmental activities \$ (144,061)

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,416	\$ 16,416	\$ 12,026	\$ (4,390)
Charges for services	-	-	710	710
Local sources	-	-	12,179	12,179
State sources	2,958,570	2,829,407	2,835,105	5,698
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 2,974,986</u>	<u>\$ 2,845,823</u>	<u>\$ 2,860,020</u>	<u>\$ 14,197</u>
EXPENDITURES				
Direct instruction	\$ 1,857,695	\$ 1,870,543	\$ 1,607,417	\$ 263,126
Instructional support	1,645,102	1,636,954	1,371,273	265,681
Food services	88,714	88,714	82,865	5,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 3,591,511</u>	<u>\$ 3,596,211</u>	<u>\$ 3,061,555</u>	<u>\$ 534,656</u>
BUDGETED CASH BALANCE	<u>\$ 616,525</u>	<u>\$ 750,388</u>		

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
School Buses
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 86,303	\$ 66,928	\$ (19,375)
Total revenues	<u>\$ -</u>	<u>\$ 86,303</u>	<u>\$ 66,928</u>	<u>\$ (19,375)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 86,303	\$ 86,303	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 86,303</u>	<u>\$ 86,303</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Highway Department
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Total revenues	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 175,000	\$ 175,000	\$ 62,909	\$ 112,091
Total expenditures	<u>\$ 175,000</u>	<u>\$ 175,000</u>	<u>\$ 62,909</u>	<u>\$ 112,091</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Wind Farm Fund
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ 67,800	\$ 121,400	\$ 121,400	\$ -
Total revenues	<u>\$ 67,800</u>	<u>\$ 121,400</u>	<u>\$ 121,400</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 67,800	\$ 242,800	\$ -	\$ 242,800
Total expenditures	<u>\$ 67,800</u>	<u>\$ 242,800</u>	<u>\$ -</u>	<u>\$ 242,800</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 121,400</u>		

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Statement of Fiduciary
Assets and Liabilities - Agency Funds
June 30, 2017

	Agency Funds
ASSETS	
Cash	\$ 158,912
Total Assets	\$ 158,912
LIABILITIES	
Deposits held for others	\$ 158,912
Total Liabilities	\$ 158,912

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Dora Consolidated Schools (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 Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2000. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

Dora Consolidated Schools provides Kindergarten, elementary, middle and secondary educational services to school age residents of the School District.

The Dora Consolidated Schools 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 School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally

Notes to Financial Statements (continued)

independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

Governmental Funds

Under the requirements of GASB 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 (in addition to the General Fund):

General Fund - the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - School Buses - To account for monies received from the Department of Education, Transportation division for the purchase of new school buses.

Special Revenue Fund - Highway Department - To account for monies received from the Department of Transportation for the design, drainage improvement, parking lot and bus lane improvements.

Special Revenue Fund - Wind Farm - To account for resources received from proceeds that are in lieu of property taxes from land that have wind turbines.

Capital Projects Fund - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

Notes to Financial Statements (continued)

Capital Projects Fund - Special Capital Outlay State - To account for resources received from a Legislative Appropriation to purchase and equip a bus.

Capital Projects Fund - Capital Improvements SB-9 - To account for resources received from State of New Mexico Severance Tax Bonds to build, remodel and equip classroom facilities.

Capital Projects Fund - Local Capital Improvements SB-9 - To account for resources received through local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities.

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

Special Revenue Funds - these funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital projects.

Debt Service Fund - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of Indirect Expenses

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. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

REVENUES

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

Notes to Financial Statements (continued)

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are 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.

Sales and use taxes (which include oil/gas taxes and equipment 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.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

EXPENDITURES

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore not accrued.

OTHER FINANCING SOURCES (USES)

Transfers between funds are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Fiduciary Funds

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 economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

D. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of America (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on this non-GAAP budgetary basis.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

Notes to Financial Statements (continued)

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU 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.
4. 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 SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. 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 SBPU.
7. Legal budget control for expenditures is by function.
8. 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 of Dora Consolidated Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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.

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

2. **Investments**

All money not immediately necessary for the public uses of the District may be invested in:

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

Notes to Financial Statements (continued)

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

3. Accounts Receivable

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 4,766	\$ 2,199	\$ 9,036	\$ 16,001
Intergovernmental	-	123,828	24,087	147,915
Other	-	-	-	-
	<u>\$ 4,766</u>	<u>\$ 126,027</u>	<u>\$ 33,123</u>	<u>\$ 163,916</u>

4. Inventories

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The Commodities shown in the Cafeteria Fund total \$9,519.

5. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets.

Notes to Financial Statements (continued)

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	20-50 years
Buildings & building improvements	20-50 years
Furniture & equipment	3-15 years
Auto/Vehicle	3-15 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

6. Compensated Absences

Sick pay does not vest and is recorded as an expenditure when it is paid.

The District permits all 12-month or full time employees, that have been employed 1-9 years, are entitled to 10 days and those with 10 or more years - 15 days. Vacation time is required to be used by December 30th following the school year it is earned.

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 government-wide statement of net assets.

7. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Notes to Financial Statements (continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District ordinances).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

Notes to Financial Statements (continued)

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

8. **Restricted Net Position**

The governmental activities financial statements utilize a net assets presentation. Net positions are categorized as follows:

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position of the District not restricted for any project or other purposes.

The School District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

9. **Deferred Inflows of Resources**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Notes to Financial Statements (continued)

10. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

11. 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 non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

12. 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 the reported amounts of assets and liabilities and disclosure of contingent 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 revenues and expenditures during the reporting period. Actual results could differ from those estimates.

13. 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.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

James Polk Stone Community Bank	Operational	\$ 1,761,677
James Polk Stone Community Bank	Activity	149,486
James Polk Stone Community Bank	Certificate of Deposit	10,000
James Polk Stone Community Bank	Certificate of Deposit	<u>13,226</u>
Total		<u>\$ 1,934,389</u>
New Mexico Finance Authority		<u>\$ 40,685</u>
Total amount on deposit		\$ 1,975,074
Outstanding checks		(157,739)
Deposit in transit		332
Rounding		<u>1</u>
Total per financial statements		<u>\$ 1,817,668</u>

At June 30, 2017, the carrying amount of the School Districts deposits was \$1,817,668 and the bank balance was \$1,934,389. Of this balance \$273,227 was covered by federal depository insurance and \$1,661,162 was covered by collateral. The remaining \$830,582 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30	\$ 1,934,389
Less F.D.I.C.	<u>(273,227)</u>
Uninsured Funds	1,661,162
50% Collateral Requirement	830,582
Pledged Collateral	<u>1,165,874</u>
Excess of Pledged Collateral	<u>\$ 335,292</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School District 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). As of June 30, \$1,661,162 of the School's bank balance of \$1,934,389 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 495,288
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>1,165,874</u>
Total	<u>\$1,661,162</u>

Notes to Financial Statements (continued)

The remaining \$495,285 is comprised of amounts in excess of those required to be collateralized under State law.

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.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

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. The collateral pledged is shown as follows:

<u>Texas Independent Bank</u> <u>Dallas, TX</u>		<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB	#3130A82E6	8-22-31	\$ 97,609
FNMA	#3136G3FNO	3-28-31	742,814
Clovis Municipal Schools #189414HE8		8-01-17	<u>325,451</u>
			<u>\$1,165,874</u>

As of June 30, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$1,934,389</u>	Less than 6 months

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

The amount held at the New Mexico Finance authority totaling \$40,685 is collateralized within the NMFA guidelines. This information is not available by the individual Agency but the financial statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

	Balance July 1, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
Governmental activities:					
Land	\$ 64,381	\$ -	\$ -	\$ -	\$ 64,381
Total not being depreciated	<u>64,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 64,381</u>
Land improvements	-	-	-	-	-
Buildings and improvements	19,972,024	141,955	-	725,125	20,839,104
Vehicles	508,800	278,779	-	105,700	893,279
Equipment	<u>130,018</u>	<u>34,690</u>	<u>-</u>	<u>20,715</u>	<u>185,423</u>
Total	<u>20,610,842</u>	<u>455,424</u>	<u>-</u>	<u>851,540</u>	<u>21,917,806</u>
Less accumulated depreciation for:					
Land improvements	-	-	-	-	-
Buildings and improvements	(11,541,676)	(385,588)	-	(77,605)	(12,004,869)
Vehicles	(253,194)	(73,549)	-	(3,658)	(330,401)
Equipment	<u>(85,622)</u>	<u>(8,078)</u>	<u>-</u>	<u>21,827</u>	<u>(71,873)</u>
Total accumulated depreciation	<u>(11,880,492)</u>	<u>(467,215)</u>	<u>-</u>	<u>(59,436)</u>	<u>(12,407,143)</u>
Total capital assets being depreciated	<u>8,730,350</u>	<u>(11,791)</u>	<u>-</u>	<u>792,104</u>	<u>9,510,663</u>
Net capital assets	<u>\$ 8,794,731</u>	<u>\$ (11,791)</u>	<u>\$ -</u>	<u>\$ 792,104</u>	<u>\$ 9,575,044</u>

The School District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows:

Unallocated	<u>\$ 467,215</u>
Total depreciation	<u>\$ 467,215</u>

The School District received a bus valued at \$12,000 donated by another school district.

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
2014 GO Bonds	\$ 690,000	\$ -	\$ (60,000)	\$ 630,000	\$ 65,000
2015 GO Bonds	725,000	-	(40,000)	685,000	40,000
ED TECH Bonds	150,000	-	(50,000)	100,000	50,000
Compensated Absences	<u>55,791</u>	<u>-</u>	<u>(26,020)</u>	<u>29,771</u>	<u>-</u>
Total	<u>\$ 1,620,791</u>	<u>\$ -</u>	<u>\$ (176,020)</u>	<u>\$ 1,444,771</u>	<u>\$ 155,000</u>

Notes to Financial Statements (continued)

Payments on the general obligation bonds are made by the debt service funds. The compensated absences liability will ultimately be liquidated by several of the School Districts governmental funds, with most being paid by the General Fund, Transportation Fund, Cafeteria Fund and Title I Fund.

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - March 15, 2014
 Original amount - \$750,000
 Interest rate - 3.00% to 3.60%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 65,000	\$ 20,205	\$ 85,205
2019	55,000	18,255	73,255
2020	55,000	16,605	71,605
2021	60,000	14,955	74,955
2022	60,000	13,155	73,155
2023	60,000	11,355	71,355
2024	65,000	9,495	74,495
2025	70,000	7,350	77,350
2026	70,000	4,970	74,970
2027	70,000	2,520	72,520
Total	\$ 630,000	\$ 118,865	\$ 748,865

Date of issue - January 29, 2015
 Original amount - \$750,000
 Interest rate - 2.30% to 3.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 40,000	\$ 19,330	\$ 59,330
2019	50,000	18,130	68,130
2020	50,000	16,630	66,630
2021	50,000	15,230	65,230
2022	55,000	13,830	68,830
2023	60,000	12,565	72,565
2024	55,000	11,065	66,065
2025	55,000	9,580	64,580
2026	60,000	8,040	68,040
2027	65,000	6,300	71,300
2028	145,000	4,350	149,350
Total	\$ 685,000	\$ 135,050	\$ 820,050

Date of issue - January 1, 2016
 Original amount - \$150,000
 Interest rate - 0.100% to 0.100%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,000	\$ 100	\$ 50,100
2019	30,000	50	30,050
2020	20,000	20	20,020
Total	\$ 100,000	\$ 170	\$ 100,170

Notes to Financial Statements (continued)

C. Operating Leases

The District did not have any capital or operating leases during the fiscal year.

D. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund and Local SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives 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 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$2,619,171 state equalization guarantee distributions during the year ended June 30, 2017.

C. Transportation Distribution

Money in the transportation distribution of the public school fund 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 the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocational education programs are being offered, pursuant to Section 22-16-4.1

Notes to Financial Statements (continued)

(NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$201,244 in transportation distribution during the year ended June 30, 2017.

D. 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 \$0 in state SB-9 matching during the year ended June 30, 2017.

E. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. 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, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and

5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

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 \$- in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2017, the District received \$14,690 in instructional materials allocation.

G. 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 flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

6. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

7. REGION VI EDUCATION COOPERATIVE

Certain special revenue (federal) funds of the District were administered by the Region VI Education Cooperative in Portales, New Mexico. The purpose of the REC is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education. There are ten schools that participate in the REC, they include Dora, Elida, Fort Sumner, Grady, House, Logan, Melrose, San Jon and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

These funds are audited separately by another IPA. That report may be obtained by writing to: Regional Education Cooperative No. 6, 1500 South Avenue K, Station 9, Portales, NM 88130.

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>School Buses</u>	<u>Highway Department</u>	<u>Wind Farm</u>
Revenues per modified accrual basis	\$ 2,876,583	\$ 86,303	\$ 175,000	\$ 121,400
Receivables	(4,563)	-	-	-
Deferred revenues/ Due from grantor	-	(19,375)	-	-
Donations	(12,000)	-	-	-
Revenues per budgetary basis	<u>\$ 2,860,020</u>	<u>\$ 66,928</u>	<u>\$ 175,000</u>	<u>\$ 121,400</u>
Expenditures per modified accrual basis	\$ 3,045,149	\$ 86,303	\$ 62,909	\$ -
Accounts payable	28,406	-	-	-
Inventory	-	-	-	-
Donations	(12,000)	-	-	-
Expenditures per budgetary basis	<u>\$ 3,061,555</u>	<u>\$ 86,303</u>	<u>\$ 62,909</u>	<u>\$ -</u>
	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>Capital Improvements SB-9</u>	<u>Local Capital Improvements SB-9</u>
Revenues per modified accrual basis	\$ -	\$ 52,719	\$ 54,453	\$ 49,714
Receivables	-	-	-	(1,377)
Due from grantor	-	(43,229)	(54,453)	45,310
Revenues per budgetary basis	<u>\$ -</u>	<u>\$ 9,490</u>	<u>\$ -</u>	<u>\$ 93,647</u>
Expenditures per modified accrual basis	\$ 146,893	\$ 52,719	\$ 54,453	\$ 131,927
Accounts payable	10,796	-	-	-
Inventory	-	-	-	-
Expenditures per budgetary basis	<u>\$ 157,689</u>	<u>\$ 52,719</u>	<u>\$ 54,453</u>	<u>\$ 131,927</u>

9. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the School District. The changes in those balances follow:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017
ASSETS				
Cash	\$ 146,565	\$ 131,099	\$ 118,752	\$ 158,912
Total assets	<u>\$ 146,565</u>	<u>\$ 131,099</u>	<u>\$ 118,752</u>	<u>\$ 158,912</u>
LIABILITIES				
General	\$ 7,254	\$ 1,905	\$ 1,959	\$ 7,200
Elementary School	7,915	1,748	3,160	6,503
High School	<u>131,396</u>	<u>127,446</u>	<u>113,633</u>	<u>145,209</u>
Total liabilities	<u>\$ 146,565</u>	<u>\$ 131,099</u>	<u>\$ 118,752</u>	<u>\$ 158,912</u>

10. INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

Workers Compensation
Property and Automobile Liability and Physical Damage
Liability and Civil Rights and Personal Injury
Contract School Bus Coverage; and
Crime

11. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

12. 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_reports.html.

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

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

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employment, as defined Section 22-11-2, NMSA 1978. Employees of public schools, universities, colleges, junior colleges, technical-vocational institutions, state special schools, charter schools, and state agencies providing an educational program, who are employed more than 25% of a full-time equivalency, as 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 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 2013. These members must meet one of the following requirements:

Notes to Financial Statements (continued)

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

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

Benefit Options - The Plan has three benefit options available.

Option A - Straight Life Benefit - The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B - Joint 100% Survivor Benefit - The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C - Joint 50% Survivor Benefit - The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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 beneficiary receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

Notes to Financial Statements (continued)

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

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

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

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

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
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 are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the School District paid employee and employer contributions of \$453,466 and \$423,770, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the School District reported a liability of \$4,377,591 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the School District's proportion was 0.06083%, which was a decrease of 0.00034% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$370,813. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 18,992	\$ 41,636
Changes in assumptions	89,110	-
Net difference between projected and actual earnings on pension plan investments	261,306	-
Changes in proportion and differences between District contributions and proportionate share of contributions	23,772	104,995
District contributions subsequent to the measurement date	<u>258,402</u>	<u>-</u>
Total	<u>\$ 651,582</u>	<u>\$ 146,631</u>

\$258,402 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 35,225
2019	28,323
2020	119,279
2021	63,722
2022	-

Notes to Financial Statements (continued)

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

Inflation	3.00%
Salary Increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	35%	
Fixed income	28%	
Alternatives	36%	
Cash	<u>1%</u>	
Total	<u>100%</u>	<u>7.75%</u>

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension 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 member and employer contributions will be made at the current statutory levels.

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

Notes to Financial Statements (continued)

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 5,798,017	\$ 4,377,591	\$ 3,199,038

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

Payables to the pension plan. At June 30, 2017, the School District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. Dora Consolidated School District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 employers 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 post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 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.

Notes to Financial Statements (continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage 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, 2013, 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, 2013, 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 Dora Consolidated Schools contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$37,181, \$34,745 and \$34,780, respectively, which equal the required contributions for each year.

14. 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 specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

15. LEGISLATIVE APPROPRIATIONS

The following appropriations have been awarded to the School District:

<u>Capital Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Project DFA#15-1068 Laws of 2015, Chapter 3, Section 75, Paragraph 202 To purchase a school bus	February 27, 2017 to June 30, 2018	<u>\$ 19,375</u>	<u>\$ -</u>

Notes to Financial Statements (continued)

<u>Capital Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Project DFA#16A-2636 Laws of 2016, Chapter 81, Section 40, Paragraph 2 To purchase a school bus	February 27, 2017 to June 30, 2018	<u>\$ 66,928</u>	<u>\$ -</u>

<u>Capital Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Project DFA#15-0948 Laws of 2015, SB1, Chapter 3, Section 33, Subsection 53 To plan, design and construct paving and drainage improvements	December 11, 2015 to June 30, 2019	<u>\$ 75,000</u>	<u>\$ 75,000</u>

<u>Capital Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Project DFA#16A-2206 Laws of 2016, Chapter 81, Section 14, Paragraph 171 To purchase a school bus	February 23, 2017 to June 30, 2018	<u>\$ 50,000</u>	<u>\$ -</u>

<u>Capital Appropriation</u>	<u>Term</u>	<u>Amount</u>	<u>Remaining Balance</u>
Project DFA#15-0447 Laws of 2015, Chapter 3, Section 15, Paragraph 225 To purchase tools	October 8, 2015 to June 30, 2018	<u>\$ 50,000</u>	<u>\$ -</u>

16. RESTATEMENT OF FUND BALANCE

The Fresh Fruits and Vegetables Fund had a restatement of \$6,771 for a due from other government balance that was not actually due. The Educational Technology Equipment Act fund had a restatement in the amount of \$115,102 for cash held at the New Mexico Finance Authority as of June 30, 2016. The Special Capital Outlay State had a restatement of \$6,771 for an interfund payable that was not due.

17. NET POSITION RESTATEMENT

The School District had a prior period adjustment of \$851,540 in Capital Assets, \$150,000 in long-term debt and \$59,436 in accumulated depreciation. Also, for the \$115,102 in cash held at the New Mexico Finance Authority as of June 30, 2016.

18. RELATED PARTY TRANSACTIONS

The Dora Consolidated School District purchases goods and supplies from Butler Maintenance. Butler Maintenance is owned by the Maintenance Supervisor of Dora Consolidated Schools. Butler Maintenance was paid \$8,404 during the fiscal year.

Staff Member Megan Hays, is the spouse to the Principal, Brandon Hays. Due to Mr. Hays being her direct supervisor, Superintendent, Mr. Barron, is performing her performance evaluation and acts as her direct supervisor.

Staff Member, Caitlin Hays, is the spouse to Business Manager, Gowan Hays. Due to Mr. Hays being the Business Manager and Payroll, Mr. Brandon Hays, signs off on Mrs. Hays time sheet and leave slips to verify her payroll.

19. SUBSEQUENT EVENTS NOTE

The Superintendent and the School Board came to an amicable Agreement to end the employment relationship and buyout the remainder of the Superintendent's contract. The buyout was for \$184,000. The Agreement was effective upon the execution of the Agreement which was August 23, 2017.

The Office of the State Auditor conducted a Special Audit for the period June 1, 2013 through December 31, 2016. The Special Audit included Findings that are also reported here on pages 84 to 123.

20. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the governmental funds. The constraints placed on fund balances for the major governmental funds and all other governmental funds are presented here.

Fund Balances	General Fund	Highway Department	Wind Farm	Bond Building	Local Capital		Non-Major Governmental Fund	Totals
					Improvements SB-9	Governmental		
Nonspendable:								
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	-	-	1,047	-	1,047
Total nonspendable	-	-	-	-	-	1,047	-	1,047
Restricted for:								
Transportation services	-	-	-	-	-	-	-	-
Instructional materials	11,418	-	-	-	-	-	-	11,418
Capital improvements	-	-	-	547,193	263,179	40,685	-	851,057
Debt service payments	-	-	-	-	-	18,174	-	18,174
Athletic services	-	-	-	-	-	10,428	-	10,428
Special grants	-	112,091	242,800	-	-	-	-	354,891
Cafeteria services	-	-	-	-	-	37,327	-	37,327
State mandated cash reserve	2,823	-	-	-	-	-	-	2,823
Total restricted	14,241	112,091	242,800	547,193	263,179	106,614	-	1,286,118
Committed to:								
Other purposes	-	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-	-
Unassigned:								
Total Fund Balances	\$ 533,100	\$ 112,091	\$ 242,800	\$ 547,193	\$ 263,179	\$ 107,661	\$ 1,806,024	\$ 518,859

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Governmental Funds
Combining Balance Sheet - By Fund Type
June 30, 2017

Statement A-1

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 47,755	\$ 40,685	\$ 14,252	\$ 102,692
Taxes receivable	-	-	9,036	9,036
Due from grantor	24,087	-	-	24,087
Inventory	1,047	-	-	1,047
Total assets	\$ 72,889	\$ 40,685	\$ 23,288	\$ 136,862
LIABILITIES				
Cash overdraft	\$ 24,087	\$ -	\$ 5,114	\$ 29,201
Total liabilities	24,087	-	5,114	29,201
FUND BALANCE				
Nonspendable	1,047	-	-	1,047
Restricted	47,755	40,685	18,174	106,614
Total fund balance	48,802	40,685	18,174	107,661
Total liabilities and fund balance	\$ 72,889	\$ 40,685	\$ 23,288	\$ 136,862

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - By Fund Type
Year Ended June 30, 2017

Statement A-2

	Special Revenue Funds	Capital Projects Fund	Debt Service Funds	Total
REVENUES				
Taxes	\$ -	\$ -	\$ 212,269	\$ 212,269
Charges for services	38,870	-	-	38,870
Local sources	-	-	-	-
State sources	58,607	-	-	58,607
Federal sources	207,920	-	-	207,920
Earnings from investments	-	232	-	232
	305,397	232	212,269	517,898
Total revenues				
EXPENDITURES				
Current:				
Direct instruction	195,459	-	-	195,459
Instructional support	5,451	74,649	1,639	81,739
Food services	61,710	-	-	61,710
Capital outlay	6,700	-	-	6,700
Debt service				
Principal	-	-	150,000	150,000
Interest	-	-	42,683	42,683
	269,320	74,649	194,322	538,291
Total expenditures				
Net change in fund balances	36,077	(74,417)	17,947	(20,393)
Fund balance beginning of year	19,496	-	227	19,723
Restatement	(6,771)	115,102	-	108,331
Fund balance beginning of year - restated	12,725	115,102	227	128,054
Fund balance end of year	\$ 48,802	\$ 40,685	\$ 18,174	\$ 107,661

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by the State Department of Education.

TITLE I - The Title I project provides remedial instruction in the language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et Seq.

IDEA-B ENTITLEMENT- To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

IDEA-B - PRESCHOOL - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

IMPROVING TEACHER QUALITY - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM) - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

DUAL CREDIT INSTRUCTIONAL MATERIALS - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

GO BOND STUDENT LIBRARY - To account for monies received from the SB66, Laws 2012, 2nd Session, Chapter 54, Section 10.B.(3), Appropriation to be used to improve the library, acquire library books or library resources that support the library program.

NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

FRESH FRUIT & VEGETABLES - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

READ2LEAD - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

ATHLETICS FUND - To account for the activities of the athletic functions of the district. (State Department of Education Regulations 93-1).

SCHOOL LUNCH FUND - This program provides financing for the School Hot Lunch Program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat., 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 stat. 3341; Public Law 100-71, 101 stat. 430.

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2017

Statement B-1
Page 1 of 2

	Title I	IDEA-B Entitlement	IDEA-B Preschool	Improving Teacher Quality	REAP	Dual Credit Instructional Materials
ASSETS						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due from grantor	10,845	-	-	-	-	780
Inventory	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 10,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780</u>
LIABILITIES						
Cash overdraft	<u>\$ 10,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780</u>
Total liabilities	<u>10,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780</u>
FUND BALANCES						
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 10,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 780</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2017

Statement B-1
Page 2 of 2

	GO Bond Student Library	Fresh Fruits & Vegetables	Read2Lead	Athletics	Cafeteria	Total
ASSETS						
Cash on deposit	\$ -	\$ -	\$ -	\$ 10,428	\$ 37,327	\$ 47,755
Due from grantor	-	-	12,462	-	-	24,087
Inventory	-	-	-	-	1,047	1,047
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,462</u>	<u>\$ 10,428</u>	<u>\$ 38,374</u>	<u>\$ 72,889</u>
LIABILITIES						
Cash overdraft	\$ -	\$ -	\$ 12,462	\$ -	\$ -	\$ 24,087
Total liabilities	<u>-</u>	<u>-</u>	<u>12,462</u>	<u>-</u>	<u>-</u>	<u>24,087</u>
FUND BALANCES						
Nonspendable	-	-	-	-	1,047	1,047
Restricted	-	-	-	10,428	37,327	47,755
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,428</u>	<u>38,374</u>	<u>48,802</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,462</u>	<u>\$ 10,428</u>	<u>\$ 38,374</u>	<u>\$ 72,889</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2017

Statement B-2
Page 1 of 2

	Title I	IDEA-B Entitlement	IDEA-B Preschool	Improving Teacher Quality	REAP	Dual Credit Instructional Materials
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	-	-	2,732
Federal sources	<u>45,334</u>	<u>51,355</u>	<u>6,781</u>	<u>4,281</u>	<u>24,568</u>	<u>-</u>
Total revenues	<u>45,334</u>	<u>51,355</u>	<u>6,781</u>	<u>4,281</u>	<u>24,568</u>	<u>2,732</u>
EXPENDITURES						
Direct instruction	45,521	51,355	6,781	4,281	24,568	2,732
Instructional support	-	-	-	-	-	-
Food services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,521</u>	<u>51,355</u>	<u>6,781</u>	<u>4,281</u>	<u>24,568</u>	<u>2,732</u>
Net change in fund balance	<u>(187)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year	<u>187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restatement	-	-	-	-	-	-
Fund balance at beginning of year - restated	<u>187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2017

Statement B-2
Page 2 of 2

	GO Bond Student Library	Fresh Fruits & Vegetables	Read2Lead	Athletics	Cafeteria	Total
REVENUES						
Charges for services	\$ -	\$ -	\$ -	\$ 16,378	\$ 22,492	\$ 38,870
Local sources	-	-	-	-	-	-
State sources	5,451	493	49,931	-	-	58,607
Federal sources	-	-	-	-	75,601	207,920
Total revenues	<u>5,451</u>	<u>493</u>	<u>49,931</u>	<u>16,378</u>	<u>98,093</u>	<u>305,397</u>
EXPENDITURES						
Direct instruction	-	-	49,931	16,990	-	202,159
Instructional support	5,451	-	-	-	-	5,451
Food services	-	493	-	-	61,217	61,710
Total expenditures	<u>5,451</u>	<u>493</u>	<u>49,931</u>	<u>16,990</u>	<u>61,217</u>	<u>269,320</u>
Net change in fund balance	-	-	-	(612)	36,876	36,077
Fund balance at beginning of year	-	6,771	-	11,040	1,498	19,496
Restatement	-	(6,771)	-	-	-	(6,771)
Fund balance at beginning of year - restated	-	-	-	11,040	1,498	12,725
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,428</u></u>	<u><u>\$ 38,374</u></u>	<u><u>\$ 48,802</u></u>

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

NON-MAJOR CAPITAL PROJECTS FUND

ED TECHNOLOGY EQUIPMENT ACT - To account for resources received from the issuance of Educational Technology Notes to enable the District to acquire educational technology equipment for learning and administrative use in schools and related facilities, and improving related real and personal property to accommodate education technology equipment or any combination thereof.

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Capital Projects Funds
Balance Sheet
June 30, 2017

	Educational Technology Equipment Act
ASSETS	
Cash on deposit	\$ 40,685
Taxes receivable	-
Total assets	<u>\$ 40,685</u>
LIABILITIES	
Accounts payable	\$ -
Total liabilities	-
FUND BALANCE	
Restricted	40,685
Total fund balance	<u>40,685</u>
Total liabilities and fund balance	<u>\$ 40,685</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Capital Projects Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2017

	Educational Technology Equipment Act
REVENUES	
Local sources	\$ -
State sources	-
Earnings from investments	232
Total revenues	232
EXPENDITURES	
Instructional support	74,649
Capital outlay	-
Total expenditures	74,649
Net change in fund balance	(74,417)
Fund balance at beginning of year	-
Restatement	115,102
Fund balance at beginning of year - restated	115,102
Fund balance at end of year	\$ 40,685

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

NON-MAJOR DEBT SERVICE FUND

GENERAL OBLIGATION BONDS - To account for resources received for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

EDUCATIONAL TECHNOLOGY BONDS - To account for resources received for the purpose of paying technology bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Debt Service Funds
Combining Balance Sheet
June 30, 2017

Statement D-1

	Debt Service	Educational Technology Debt Service	Total
ASSETS			
Cash on deposit	\$ 14,252	\$ -	\$ 14,252
Taxes receivable	7,121	1,915	9,036
Total assets	\$ 21,373	\$ 1,915	\$ 23,288
LIABILITIES			
Cash overdraft	\$ -	\$ 5,114	\$ 5,114
Total liabilities	-	5,114	5,114
FUND BALANCE			
Restricted	21,373	(3,199)	18,174
Total fund balance	21,373	(3,199)	18,174
Total liabilities and fund balance	\$ 21,373	\$ 1,915	\$ 23,288

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Non-Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2017

Statement D-2

	Debt Service	Educational Technology Debt Service	Total
REVENUES			
Taxes	\$ 164,945	\$ 47,324	\$ 212,269
Charges for services	-	-	-
Local sources	-	-	-
State sources	-	-	-
Federal sources	-	-	-
Earnings from investments	-	-	-
Total revenues	164,945	47,324	212,269
EXPENDITURES			
Current:			
Instructional support	1,264	375	1,639
Debt service:			
Principal	100,000	50,000	150,000
Interest	42,535	148	42,683
Total expenditures	143,799	50,523	194,322
Net change in fund balances	21,146	(3,199)	17,947
Fund balance beginning of year	227	-	227
Fund balance end of year	\$ 21,373	\$ (3,199)	\$ 18,174

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

GENERAL FUND

OPERATIONAL FUND - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

TRANSPORTATION FUND - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

INSTRUCTIONAL MATERIALS FUND - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Combining Balance Sheet
General Fund
June 30, 2017

Statement E-1

	<u>Operational</u>	<u>Transporation</u>	<u>Instructional Materials</u>	<u>Total</u>
ASSETS				
Cash on deposit	\$ 534,611	\$ -	\$ 11,418	\$ 546,029
Accounts receivable, collectible	<u>4,766</u>	<u>-</u>	<u>-</u>	<u>4,766</u>
Total assets	<u>\$ 539,377</u>	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ 550,795</u>
LIABILITIES				
Accounts payable	<u>\$ 17,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,695</u>
Total liabilities	<u>17,695</u>	<u>-</u>	<u>-</u>	<u>17,695</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	2,823	-	11,418	14,241
Unassigned	<u>518,859</u>	<u>-</u>	<u>-</u>	<u>518,859</u>
Total fund balance	<u>521,682</u>	<u>-</u>	<u>11,418</u>	<u>533,100</u>
Total liabilities and fund balance	<u>\$ 539,377</u>	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ 550,795</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
General Fund
Year Ended June 30, 2017

Statement E-2

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 12,370	\$ -	\$ -	\$ 12,370
Charges for services	710	-	-	710
Local sources	28,398	-	-	28,398
State sources	2,619,171	201,244	14,690	2,835,105
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>2,660,649</u>	<u>201,244</u>	<u>14,690</u>	<u>2,876,583</u>
EXPENDITURES				
Direct instruction	1,573,086	-	5,763	1,578,849
Instructional support	1,168,662	201,244	-	1,369,906
Food service	82,865	-	-	82,865
Capital outlay	13,529	-	-	13,529
	<u>2,838,142</u>	<u>201,244</u>	<u>5,763</u>	<u>3,045,149</u>
Net change in fund balance	(177,493)	-	8,927	(168,566)
Fund balance at beginning of year	<u>699,175</u>	<u>-</u>	<u>2,491</u>	<u>701,666</u>
Fund balance at end of year	<u>\$ 521,682</u>	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ 533,100</u>

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
General Fund - Operational Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 16,416	\$ 16,416	\$ 12,026	\$ (4,390)
Charges for services	-	-	710	710
Local sources	-	-	12,179	12,179
State sources	2,712,062	2,615,516	2,619,171	3,655
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 2,728,478</u>	<u>\$ 2,631,932</u>	<u>\$ 2,644,086</u>	<u>\$ 12,154</u>
EXPENDITURES				
Direct instruction	\$ 1,819,074	\$ 1,833,401	\$ 1,579,650	\$ 253,751
Instructional support	1,412,741	1,435,710	1,170,029	265,681
Food services	88,714	88,714	82,865	5,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 3,320,529</u>	<u>\$ 3,357,825</u>	<u>\$ 2,832,544</u>	<u>\$ 525,281</u>
BUDGETED CASH BALANCE	<u>\$ 592,051</u>	<u>\$ 725,893</u>		

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
General Fund - Transportation Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	232,361	201,244	201,244	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 232,361</u>	<u>\$ 201,244</u>	<u>\$ 201,244</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	232,361	201,244	201,244	-
Food services	-	-	-	-
Total expenditures	<u>\$ 232,361</u>	<u>\$ 201,244</u>	<u>\$ 201,244</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
General Fund - Instructional Materials Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	14,147	12,647	14,690	2,043
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 14,147</u>	<u>\$ 12,647</u>	<u>\$ 14,690</u>	<u>\$ 2,043</u>
EXPENDITURES				
Direct instruction	\$ 38,621	\$ 37,142	\$ 27,767	\$ 9,375
Instructional support	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>\$ 38,621</u>	<u>\$ 37,142</u>	<u>\$ 27,767</u>	<u>\$ 9,375</u>
BUDGETED CASH BALANCE	<u>\$ 24,474</u>	<u>\$ 24,495</u>		

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Dora Consolidated School District's proportion of net pension liability (asset)	0.06083%	0.061170%	0.064050%
Dora Consolidated School District's proportionate share of the net pension liability (asset)	\$ 4,377,519	\$ 3,962,144	\$ 3,654,512
Dora Consolidated School District's covered-employee payroll	\$ 1,859,036	\$ 1,895,944	\$ 1,738,812
Dora Consolidated School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	235.47%	208.98%	210.17%
Plan fiduciary net position as a percentage of the 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 Dora Consolidated Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 258,402	\$ 241,478	\$ 241,695
Contributions in relation to the contractually required contribution	<u>258,402</u>	<u>241,478</u>	<u>241,695</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Dora Consolidated School District's covered-employee payroll	\$ 1,859,036	\$ 1,670,137	\$ 1,738,812
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

*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 Dora Consolidated Schools is not available prior to the fiscal 2015, the year the statement's requirement became effective.

See Independent Auditor's Report
See notes to required supplementary information

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Notes to Required Supplementary Information
Year Ended June 30, 2017

Changes in 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 \$138,000,000 decrease in the unfunded actuarial liability.

See Independent Auditor's Report
See notes to required supplementary information

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DORA CONSOLIDATED SCHOOLS
Schedule of Cash Receipts and
Disbursements - All Funds by
School District Classification
Year Ended June 30, 2017

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Non- Instructional</u>	<u>Local</u>	<u>State</u>
Cash Balance, June 30, 2016	\$ 723,069	\$ -	\$ 24,495	\$ 1,387	\$ 11,040	\$ 146,565	\$ 121,400	\$ (167,677)
Cash Receipts, 2016-2017	2,644,086	201,244	14,690	88,575	16,378	131,099	121,400	454,969
Cash Disbursements, 2016-2017	<u>(2,832,544)</u>	<u>(201,244)</u>	<u>(27,767)</u>	<u>(52,635)</u>	<u>(16,990)</u>	<u>(118,752)</u>	<u>-</u>	<u>(207,818)</u>
Cash Balance, June 30, 2017	<u>\$ 534,611</u>	<u>\$ -</u>	<u>\$ 11,418</u>	<u>\$ 37,327</u>	<u>\$ 10,428</u>	<u>\$ 158,912</u>	<u>\$ 242,800</u>	<u>\$ 79,474</u>
	<u>Federal Projects</u>	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>Capital Improvement SB-9</u>	<u>Local Capital Improvement SB-9</u>	<u>Educational Technology Equipment Act</u>	<u>Debt Service</u>	<u>ED TECH Debt Service</u>
Cash Balance, June 30, 2016	\$ (40,959)	\$ 704,882	\$ (6,771)	\$ -	\$ 299,261	\$ 115,102	\$ (1,780)	\$ -
Cash Receipts, 2016-2017	162,433	-	9,490	-	93,646	232	159,831	45,419
Cash Disbursements, 2016-2017	<u>(132,319)</u>	<u>(157,689)</u>	<u>(52,719)</u>	<u>(54,453)</u>	<u>(131,927)</u>	<u>(74,649)</u>	<u>(143,799)</u>	<u>(50,523)</u>
Cash Balance, June 30, 2017	<u>\$ (10,845)</u>	<u>\$ 547,193</u>	<u>\$ (50,000)</u>	<u>\$ (54,453)</u>	<u>\$ 260,980</u>	<u>\$ 40,685</u>	<u>\$ 14,252</u>	<u>\$ (5,104)</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**

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Education
Dora Consolidated Schools
Dora, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, School Buses, Highway Department and Wind Farm Funds of the Dora Consolidated Schools, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Dora Consolidated Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated October 3, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dora Consolidated Schools internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dora Consolidated Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dora Consolidated Schools 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dora Consolidated Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 which are described in the accompanying Schedule of Findings and Responses as Conflict of Interest With Related Party Transactions (2016-003), Inadequate Accounting Records for Fuel Inventory (2016-004), Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-001), Ed Tech Debt Service Fund Overdraft (2017-002), No Depreciation Policy (2017-003), Use of P-Card (2017-004), BPA Activity Account (2017-005), Board Meeting Minutes (2017-006), Superintendents Buyout (2017-007), Maintenance Expenditures (2017-008), Outside Consultant (2017-009) and the following Office of the Consulting Services Findings as Recycling Transactions (2017-001), Maintenance/Janitorial Supplies and Service Bids (2017-002), Disposition of Capital Assets (2017-003), Propane Transactions (2017-004), Procurement (2017-005), Purchase of Vehicles Parts for Non-School Vehicles (2017-006), Additional Concrete Work (2017-007), Management Could Not Provide All Requested Information (2017-008), Vendor Controls and Required IRS Forms (2017-009), Personal Use of School Vehicle (2017-010), Non-School Employee Driving School Vehicle (2017-011), Overpaid Landscaping Company (2017-012) and Required Documents Not Posted to the Schools Website (2017-013).

Responses to the Findings

Dora Consolidated Schools responses to the findings identified in our audit are described in the accompanying Status of Findings and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 Dora Consolidated Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
October 3, 2017

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Excess Expenditures Over budget - (2012-001) - Resolved.
2. Certification of Inventory - (2015-008) - Resolved.
3. Noncompliance With Procurement Process Through Management Overrides - (2016-001) - Resolved.
4. Noncompliance With Travel and Per Diem and DFA Rule 95-1 - (2016-002) - Resolved.
5. Conflict of Interest With Related Party Transactions - (2016-003) - Repeated.
6. Inadequate Accounting Records For Fuel Inventory - (2016-004) - Repeated.
7. Noncompliance With NMAC 2.2.2.10(h) and IRS Regulations For Personal Use of District Vehicles - (2016-005) - Resolved.
8. Capital Asset Listing - (2016-006) - Resolved.
9. Disposition of Capital Assets - (2016-007) - Resolved.
10. Lack of Sufficient, Appropriate Audit Evidence For Invoices - (2016-008) - Resolved.
11. Proper Quotes or Bids Not Being Obtained - (2016-009) - Resolved.
12. Audit Committee Does Not Comply With Section 22-8-12.3 - (2016-010) - Resolved.

Current Year Audit Findings:

1. Transactions Made By Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report - (2017-001)
2. ED Tech Debt Service Fund Overdraft - (2017-002)
3. No Depreciation Policy - (2017-003)
4. Use of P-Card - (2017-004)
5. BPA Activity Account - (2017-005)
6. Board Meeting Minutes - (2017-006)
7. Superintendents Buyout - (2017-007)
8. Maintenance Expenditures - (2017-008)
9. Outside Consultant - (2017-009)

DORA CONSOLIDATED SCHOOLS
CONSULTING SERVICES REPORT
FOR THE PERIOD OF
JUNE 1, 2013 THROUGH DECEMBER 31, 2016

FINDINGS:

1. Recycling Transactions - (2017-001) **SA**
2. Maintenance/Janitorial Supplies and Service Bids - (2017-002) **SA**
3. Disposition of Capital Assets - (2017-003) **SA**
4. Propane Transactions - (2017-004) **SA**
5. Procurement - (2017-005) **SA**
6. Purchase of Vehicle Parts For Non-School Vehicles - (2017-006) **SA**
7. Additional Concrete Work - (2017-007) **SA**
8. Management Could Not Provide All Requested Information - (2017-008) **SA**
9. Vendor Controls and Required IRS Forms - (2017-009) **SA**
10. Personal Use of School Vehicle - (2017-010) **SA**
11. Non-School Employee Driving School Vehicle - (2017-011) **SA**
12. Overpaid Landscaping Company - (2017-012) **SA**
13. Required Documents Not Posted to the Schools Website - (2017-013) **SA**

FINANCIAL STATEMENT FINDINGS

Conflict of Interest with Related Party Transactions -
Compliance Matter
(2016-003)

CONDITION The School District's Maintenance Supervisor was paid one payment in July, 2016 for purchases of supply and maintenance items in the amount of \$8,404. Attached was a signed conflict of interest statement by the Maintenance Supervisor indicating knowledge of the conflict of interest.

CRITERIA The Government Conduct Act, NMSA 1978, Section 10-16-13.2 Subsection A states "A public officer or employee shall not sell, offer to sell, coerce the sale of or be a party to a transaction to sell goods, services, construction or items of tangible personal property directly or indirectly through the public officer's or employee's family or a business in which the public officer or employee has a substantial interest."

CAUSE It appears that the superintendent authorized the related party transactions without having appropriate, sufficient evidence to support that the lowest cost had been obtained.

EFFECT The District appears to be out of compliance with the Governmental Conduct Act, NMSA 1978, Section 10-16-13.2 Subsection A. The School District may also be at risk of processing payment for transactions that could potentially result in a loss to the School District and that could benefit a self-interest.

RECOMMENDATION The School District no longer conducts business with this entity/individual. However, Management should ensure that proper internal controls exist so that management overrides cannot occur.

RESPONSE The Business Manager will ensure that current internal controls, in regard to conflicts of interest, will be followed and management overrides will not be allowed. The Business Manager has removed this vendor from the list, and has already resolved this finding.

Inadequate Accounting Records for Fuel Inventory -
Compliance Matter
(2016-004)

CONDITION	During the course of the audit we noted that the District was not maintaining adequate fuel logs to indicate the beginning and ending inventory of fuel. The District has made some progress in this area.
CRITERIA	2.20.5.8 (C)(1) NMAC requires that "an internal control structure exists and is functioning properly" which would purport to include controls over fuel inventory and related transactions.
CAUSE	The District does not appear to have proper policies and procedures in place to ensure that the beginning and ending fuel inventory is being tracked adequately.
EFFECT	Lack of proper supporting documentation for fuel inventory restocks may not allow the District to maintain accurate fuel inventory records and does not provide an audit trail for these commodities.
RECOMMENDATION	The District should establish policies and procedures to ensure that fuel logs beginning and ending inventories be included in their fuel consumption reports and maintained on a regular and ongoing basis.
RESPONSE	The Transportation Director will adjust fuel logs to ensure beginning and ending fuel inventory between each delivery by the supplier is tracked. This will allow for an internal control structure to verify the amount of fuel used matches the amount of fuel restocked. This finding will be resolved by the end of the current fiscal year.

Transactions Made by Third Parties
Not Recorded on Books of Record or
Public Education Department
Quarterly Report - Other Matter
(2017-001)

CONDITION	Funds held at New Mexico Finance Authority were never recorded on the School District's books of record or Public Education Department quarterly reports. These included \$115,102 in cash balances at July 1, 2016, and \$232 of interest earned for the fiscal year ending 2017.
CRITERIA	All transactions whether actually made by management or outside parties needs to be posted/recorded to the entity's books of record and Public Education Department quarterly reports.
CAUSE	Management did not ensure these transactions were booked.
EFFECT	Cash balances and interest income were understated on the School District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.
RECOMMENDATION	Management should ensure all amounts/ transactions are posted/recorded to the School District's books of record.
RESPONSE	The Business Manager was following guidance from the Public Education Department in regards to how the funds received from the New Mexico Finance Authority should be handled. The Business Manager will now be posting all funds held by the NMFA on the District's books and included on PED's quarterly reports. The Business Manager will work with the District's Auditor on resolving this finding by the end of the current fiscal year.

ED Tech Debt Service Fund Overdraft - Other Matter
(2017-002)

CONDITION	The School Districts Ed Tech Debt Service Fund (43000) ended the fiscal year with a \$5,114 overdraft.
CRITERIA	Debt Service funds are to receive enough tax revenues to ensure all debt service payments due are adequately covered (payment made).
CAUSE	Roosevelt County did not remit enough real estate tax revenues to the School District to ensure the Bond/Interest payment for the 2017 fiscal year could be made.
EFFECT	The Operational Fund had to provide \$5,114 so the Bond/Interest payment could be made. This amount was not budgeted for in the Operational Fund. The School District did have enough cash at the end of the fiscal year to cover the overdraft.
RECOMMENDATION	The Business Manager should monitor the amount of revenues received from the County to ensure enough resources are received to cover the payment. (This was done throughout the year). If there is an overdraft, the Business Manager may need to add this expense to the Operational budget. At a minimum ensure that there is enough cash to cover the payment.
RESPONSE	The overdraft was caused by Roosevelt County not distributing the appropriate tax revenue to the District. The revenue being received from the County was monitored throughout the 2016-2017 school year and conversations with the County concerning the revenue shortage had occurred. The County is on track to fully remit this tax revenue for the 2017-2018 school year, however, the Business Manager will continue to monitor throughout the school year. If a lack of tax revenue begins to occur, the Business Manager will reach out to the Office of the State Auditor for assistance in receiving the full amount owed by the end of the current year.

No Depreciation Policy - Compliance Matter
(2017-003)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The School District has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School District should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Dora Board of Education will adopt an updated depreciation policy for the business office to use on depreciation capital assets. This finding will be resolved by the end of the current fiscal year.

Use of P-Card - Other Matter
(2017-004)

CONDITION	An administrator of the School District used one of the School's P-Cards to purchase \$52 worth of alcohol.
CRITERIA	Not only must there be a purchase order in place before a P-Card can be used, P-Cards cannot be used to purchase alcohol.
CAUSE	The administrator said the purchase was an accident.
EFFECT	School District policies have been overridden.
RECOMMENDATION	This purchase was not paid for by the School District. The administrator paid the P-Card company directly. This purchase was found when a review of the P-Card purchases was done by the business office. The business office should continue to review these P-Card purchases to ensure this type of purchase is not made.
RESPONSE	The Business Manager will continue to implement the internal control measures of employees signing out for the use of a P-Card and verifying all invoices correlate with approved purchase orders. This finding has already been resolved.

BPA Activity Account - Other Matter
(2017-005)

CONDITION	The BPA program received approximately \$2,300 that were approved by the Board to be used collectively by the program. However, these amounts were credited to two particular students instead. These students are related to one of the School's Administrators. Another \$1,450 were receipted and appears that the total should have been used collectively by the program, however, were credited to two students specifically. These amounts were receipted but no student name was provided on the receipt to show which student it was to be credited to. Per the BPA Sponsor this is how the School determines which student gets credit for the donation.
CRITERIA	According to the School Policy these donations are to be used in the best interest of the educational program.
CAUSE	The School District internal controls were overridden by management.
EFFECT	Certain students of the School District were provided special treatment. The total bill for their portion of the National Conference was paid off before any other student.
RECOMMENDATION	The Sponsor of the program should ensure that no student receive special treatment. Management should not override its own policies set by the Board.
RESPONSE	The Superintendent will create internal controls that ensure proper documentation of donations made to student activity accounts. The documentation will differentiate between sponsorships for specific individual students and donations to the entire program, which will be evenly distributed. Management will not override the policies currently set by the board. This finding will be resolved by the end of the current fiscal year.

Board Meeting Minutes - Compliance Matter
(2017-006)

CONDITION	The 2016-2017 minutes of the Dora School Board do not reflect an approval by the Board which would then make the minutes "official".
CRITERIA	According to 10-15-1 G of the Open Meetings Act "Minutes shall not become official until approval by the policy making body."
CAUSE	The Board requested the minutes to be "reflected" a certain way. By preparing the minutes in this manner no one reading the minutes could reasonably determine that the prior Board minutes had been approved.
EFFECT	The 2016-2017 minutes do not appear to be official in the format they are currently presented.
RECOMMENDATION	The Board minutes should reflect the "approval" so as to follow 10-15-1 G of the Open Meetings Act.
RESPONSE	The Dora Board of Education will adjust its current practice in regards to the approval process of Board minutes in order to meet guidelines of the Open Meetings Act and specifically reflect the "approval" of the minutes. This finding has already been resolved.

Superintendents Buyout - Compliance Matter
(2017-007)

CONDITION

A buyout of the Superintendent for \$184,000 was effective August 31, 2017. Issues concerning the buyout are as follows:

1. The amount was paid in a lump sum and no taxes were withheld per the School District attorney and the District Court judge. Per Section 451(a) of the Internal Revenue Code taxes should have been withheld.
2. The Public Education Department provided assurance to the attorneys of the School District that "Dora Consolidated Schools has an adequate budget to pay for the settlement." The School district paid this lump sum out of a Special Revenue Fund. This Special Revenue Fund should not have been used. The Operational Fund should have paid this buyout. The Operational Fund, however, did not have "adequate funds to pay this amount."
3. Neither the current Superintendent or Business Manager were apprised/consulted or included in any of this process.

CRITERIA

1. Section 451(a) of the IRS Code provides adequate instruction as to when taxes should be withheld by employers.
2. The Public Education Department is the oversight for the School District. PED was told that adequate cash was available by a consultant hired by the previous Superintendent. This was not correct.
3. The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with managements assertions embodied in the financial statements. This would include the current Superintendent and the Business Manager to ensure all transactions are handled, recorded and paid correctly.

CAUSE

This entire matter was processed by the School Districts attorneys without properly including the new Superintendent and Business Manager.

EFFECT

The School District could now potentially be liable for **both** the employers portion and employees portion of the Federal taxes owed on this lump sum. (A potential of \$55,000). IRS auditors always state in their cases-such as-the employer "should have been aware" that taxes were owed.

The Public Education Department did not obtain any documents or have discussions with current management to ensure there was adequate resources to pay this buyout.

Management should always be included to ensure all transactions follow proper internal control procedures and follow Board Policy.

RECOMMENDATION

The School District has already paid this amount. Because of this the School District will need to be aware of the potential outcome of an IRS audit.

The Public Education Department should be contacted to see if emergency supplemental can be obtained to "pay back" the Special Revenue Fund used to pay the buyout.

All future decisions of the School District must include current management.

RESPONSE

Although the Business Manager did not agree on how this buyout was handled, he followed the directive of the former School Board, PED, and the District Judge's ruling. PED should have consulted with the Business Manager before approving a buyout from a Special Revenue Fund. The District will not be able to afford to pay this Special Revenue Fund back out of it's Operational Fund. The Business Manager was also aware of the tax implications from this type of payment. The Business Manager paid the settlement out of Accounts Payable instead of Payroll where the appropriate taxes would have been withheld, because this was what was approved and required of him by the former School Board, PED, and the District Judge. The business Manager will issue a 1099 for this lump sum and use "non-employee compensation" as the type of payment made. This finding will be resolved by the end of the current fiscal year.

Maintenance Expenditures - Other Matter
(2017-008)

CONDITION Upon review of documents obtained the maintenance department and previous Administration was using the Dora School District Commercial account for purchases not usable by the School District.

 The total amount purchased was \$1,969 in parts and items sold by Auto Zone. This also included \$228 worth of discounts (given only to commercial account holders.)

CRITERIA All purchases made by the School district are to be used only by the "school district."

CAUSE Employees of the School District were overriding internal controls established for the purchases of parts.

EFFECT As many of these invoices state that cash was used to pay for these parts, it is unclear as to how much of this amount the School District may have paid for.

RECOMMENDATION The School district should implement internal controls to ensure only School district purchase orders are used. Also, restrict how parts are requested and who approves all parts purchased.

RESPONSE The Superintendent will implement the following internal controls on commercial accounts. A list of approved employees who can make purchases will be provided to all commercial accounts. Charges to commercial accounts will be restricted to approved purchase orders only. No cash or personal credit card purchases will be allowed on the District's commercial accounts. This finding will be resolved by the end of the current fiscal year.

Outside Consultant - Compliance Matter
(2017-009)

CONDITION An outside consultant was hired by the Superintendent to provide audit responses to the Special Audit conducted by the State Auditor's Office and to provide other various accounting services. The consultant was paid over \$5,000. The School District could not provide evidence of three quotes being obtained for this purchase. The contract did not contain a cap or an agreed upon not to exceed amount. There was no evidence that the Board agreed to the need of a consultant for various accounting services. Having a consultant review an audit report that was not made public by the OSA may have violated Section 2.2.2.10M(3) NMAC of the State Audit Rule.

CRITERIA All contracts entered into should have a clear amount that the vendor cannot exceed stated in the contract. NMAC Section 1.4.1, NMSA 1978 Sections 13-1-1 to 13-1-199 and NMSA 1978 Section 13-1-95.2 states all purchases greater than \$5,000 needs three written quotes. Section 2.2.2.10M(3) NMAC of the State Audit Rule states "agency personnel and the Auditor shall not release information to the public relating to the audit until the audit report is released by the OSA, and has become public record."

CAUSE It is unclear why a consultant was hired to provide audit responses or other accounting services.

EFFECT It appears the School District did not comply with NMAC Section 13-1-1 to 13-1-199 and NMSA 1978 Section 13-1-95.2 and Section 2.2.2.10M(3) NMAC of the State Audit Rule.

RECOMMENDATION The Board should ensure that all statutes are complied with. Management should be included in all processes of the audit.

RESPONSE The Business Manager was not included in the exit conference with the Office of the State Auditor and therefore was unaware that a consultant was being used. However, the Business Manager will ensure that all contracts for professional services will include an amount that cannot be exceeded, and will specify the exact services to be rendered. The Board of Education will comply with all statutes relating to the public release of all future audits until the audit report is released by the Office of the State Auditor. This finding has already been resolved.

DORA CONSOLIDATED SCHOOLS
CONSULTING SERVICES REPORT
FOR THE PERIOD OF
JUNE 1, 2013 THROUGH DECEMBER 31, 2016

FINDINGS

Recycling Transactions

(2017-001) SA

CONDITION

The head of the maintenance department of the School utilized school vehicles to take metal and other recyclable materials to two recycling centers in Clovis during work hours without taking leave. In the following tables, information is included to show the total number of receipts received by the head of the maintenance department for recycling activity as well as the total number of days on which recycling activity occurred; however, OSA is unable to determine if the individual made multiple trips in a day.

Recycling Activity for the Head of the Maintenance Department by Calendar Year			
Calendar Year	\$ Amount Paid	# of Receipt Tickets	# of Days with Recycling Activity
2010	\$ 18,689.98	154	43
2011	\$ 6,877.15	41	16
2012	\$ 1,729.25	23	10
2013	\$ 2,266.15	26	13
2014	\$ 3,840.95	45	15
2015	\$ 542.00	16	4
2016	\$ 66.30	1	1
Total	\$ 34,011.78	306	102

Source: Data derived from records provided by the two recycling centers, excluding transactions from June 2010 through December 2010, when the individual was not employed by the School.

Of the activity reported, all but one transaction occurred at one of the recycling centers (Center #1), the remaining transaction occurred at the second recycling center (Center #2). Per Center #1, the account used by the head of the maintenance department of the School was set up as an account not only in the head of the maintenance department's name, but is also associated with the School's name, and they are unable to differentiate between recycling material brought from the School and recycling

material brought by the individual. OSA confirmed with the Recycling Centers that they offer payments by check, however, per the records of both Centers, the individual was always paid in cash. In a follow-up interview with the individual, he confirmed that he was always paid in cash. When asked about what type of materials he recycles, the individual stated that he recycled "cars and some old farm equipment given to [him] by other individuals."

A review of the School's bank statements, general ledger, and inquiry of the Business Manager, indicates the School did not receive funds from recycling activities. Additionally, the head of the maintenance department stated during the follow-up interview that this was "his money."

Several of the transactions between the recycling centers and the head of the maintenance department coincide with specific events which occurred at the School.

Limited Analysis of Recycling Center Transactions (Specific Events)				
Description	\$ Amount Paid	# of Receipt Tickets	# of Days with Recycling Activity	
In School Vehicle	\$ 2,457.75	8	8	a
During workday without taking leave	\$ 15,732.93	131	9	b
Tin - (Computers)	\$ 66.30	1	1	c
Stainless Steel (Kitchen Equipment from Rogers Gym (formerly a cafeteria))	\$ 190.00	1	1	
Tin, Copper, Brass, and Aluminum - (Metal Roofing Materials)	\$ 446.40	5	5	d

Source: Data derived from records provided by the two recycling centers, school records, and interviews, the items noted above indicate the type of material received per the recycling centers, and the items noted in parenthesis are the School's property to which these items are potentially linked.

a) Data only available beginning in 2014 when recycling center began tracking this information

b) Data is only for 2013 - 2016 and is based on individuals contracted work calendar adjusted for working 10 hour days Monday through Thursday. Additionally, the Recycling Centers close at 5:00 pm and it takes approximately 45-60 minutes to drive from Dora to Clovis.

c) Per School records, the head of the maintenance department paid the \$66.30 to the school on June 8, 2017, the original transaction occurred in August of 2016.

d) Insurance proceeds were used to pay the vendor replacing the roofs to dispose of the old materials. Additionally, although the head of the maintenance department denies taking these materials, another school employee during multiple interviews with OSA indicated that the employee had helped the head of the maintenance department load the materials to take to the recycling center, but never realized that the school did not receive the money for the materials.

Transaction Volume by Day of the Week			
2010-2016			
Day of the Week	\$ Amount Paid	# of Receipt Tickets	# of Days with Recycling Activity
Monday through Thursday	\$ 16,872.58	149	55
Friday and Saturday	\$ 17,139.20	157	47
Total	\$ 34,011.78	306	102

Source: Data derived from records provided by the two recycling centers

Trip tickets, which are required by policy for vehicle use, were not provided for any of the instances where the individual was utilizing a school vehicle for recycling activity.

In a preliminary interview with the head of the maintenance department, the individual indicated that the School does not have a recycling program and that he does not participate in recycling personally.

The head of the maintenance department and his spouse indicated that they might have taken items once or twice to Center #2 in Clovis, however

they did not mention Center #1. Records obtained from the Center #2 indicated that the head of the maintenance department had one transaction for \$190 for stainless steel with the Center.

CRITERIA

Pursuant to the Governmental Conduct Act, Section 10-16-3(A-B) NMSA 1978, a public employee shall treat the public employee's government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

The Governmental Conduct Act, Section 10-16-3.1C NMSA 1978, defines the violation for a public officer or employee's duty not to use property belonging to a state agency or local government agency, or allows its use, for other than authorized purposes.

Section 13-6-1 NMSA 1978, Disposition of obsolete, worn-out or unusable tangible personal property, requires the School to designate a committee of the governing body to approve and oversee asset dispositions for assets valued at less than \$5,000. This section also requires the sale of assets to be completed by means of a public auction or competitive sealed bid.

Section 30-16-8 NMSA 1978 defines the criminal violation of embezzlement as consisting of a person embezzling or converting to the person's own use anything of value, with which the person has been entrusted, with the fraudulent intent to deprive the owner thereof, and the penalties for violations of this law.

Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause) sets forth the requirement that government entities, including school districts, not make any donation to or in aid of any person, association or public or private corporation.

Per School Policy E-2850, no school vehicle shall be used for personal business, unless the personal business is incidental to a school-related trip.

G-0761 Regulation of Staff Conduct states that no employee, while on or using school property, otherwise acting as an agent, or working in an official capacity for the District, shall engage in:

- Any conduct violating federal, state, or applicable municipal law or regulation.
- Any other conduct that may obstruct, disrupt, or interfere with teaching, research, service, administrative, or disciplinary functions of the District, or any other activity sponsored or approved by the Board.

In addition, all staff members are expected to:

- Guard against misappropriation of school assets and immediately report suspected theft or fraud to their immediate supervisor and/or the Superintendent.

CAUSE

Lack of oversight of maintenance operations and projects at the School and inadequate internal controls over disposition of property. A lack of understanding appropriate handling and disposition of school property. Insufficient supervision and/or the employee's failure to understand policy, laws, rules, and regulations pertaining to time reporting and vehicle use. The employee responsible for making decisions regarding the disposal of maintenance items is the employee who has benefited from the sale to recycling companies.

EFFECT

Non-compliance with school policy and state statutes. The head of the maintenance department conducted personal business while using a school vehicle, during the work day without taking leave, and profited from the sale of school property. The funds received from the sale of school property to the recycling centers should have been revenues of the School.

RECOMMENDATION

School employees should be required to take leave when they are conducting personal business during contracted working hours. The School should evaluate options to recoup the funds that the head of the maintenance department received from the sale of school property, including potentially referring the head of the maintenance department to law enforcement. The School should also consider options for corrective action(s) related to theft of time by the head of the maintenance

department, as well as corrective actions against the individual authorizing the head of the maintenance department to conduct personal business during contracted working time.

We recommend that the School develop and implement policies and procedures to properly dispose of School property. These policies and procedures should include prior written approval from the Superintendent to take School property to the recycling center, the written approval should include a description of the material taken for recycling, the date of approval, and the date the materials are to be taken to the center. These policies and procedures should also include that employees notify the recycling center that the materials are School property and request a check payable directly to the School. The School should then deposit these funds timely for the benefit of the School and its students. Additionally a reconciliation of approvals to recycling center receipts should be performed periodically.

RESPONSE

a. **Recyclable Materials** - The District agrees that internal control procedures for the disposition of recyclable materials need to be improved. The District will develop a written process for the disposal of recyclable materials and the corresponding collection of moneys from the sale of such materials. The Board of Education of the Dora Consolidated Schools is committed to implementing such controls by August 2017. The new process will be communicated to all staff by the Superintendent or Business Manager at the beginning of the new school year in August 2017.

However, the District is not in full agreement with the auditor's estimated value of the recyclable materials belonging to the district. The District, nor the auditors, can unequivocally establish the value of District property that was delivered to the recycler. The District's Maintenance Supervisor has an ongoing established business of cleaning up old farm equipment and hauling the scrape metal to the recycler. Without the knowledge of the District, the recycling companies set up the account in the name of the District and the individual. It is certain that all the scrape materials disposed by recycling could not have all belonged to the School District.

The Board of Education believes that properly designed internal controls are necessary to track the inventory of property owned by the School District and the disposition of the asset at the end its useful life. Additionally, the tracking of the proceeds (if applicable) derived from the disposition of the asset is equally important as maintaining an accurate fixed asset records.

Corrective Action: The School District will develop policies and procedures, which will be added to the Business Office Manual of Procedures, that direct the Maintenance Department and Business Office staff to track inventory and provide documentation on the disposition of all School District equipment and property at the end of its useful life. The Business Office will provide training at the beginning of the 2017-2018 school year to staff to assure that the changes in procedures continues forward through the school year. The District will utilize current business software to track fixed asset inventory in compliance with state law and prudent accounting practices. An inventory system shall be created and maintained of District inventory of property of nominal value. A running inventory is necessary to track inventory control. Inventory control will decrease the chance of loss of property either intentional or unintentional.

The District will develop procedures in compliance with state law and OSA regulations, to be added to the Business Office Manual of Procedures, that direct the Maintenance Department and Business Office staff on the requirements for the disposal of School District property that requires the prior approval of the Superintendent before any property is taken for disposal or for recycling. The District has already notified current disposal and/or recycling companies that all payments for recycled property shall be made by check and payable to only to the Dora Consolidated Schools.

b. **Appropriate use of employer time** - According to the audit findings, employees have not taken leave to conduct personal business, including use of school vehicles.

The Board of Education agrees that District did not appropriately document the employees work hours and the use of "flex time". The corrective action plan and subsequent written procedures will be completed by the Superintendent by August 2017.

**CORRECTIVE
ACTION:**

The Superintendent shall enforce existing policies, rules and procedures to ensure that all time an employee is at work he or she is conducting official school business and that all leave policies and procedures are enforced for employees wishing to conduct personal business. In addition, the Superintendent will enforce existing policies, rules and procedures for the use of school vehicles and maintain sufficient documentation of the use and mileage of each school vehicle to ensure compliance. The Superintendent will provide training at the beginning of the 2017-2018 school year to staff to assure that employees are aware of the procedures and requirements for taking personal leave and use of school vehicles continues forward through the school year.

Maintenance/Janitorial Supplies and Service Bids
(2017-002) SA

CONDITION The School purchased janitorial supplies and floor maintenance services from a supply company owned by a school maintenance employee (Company A).

The required Conflict of Interest form was signed in May of 2016, but the School was doing business with Company A throughout the entire period reviewed of June 1, 2013 through December 31, 2016. After being signed, the Conflict of Interest form was attached to the supporting documentation for payments made to Company A that were made prior to May 2016.

Janitorial supplies such as paper towels, toilet paper, miscellaneous cleaning supplies, scrubbing pads, mops, brooms, etc., in the amount of \$41,292, were purchased from Company A from June 1, 2013, through December 31, 2016. Evidence of competitive sealed bidding for the suppliers was not provided by the School. The procurement files did contain quotes from Company A and other companies, however, there was no documentation of price comparisons or evaluations. Additionally Company A's quotes were consistently dated later than the other business quotes. Further, according to documentation provided to OSA, the bids received from the other Companies were routed to Company A's owner in his capacity as the head of the maintenance department compromising the independence of the evaluation process.

Floor maintenance services for the gym floor included the use of various chemicals and sealing agents designed to strip and refinish the wood floor. The school paid Company A \$2,700 for materials and labor in November of 2015. The school obtained two price quotes, one from an Amarillo company, dated August 17, 2015, which was addressed to the Company A's owner in his capacity as the head of the maintenance department, the other from Company A, dated October 26, 2015.

Per interviews with other school personnel, the refinishing of the gym floors had been performed previously by maintenance personnel for no additional pay as part of their normal job responsibilities. The School does not have a formal job description for the maintenance personnel to detail what would be considered part of the regular job responsibilities and what responsibilities would need to be contracted out. Additionally, the School paid Company A for the same chemicals on three separate occasions in prior fiscal years during the period audited, but did not pay Company A for the labor associated with refinishing the floor.

CRITERIA

Section 10-16-7 B. NMSA 1978 (Contracts involving public officers or employees) requires public officers and employees to "publicly disclose" their business and interest prior to contracting with a local public body. Additionally the local public body must award the contract pursuant to a competitive process.

6.20.2.11 NMAC provides that every school district shall establish and maintain internal controls sufficient to ensure the protection of public funds. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

School Policy G-0700 (Staff Conflict of Interest) prohibits an officer or employee of the district to be employed by a corporation or business or to have a relative with a substantial interest in a corporation or business which is or may be interested in contracting with or furnishing goods and services to the District. The officer or employee shall declare the interest and refrain from being involved in the contracting process either directly or indirectly. Once such interest is publicly disclosed the corporation or business can seek and obtain the business of the district through a public competitive process.

CAUSE

The School did not maintain adequate supporting documentation to justify the selection of Company A as the vendor to provide janitorial supplies and maintenance services to support that the best obtainable price was obtained or that a competitive process took place. The lack of a specific job description for maintenance department personnel allows for confusion in determining what tasks would be normal job requirements for maintenance personnel, and what tasks would need to be contracted with third parties. The employee was not aware of the requirement to have the conflict of interest form on file for his personal maintenance supply business.

EFFECT

The School and the maintenance employee may not have complied with the Governmental Conduct Act requirements for disclosure and competitive procurement. Additionally the school may have overpaid for janitorial and maintenance supplies and services.

Job responsibilities for maintenance department personnel are not clear. Additionally, it appears that the School may have paid the head of the maintenance department an additional amount for performing services which appear to have been historically provided as part of the normal job responsibilities for maintenance department personnel.

RECOMMENDATION

Janitorial and maintenance supplies should be sent to the business office upon receipt to be counted and verified by employees other than maintenance department employees. The School should also review the requirements of the Governmental Conduct Act to ensure compliance. Consideration should be given to the use of the conflict of interest form as it may not meet the requirements of public disclosure.

The School should perform and maintain documentation of the evaluation of price quotes for supplies to justify vendor selection. In addition, the School should ensure that when price quotes are obtained for any purpose, that the time frame for which those prices will be honored by the vendor is documented. Price quotes should also be obtained within a reasonable time frame of the other quotes obtained for comparability.

The School should develop a job description for maintenance personnel to include certain tasks and whether or not they would be part of the normal job duties. The School should also make a determination whether certain maintenance tasks would be beyond the normal scope of responsibility of maintenance personnel.

RESPONSE

The Board of Education is committed to the prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. The Board of Education agrees that School Policy G- 0700, current in place, was not followed.

The District was confident they were acting in the best interest of the students by saving money on custodial supplies. Additionally, the practice was reviewed by the prior auditor and the auditor confirmed that their actions were indeed appropriate.

CORRECTIVE
ACTION:

The Business Manager shall ensure compliance with the Procurement Code, including the provisions of public disclosure of perceived conflicts of interest in which the School District contracts with a company owned in sufficient part by an employee or public officer. The School District will develop procedures, to be added to the Business Office Manual of Procedures, to ensure that conflicts of interest are addressed in a timely manner and ensure competitive bids or RFPs are sought for all contracts to include sufficient documentation of the evaluation of price quotes for supplies and services to justify vendor selection and all price quotes shall be within a reasonable time frame of each other. This corrective action plan was completed prior to June 30, 2017.

Disposition of Capital Assets
(2017-003) SA

CONDITION

In December 2015, Dora Schools accepted bids to sell a 1993 Ford F-150 Pickup and a 1999 Chevrolet Suburban. Evidence of public posting for these bid was not maintained. Based on records obtained, the sale occurred while the school was closed for winter break. Based on the review of the bids received for the vehicles, it appears that one vehicle was sold to a former acquaintance of the head of the maintenance department in San Antonio and one to the Superintendent's half-brother. Additional bids were received from the head of the maintenance department and an individual who has previously contracted with the School.

Three bids were received for the Suburban, \$150, \$175, and \$200. Four bids were received for the Pickup, \$150, \$175, \$180, and \$200.

Receipts were not issued directly to individuals who purchased the vehicles and no copy of a bill of sale was maintained by the school. \$400 cash was provided from the Superintendent to the School Business Manager in January of 2016 at which time a receipt was issued by the School Secretary to the Business Manager. The Superintendent stated during two interviews with OSA and reiterated during the exit conference for this engagement that he received the \$400 from the head of the maintenance department; however, per two interviews with the head of the maintenance department, he indicated that "he never touched this money, that it was all handled by the Superintendent and the Business Manager." The funds were subsequently deposited into the School's bank account.

Although most of the bids received indicate "as-is" or "for parts" for the condition of the vehicles, when the vehicle titles were transferred to the new owners, neither were transferred as salvage titles. Additionally, per the Vehicle Identification Number (VIN) history obtained for each of the vehicles, salvage titles have not been obtained on either vehicle.

CRITERIA

Section 13-6-1 NMSA 1978, Disposition of obsolete, worn-out or unusable tangible personal property, requires the School to designate a committee of the governing body to approve and oversee asset dispositions for assets valued at less than \$5,000. This section also requires the sale of assets to be completed by means of a public auction or competitive sealed bid.

6.20.2.14 (B) NMAC (Cash Control Standards) requires the school district to issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured.

6.20.2.14(C) NMAC (Cash Control Standards) provides that 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 Public Education Department for an alternative plan.

School Policy D-3300 (Cash in School Buildings) requires that money collected by school employees shall be handled in accordance with prudent business procedures. All monies collected shall be receipted, accounted for, and directed without delay to the proper location of deposit. No funds, other than a change fund, shall be left in the building overnight or over the weekend and/or holidays, except in safes provided for safekeeping of valuables or a secured area.

CAUSE

Lack of adequate internal controls over the disposition of capital assets and other school inventory items, and the cash receipts related to these sales.

EFFECT

The School's disposition of fixed assets was not in compliance with state law regarding dispositions. The School's handling of cash related to the asset disposition and issuance of receipts is not in compliance with New Mexico Administrative Code. The School failed to maintain adequate documentation for the sales and cannot be certain that it received the best price for the vehicles.

The cash received was passed through several school personnel before a receipt was issued and before the deposit was made. The receipt was not issued to the individuals when the cash was received, therefore there is no evidence to support when the cash was received, the true reason for the receipt of cash, and the actual amount that may have been received.

RECOMMENDATION School personnel should ensure that the disposition of assets occurs with the approval and oversight of governing body committee. The School should ensure that the announcement/advertisement for the sale is posted in public locations consistent with other public postings by the school, in addition to posting on the School's website. The sale should be consistent with the requirements for public auction or competitive sealed bids.

The School should maintain adequate supporting documentation of disposed of assets to demonstrate compliance with state law, New Mexico Administrative Code, school policies, and any other applicable regulations.

The School should require that cash or other funds received for the sale of School property are received directly by the Business Office and not by other School personnel. The Business Office should then ensure that the deposits are taken to the bank and deposited in a timely manner.

RESPONSE The Board of Education is committed to prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. The Board of Education agrees that the procurement code in the disposition of unusable vehicles was not followed to the letter of the law.

CORRECTIVE
ACTION:

The Superintendent and Business Manager shall develop procedures, to be added to the Business Office Manual of Procedures, that direct the Maintenance Department and Business Office staff on the requirements for the disposal of School District assets. This process will comply with state law and applicable regulations of NMAC, PED, DFA and OSA.

Propane Transactions

(2017-004) SA

CONDITION

The invoices from the School's propane supplier indicate that the total number of gallons purchased exceeds the number of gallons calculated from the change in percentage volume in the tank. Per an interview with the propane supplier's employee who fills the tank at the School, it was repeatedly stated that it is possible to recalculate the gallons purchased by calculating the percentage change in tank volume multiplied by the tank's capacity and it will tie perfectly every time. After OSA questioned why the invoices do not appear to add up, the individual began explaining possible reasons for the variances noted. Further, the individual indicated that he is not permitted to leave the meter on the truck running when he leaves a site, therefore, he could not have charged the School for cost of the propane not provided to the School. This explanation received from the propane supplier's employee does not explain how the School was charged on transaction #13 noted below for 1,000 gallons in excess of the propane truck's tank capacity of 2,400 gallons, this transaction would have required two separate invoices, since the quantity of propane purchased could not have been provided in one trip.

Of the 66 total transactions with the propane supplier from June 2013 to March 2017:

- 35 (53%) invoices indicate a total number of gallons billed exceeded the number of gallons calculated from the change in percentage volume in the tank.
- 18 of the 35 transactions have variances of 60 gallons or less, which could relate to an error in reading the gauge on the tank because 1% of the tanks capacity is 60 gallons (471 gallons/\$733).
- 17 of the 35 transactions during the period audited indicate total gallons billed exceeded the number of gallons calculated from the change in percentage volume in the tank by more than 60 gallons (2,480 gallons/ \$3,494).
- Only 16 (24%) of the 66 invoices could be recalculated without variances.

		A	(A * 6,000 = B)	C	(C * 6,000 = D)	E	(D - B = F)	(F - E = G)	(G * Price/Gallon per Invoice)
	Transaction Date	Beginning Tank Volume per Supplier Invoice	Calculated Beginning Volume in	Ending Tank Volume per Supplier	Calculated Ending Volume in Gallons	Gallons Billed per Supplier Invoice	Gallons Filled Based on Volume Percentages	Gallons Billed in Excess of Calculated Amount	Dollar Value of Gallons Billed in Excess of Tank
1	Oct-13	65%	3,900	80%	4,800	975	900	75	128.05
2	Dec-13	60%	3,600	80%	4,800	1,300	1,200	100	194.40
3	Dec-13	52%	3,120	81%	4,860	1,900	1,740	160	311.04
							Subtotal	335	633.49
4	Jan-14	56%	3,360	80%	4,800	1,700	1,440	260	505.44
5	Jan-14	56%	3,360	80%	4,800	1,600	1,440	160	328.80
							Subtotal	420	834.24
6	Mar-15	50%	3,000	80%	4,800	1,980	1,800	180	255.60
7	Dec-15	43%	2,580	75%	4,500	2,000	1,920	80	77.52
							Subtotal	260	333.12
8	Jan-16	47%	2,820	77%	4,620	2,000	1,800	200	193.80
9	Feb-16	60%	3,600	80%	4,800	1,300	1,200	100	96.90
10	Feb-16	71%	4,260	83%	4,980	825	720	105	101.75
11	Mar-16	60%	3,600	80%	4,800	1,400	1,200	200	193.80
12	Nov-16	49%	2,940	80%	4,800	2,080	1,860	220	264.00
13	Dec-16	25%	1,500	80%	4,800	3,400	3,300	100	120.00
14	Dec-16	46%	2,760	77%	4,620	2,000	1,860	140	168.00
							Subtotal	1,065	1,138.25
15	Jan-17	55%	3,300	80%	4,800	1,600	1,500	100	120.00
16	Jan-17	65%	3,900	80%	4,800	1,050	900	150	217.50
17	Feb-17	40%	2,400	71%	4,260	2,010	1,860	150	217.50
							Subtotal	400	555.00
					Total	29,120	26,640	2,480	3,494.09

The variances noted did not appear to be reasonably explained or accounted for by any of the explanations provided by the School's propane supplier or other technical information obtained by OSA from a large propane supplier.

CRITERIA

NMAC requires that every school district shall establish and maintain internal controls sufficient to ensure the protection of public funds. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

CAUSE

Lack of monitoring and recalculating propane transactions.

EFFECT

Invoices received from the propane supplier for the School indicate quantities purchased in excess of the number of gallons calculated from the change in percentage volume in the tank. The School appears to be paying for propane not received.

RECOMMENDATION The School should assign individuals to monitor and record the tank volume before and after the propane supplier fills the tank. The School should also have someone present to accept the trip ticket from the supplier immediately after the tank has been filled. The School should begin reviewing the bills to ensure that they are being billed accurately for the amount of propane received, and work with the vendor to ensure that invoices accurately reflect the transaction which occurred.

RESPONSE The Board of Education is committed to prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. However, we do not agree with this finding. The gauges on propane tanks are only for approximating the amount of fuel contained within the tank. Therefore, the gauges cannot be reasonably relied upon to calculate, with certainty, as to the quantity of fuel the tank will accept.

The gauges on the tanks will vary depending upon ambient air temperature at the time the gauge is read. Additionally, the auditor's accusation, without substantiation, of collusion between the propane provider, the delivery truck driver and the superintendent was, at the very least, unprofessional and unethical behavior on the part of the auditors. The district processes payment for propane based upon the amount of fuel that is delivered and recorded on the "fill ticket". The "fill ticket" is generated by the delivery driver from a state certified pump that is installed on the delivery truck. However, in light of the disagreement with the audit finding, the District shall modify the process for the payment of propane invoice. See corrective action below:

CORRECTIVE
ACTION:

The School District shall modify the internal procedures for the payment of the propane invoice and add the process to the Business Office Manual of Procedures. The process will be that payment will be made only with the original "fill ticket" from the propane delivery truck driver. The "fill ticket" is the document that details the amount of fuel that is pumped into the propane storage tank and the pump is certified by the state of New Mexico as being true and accurate. If the truck is not able to provide such ticket, an employee from the Maintenance Department shall be present during the transfer of

propane and sign the delivery ticket to evidence the amount of fuel delivered. The School's Business Manager will notify the propane provider as to the new process for the delivery of product. Corrective action plan will be completed by August 2017.

OSA Rebuttal

The corrective action plan provided by the School does not address the concern that the School is being overbilled for propane. As noted in the condition of the finding, one of the metered transactions was for 1,000 gallons of propane in excess of the capacity of the truck hauling the propane. Further, in an interview with the business manager for the propane vendor, the company tries to keep their total inventory variances to within 100 gallons a day.

Procurement
(2017-005) SA

CONDITION

During the review of purchases made for specific vendors, the following compliance issues were noted, in addition to those noted in other findings in the report.

1. The Purchase Order ("PO") attached to a reimbursement travel voucher for \$42 was not applicable to the purpose of the trip. The PO was for professional development and the travel voucher was to meet with a contractor.
2. Two transactions for a total of \$499 had purchase orders created after the transaction date or after services were performed.
3. Four transactions for \$9,639 were paid from a quote or an estimate and not an actual invoice or statement, two of these transactions totaling \$8,929 pertaining to insurance proceeds were received from New Mexico Public School Insurance Authority and then paid to the vendor for repair services.
4. One transaction for \$230 had a price quote attached which was not an actual price quote, but an invoice from six months prior to the purchase from another vendor for the replacement of a vehicle windshield.
5. Ten transactions not including those confirmed to be related parties for \$34,589 did not contain evidence of best obtainable price.
6. For certain vendors reviewed, the total payments to the vendor exceeded the amount of the total PO's for the respective fiscal year.

Fiscal Year	Number of Vendors	Amount \$ Paid in Excess of Purchase Orders
2014	3	\$ 21,019.44
2016	2	\$ 4,214.53
2017	1	\$ 1,637.93

Note: Amounts for Fiscal Year 2017 are only for the first six months of the year.

Additionally, the School purchased a used dolly (hand truck) for \$175 in June of 2016 from Company A. The price quotes attached to show the value of the hand truck contained specifications that were not comparable to the hand truck purchased and ranged from \$219 to \$330. Only one of the quotes attached appeared to be for the same load capacity.

Company A received payment in October of 2015 for mower blades at a cost of \$157; however, the supporting documentation did not contain evidence of price quotes to support best obtainable price.

CRITERIA

State Procurement Code, Section 13-1-28 through 13-1-199 NMSA 1978.

Pursuant to Section 10-16-3(A-B) NMSA 1978, a public employee shall treat the public employee's government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

Section 22-29-11 NMSA 1978, Expenditure of insurance proceeds for public schools, states that if the payment of insurance proceeds is made directly to the school, the proceeds of the insurance payment may be expended by the school to repair or replace the damaged facility if the school district complies with the Procurement Code.

New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 - Purchasing states: "the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction."

6.20.2.11 NMAC requires that every school district shall establish and maintain internal controls sufficient to ensure the protection of public funds. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

CAUSE

School employees are not monitoring the amounts spent on open POs, and continuing to make purchases with a vendor even after being notified by the Business Manager that total purchases have exceeded the PO amount. Employees may not understand the State compliance requirements related to procurement or the need to monitor expenditures.

EFFECT The School is not in compliance with State statutes in relation to procurement. Staff may be using open POs as a way to purchase items not intended for use at the School, diverting education dollars away from benefiting the School and the students of the School.

RECOMMENDATION The School should discontinue or limit the use of open POs for vendors other than utilities. If open POs will continue to be used for maintenance supplies and parts, then they should be limited to smaller dollar amounts and set up on a monthly basis instead of an annual basis to assist in tracking expenditures applicable to the PO.

The School should train staff regarding compliance with State Procurement Code, other State compliance requirements, and School policy. School personnel should also ensure that adequate documentation is obtained to support best obtainable price. Any price quotes obtained should be kept with the documentation for the purchase.

Additionally, price quotes obtained should be for similar products.

RESPONSE The Board of Education is committed to prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. The District agrees with the finding. The Superintendent will direct the task of updating the procurement policies and procedures.

CORRECTIVE
ACTION:

The process for assuring that Purchase Orders are in compliance with the state procurement code (NMSA and NMAC) will be updated and implemented with fidelity. The plan shall include a centralized review of all Purchase Orders for compliance with policy and appropriate state laws. The updated process will mandate that Purchase Orders shall only be signed after a business office or central purchasing staff has determined the transaction is in compliance with the District's updated procurement policies and with state law. The Business Office will receive training in the state procurement code through the State's Procurement Office during the 2017-2018 school year to assure that the changes to policies/procedures are indeed in compliance with state law. Additionally, the Superintendent and/or the Business Manager will provide training to the appropriate School District staff on the updated procurement policy and procedures. The Superintendent will

update the Business Office Manual of Procedures to reflect the changes to policy and procedures in August 2017. The new policy/procedures will address the proper use and documentation of requisitions, PO, vendor files (including W-9 information), change orders and vendor performance.

Purchase of Vehicles Parts for Non-School Vehicles
(2017-006) SA

CONDITION

Per review of the School's records, there was a quote obtained for Jeep Wrangler parts, a vehicle not owned by the School, included with the invoices paid to the auto parts vendor. This quote was obtained on December 8, 2015, at the same time that the head of the maintenance department was making a purchase for the School per the time and date information on the quote and invoice providing further evidence of the head of the maintenance department has been conducting personal business during the his scheduled working hours.

Additionally, on November 5, 2015, the head of the maintenance department purchased "8 SP-515 MTC Finewire Plat Plug" spark plugs, which were paid for by the School for a "2007 Ford F-150," in the amount of \$78.72. The School does not have any record of owning the vehicle referenced.

CRITERIA

Pursuant to Section 10-16-3(A-B) NMSA 1978, a public employee shall treat the public employee's government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

Article IX, Section 14 of the New Mexico Constitution (the Anti-Donation Clause), sets forth the requirement that government entities, including school districts, not make any donation to or in aid of any person, association or public or private corporation.

Per 6.20.2.11 NMAC, every school district shall establish and maintain internal controls sufficient to ensure the protection of public funds. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

CAUSE A School employee purchased vehicle parts and supplies for a vehicle not owned by the School. The head of the maintenance department was conducting personal business simultaneously with School business when making auto parts purchases, and did not ensure that his personal purchases were not associated with the School's account.

EFFECT The School paid for vehicle parts for vehicles not owned by the School diverting school resources and funding from the benefit of the School and its students. Potential violations of Governmental Conduct Act, Anti-donation Clause, other state statutes, and school policy.

RECOMMENDATION The School should monitor expenditures for vehicle maintenance and supplies to ensure that items purchased are for use on School owned assets and property and not for an employee's personal use.

RESPONSE The Board of Education is committed to prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. The District does not agree with this finding. It is technically factual that the district paid for spark plugs for a vehicle that the District does not own. However, the District contends that the auto parts store accidentally pulled the wrong plugs from their shelf and the error was not detected by the maintenance supervisor before leaving the store. The maintenance employee noticed that he had receive the incorrect part upon returning to the District's maintenance shop.

Once he noticed that he received the wrong part, he placed the spark plugs on a shelf in the maintenance shop to be returned later. The Maintenance Supervisor's intent was to return the part to the vendor. When the employee was asked about the plugs by the Superintendent the Maintenance Supervisor remembered the situation and immediately brought the plugs to the Superintendent. As of the writing of this response, the plugs remain in the Superintendent's office.

Additional Concrete Work

(2017-007) SA

CONDITION The School accepted three quotes for a concrete slab in March and April 2016. The quotes were in the amount of \$13,910.40, \$18,358.62, and \$12,757.50 excluding gross receipts tax. All three quotes included specific details as to the amount of concrete. A fourth quote was obtained in July 2016 for \$12,957.50 excluding gross receipts tax. The School did not provide documentation to show the evaluation of the quotes or justification for selecting fourth quote and not the lowest offeror.

 The quote from the fourth vendor indicates it was sent through email, but supporting documentation was not provided to OSA by the School. The quote and supporting documentation was obtained directly from this vendor upon request, and emailed again to the School simultaneously. The quote and invoice obtained did not have adequate information to determine the size of the area being bid.

CRITERIA Section 13-1-125 NMSA 1978 (Small purchases) allows the procurement of construction services with a value not exceeding \$20,000 at the best obtainable price.

CAUSE The School did not select the vendor who offered the best price. According to the Superintendent, the originally awarded vendor was non-responsive when the School contacted them to complete the work, however, like the invoice and quote, supporting documentation was not maintained by the School to support this.

EFFECT The School may have paid an additional \$200 excluding gross receipts tax for concrete work performed. Additionally, without adequate supporting documentation, the School does not appear to be in compliance with the State Procurement Code, as they did not accept the best obtainable price which was quoted to the School or maintain documentation to justify contacting and selecting another vendor.

RECOMMENDATION The School should ensure that all relevant and necessary records related to procurement are maintained. Additionally, the School should ensure compliance with the State Procurement Code.

RESPONSE The Board of Education is committed to prudent, proper and legal use of taxpayer resources and to do so in an ethical and transparent manner. However, the District does not agree with this finding due to the following reasons:

a. Cooperative Purchasing Agreement - This service was procured through the use of a Cooperative Purchasing Agreement of CES. CES (Cooperative Education Services) awards bids to vendors on a competitive basis and member school districts may utilize these services without additional procurement activities such as a bid or RFP. The District could have elected to use the service of a higher priced vendor and remained in compliance with the procurement law due to the Cooperative Purchasing Agreement with CES. Therefore, this purchase is compliant with the state's procurement code and should not be listed as a finding.

b. Evaluation of the bids/proposals: The State Auditor's Office staff misinterpreted the proposals and then refused to listen to the District's explanation. The bid/proposal of \$12,757.50, as noted in the audit finding, was the vendors cost before gross receipts tax. The total cost of the \$12,757.50 bid is \$13,786.07 inclusive of GRT. The total cost of bid/proposal accepted by the district was \$12,957.50 inclusive of GRT. Therefore, the least cost option was selected. However, this point should be deemed moot due to fact that the District utilized the cooperative procurement agreement through CES.

This is a simple issue and an auditor auditing the procurement function of a school district must have an understanding of this issue.

CORRECTIVE
ACTION:

N/A

OSA Rebuttal

As indicated in finding 2017-008, the total cost of the additional concrete work was \$13,913.12, which includes the \$12,957.50 base price of the contract and \$955.62 of New Mexico Gross Receipts Tax per the copies of the invoice obtained from the vendor and from CES as the contractor used is also a CES contractor. Further, the School did not maintain adequate supporting documentation to show why they did not use the lower bid, regardless of whether the vendor had become unresponsive to the School. The School can use a CES contractor without needing to obtain other price quotes; however, in this case, the School obtained price quotes and did not maintain adequate supporting documentation to justify the selection of the higher priced quote, which was also received several months after the original quotes.

Management Could Not Provide All Requested Information
(2017-008) SA

CONDITION The School did not provide an invoice or price quote for concrete work valued at \$13,913.12 that was requested during the audit.

CRITERIA School policy D-2150 requires the maintenance of a complete and auditable financial system. An auditable financial system should include adequate supporting documentation for expenditures such as: copies of invoices, purchase orders, price quotes, and any other relevant and necessary documentation.

 Section 14-3-13 NMSA 1978 requires the School to carefully preserve and protect public records.

 6.20.2.11 NMAC, requires the School to establish and maintain an internal control structure including accounting controls and controls over accounting records.

CAUSE Invoice and supporting documentation could not be located when requested by the OSA.

EFFECT Management and the governing authority of the School are unable to affirm that they have provided the State Auditor with all requested documents as required for the audit. The OSA obtained the requested information from Cooperative Education Services (CES) and from the vendor directly.

 Missing invoices and/or other records can be indicators of more serious issues including fraud.

RECOMMENDATION The School should have a filing system that enables them to locate supporting documentation for School transactions.

RESPONSE The Board of Education is committed to a strong internal control structure, prudent accounting practices and transparency in financial accounting and business practices. The District does not agree with this finding. The District believes that all information was provided to the auditors in a timely manner.

 The information in question are the quotes/estimates from CES vendors as discussed in finding 2017-007.

 a. However, in light of the disagreement to the finding, the District does agree that updated procurement policies and procedures should be developed and implemented with fidelity.

CORRECTIVE

ACTION: See correction action for finding 2017-005. The updated policies and procedures for procurement will provide improved documentation for bids and quotes that will aid in providing information to interested parties on a timely basis.

OSA Rebuttal

During the engagement, the Business Manager informed OSA through email that the School did not have copies of and was unable to provide the invoice or related documentation for the referenced invoice for the additional concrete work. Copies of this invoice, and the original quote from the vendor were obtained by OSA directly from the vendor and from CES.

Vendor Controls and Required IRS Forms
(2017-009) SA

CONDITION

The School has been unable to obtain a W-9 for a vendor used for various vehicle and bus repairs. Additionally, the School has not sent 1099s to two vendors for services performed as required by the IRS. The School should have sent 1099s for the following:

Vendor	Calendar Year	Amount Paid to Vendor
Vendor #1	2013	\$7,812.50
Vendor #1	2015	\$9,409.12
	Total	\$17,221.62
Vendor #2	2015	\$3,500.00

Three transactions with Vendor #1 for \$5,286, \$1,313, and \$3,643 were for insurance repairs which were reimbursed to the School from the New Mexico Public School Insurance Authority ("NMPSIA"). If NMPSIA had paid the vendor directly the responsibility for 1099 compliance for these transactions would have shifted to NMPSIA.

The OSA was informed through discussion with several school employees that the payments to this vendor have been hand delivered by and at the request of the Superintendent.

The School does not have W-9s on file for all vendors.

CRITERIA

Federal law, 26 U.S.C. § 6041, requires the School to send a 1099 form to individuals who are not School employees for services performed in excess of \$600.

6.20.2.11 NMAC requires the School to have an internal control structure that provides reasonable assurance that the School is complying with applicable laws and regulations. Additionally sound accounting practices recommend against the hand delivery of vendor payments.

CAUSE

The School authorizes purchase orders and transactions with vendors without ensuring that they have received a W-9. Additionally, the School has had several Business Managers during the past few years, and each had a different way of setting up vendors in the system.

EFFECT The School is not in compliance with federal law requiring the completion of 1099s. Hand-delivered checks increase the risk for fraud and loss.

RECOMMENDATION Purchases should not be allowed with a vendor until the School has a valid copy of the vendor's W- 9 on file.

Payments should not be hand-delivered; however, if a check is to be hand-delivered in the future, then the Business Manager should keep a log of these checks, signature of the Superintendent to authorize the check to be hand-delivered, name and signature of employee who hand-delivered the check, and the vendor's prior in-person (showing valid government issued identification) signed authorization for their checks to be hand-delivered.

RESPONSE The Board of Education is committed to a strong internal control structure, prudent accounting practices and transparency in financial accounting and business practices. The District agrees with the finding.

CORRECTIVE ACTION: The Business Manager will review the documentation for all vendors and acquire the appropriate tax reporting information for all vendors with missing information. Additionally, the business manager will review the vendor setup within the accounting system and make correction to the vendor master file as necessary for correct reporting of 1099s. This issue will be specifically addressed within the updated procurement policies and procedures.

Personal Use of School Vehicle
(2017-010) SA

CONDITION

The Assistant Principal took a school vehicle to Amarillo, Texas, to pick up supplies for the concession stand. The trip started on Saturday, October 10, 2015, the same day it was requested. Additionally, authorization for the trip was by the same individual who was traveling. The Assistant Principal did not return the school vehicle until Monday, October 12, 2015.

Per the trip ticket submitted, the total mileage for the trip was 478 miles, which is 196 miles further than a round trip from Dora to Amarillo. Fuel receipts indicate that the Assistant Principal purchased using the School's Wright Express ("WEX") card, and the pin number for the School Principal, who was not on the trip. There is no evidence that the Assistant Principal reimbursed the School for the personal use of a school vehicle.

Mileage from Dora to Amarillo	140
Mileage from Amarillo to Dora	140
Total estimated mileage for the trip	280
Total Mileage Recorded for the Trip per the Trip Ticket	478
Difference Between Estimated and Actual Mileage	198

Note: The mileage noted in the examples above are the shortest distance between locations per Rand McNally.

Additionally, as noted in Finding 2017-001, the head of the maintenance department was also using school vehicles for personal use while profiting personally from the sale of recyclable materials.

CRITERIA

School Policy E-2850 requires that administrators shall be responsible for making certain that the use of school vehicles is not abused inside or outside the District, and it is the responsibility of such administrative personnel to assure that all travel has final approval from the District administration office. Further, no school vehicle shall be used for personal business, unless the personal business is incidental to a school-related trip.

Pursuant to Section 10-16-3(A-B) NMSA 1978, a public employee shall treat the public employee's government position as a public trust, the public employee shall use the powers and resources of public office only to advance the public interest and not to obtain personal benefits or pursue private interests. Public employees shall conduct themselves in a manner that justifies the confidence placed in them by the people at all times maintaining the integrity and discharging ethically the high responsibilities of public service.

CAUSE

Insufficient supervision and/or the employee's failure to understand policy, laws, rules, and regulations pertaining to vehicle use.

A new employee was not set up as a WEX user prior to being allowed to drive a school vehicle, so the School Principal was told to share his WEX pin number with the Assistant Principal.

EFFECT

Non-compliance with School policy and State statute. The Assistant Principal drove a School vehicle an additional 196 miles over the calculated round trip mileage for the authorized trip which appears to be for personal use. The personal use of school vehicles diverts school funds away from purposes that would benefit the School or the students attending the School.

Lack of internal controls over WEX usage and fuel purchases. By sharing pin numbers, the School loses the ability to monitor fuel purchases by employee. An employee could misuse the fuel card and use the pin number for another employee to prevent detection.

RECOMMENDATION

The School should ensure that all employees are familiar with the School's policies and not allow the use of School vehicles and/or equipment for personal use. Additionally the School should consider changes to the policy to ensure the individual approving the use of the vehicles is not the same as the individual using the vehicle.

The School Principal's personal identification number (PIN) should be changed immediately. All employees should be set up as users in WEX if they will be driving a school vehicle. Employees should not be allowed to drive a school vehicle until they are set up as a user in WEX, and employees should not be required to share pin numbers.

RESPONSE

The Board of Education is committed to the proper use of school district assets including equipment and vehicles. Due to the two separate issues within this finding, each area listed will be address individually.

a. Personal use of vehicle by assistant principal:

The assistant principal used the vehicle to commute to his home in Borger Texas because he was going to pick up supplies for the school over the weekend in Amarillo Texas and deliver the supplies back to the school on Monday morning. It is District's position that the additional (personal) mileage driven cost the district less money and was less disruptive to the education process than sending him to pick up the supplies during the week. To send a staff during the work week would have meant that the assistant principal would have been out of the building for the day and that is not in the best interest of our students. The estimated cost of the fuel used to take the vehicle to the Assistant Principal's home is approximately \$30 (10 gallons at @ \$3). The district believes this personal use of the vehicle was incidental and is allowable under School Policy E-2850. The School District disagrees with the finding.

Corrective Action: Review policy E-2850 and adjust language as necessary to more clearly state "best interest" of the district. This corrective action plan will be completed before the end of September 2017.

b. Personal use of vehicle by Head of Maintenance:

The maintenance employee was going for parts when he stopped to do other personal things. As such, the trip was coincidental to School District business and in compliance with School Policy E-2850. Therefore, the School District disagrees with the finding. However, due to the nature of the coincidental use of the vehicle, the issue is addressed in the corrective action.

CORRECTIVE
ACTION:

Although the use of the vehicle was coincidental to School District business, due to finding 2017-001, we have directed the appropriate staff the following:

1. Do not use school truck to haul personal property to the recycling center.
2. Do not take school district property to the recycle center in a personal vehicle but only use school truck.
3. Do not mix school district property with personal property when hauling load to recycle center.

OSA Rebuttal

The Schools response to the finding does not address the use of the of the Principal's PIN number by other employees. Additionally, per School policy, the incidental personal use of the vehicle must be approved by the Superintendent; however supporting documentation of these approvals was not maintained or provided.

The School's response also does not contain reference to the timeline and designation of what employee position(s) are responsible for implementation of the corrective action plan, which are required to be included per Section 2.2.2.10(L)(3)(d)(vi) NMAC.

Non-School Employee Driving School Vehicle
(2017-011) SA

CONDITION A non-school employee was allowed to drive a School Vehicle and was reimbursed \$59.84 fuel costs incurred to drive a school vehicle to Dora after being repaired in Albuquerque.

CRITERIA Per E-2850, the School's Travel Policy, only Board members or school employees may drive school vehicles.

CAUSE A non-School employee who contracts with the School for information technology services and equipment transported the vehicle back to Dora.

EFFECT Non-compliance with the School's Vehicle Usage Policy. The School could be liable for injuries and/or other damages because accidents that occur while a School vehicle is being driven by a non-school employee may not be covered by the School's insurance. The School could be exposed to excessive risk of injuries, damages and/or theft because the driving and criminal history of the non-school employee has not been verified. Additional repairs or maintenance needed en route could be difficult to obtain because the non-school employee does not have the authority to obligate the School for these services. The School could incur additional expenditures, without ramifications toward the non-school employee, if repairs were not completed satisfactorily and the vehicle needed to be returned to the repair shop.

 The non-school employee incurred a financial burden because he/she was not authorized to use the School's Wright Express account for fuel purchases and had to wait for reimbursement of the fuel costs.

RECOMMENDATION The School should comply with its policy and only allow school employees who have met applicable requirements to drive school vehicles.

RESPONSE The Board of Education is committed to the proper use of School District assets including equipment and vehicles. The School District does agree that a "nondistrict" employee was permitted to drive the vehicle and that is in violation of school policy E-2850. However, due to extenuating circumstances, the decision to allow an employee of the local REC (Regional Educational Cooperative), of which the District is a member, drive the vehicle was in the best interest of the District. The vehicle in question was in Albuquerque for repair

due to an insurance claim. CCMSI, risk insurance administrator for NMPSIA, called the district to inform that the repairs were completed and the vehicle was ready for delivery in Albuquerque. Staff from the local REC were in Albuquerque and they brought the truck to Dora without costing the district additional man hours and the associated travel cost (meals, fuel etc.) for two people to go and get the vehicle. The REC employee is an extension of the school district through a joint powers agreement (NMSA 1978, §11- 1-1) and therefore, a quasi-employee.

CORRECTIVE
ACTION:

The Superintendent will review policy E-2850 recommend changes to the School Board that will provide the superintendent to make an exception for REC employees as the situation dictates.

Overpaid Landscaping Company

(2017-012) SA

CONDITION A Landscaping Company was paid \$500 more than the quoted price without supporting documentation to justify the additional expense incurred. The landscaping company quoted the School \$12,000 to provide landscaping and rodent services, payable in installments of \$4,000. The School made installment payments of \$4,000, \$5,000 and \$3,500, resulting in an overpayment of \$500.

CRITERIA School Policy D-2950 requires to implement procedures to insure invoices are for contracted amounts.

Per 6.20.2.11 NMAC, every school district shall establish and maintain internal controls sufficient to ensure the protection of public funds. Appropriate internal control procedures shall be adopted by the local board within a school district to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all school district transactions.

CAUSE The School did not monitor the total amount paid on the agreement with the Landscaping Company. The School opened a purchase order in fiscal year 2016 for \$12,000. The purchase order was closed at the end of fiscal year 2016 and the School opened a new purchase order in fiscal year 2017 for \$12,000 even though \$9,000 had been paid for services in fiscal year 2016.

EFFECT Non-compliance with state statute and school policy. The School appears to have overpaid a vendor by \$500 without adequate supporting documentation to justify a price increase.

RECOMMENDATION The Business Manager should verify that invoices are in accordance with quoted prices and obtain supporting documentation for any price increases to justify any additional expenses. Additionally, when a price agreement extends over two fiscal years, the purchase order should match the amount to be paid in the fiscal year and not the total amount of the price agreement.

RESPONSE

The Board of Education is committed to a strong internal control structure, prudent accounting practices and transparency in financial accounting and business practices. The School District agrees that payment was made in excess of the original contract. This situation occurred due to a change order in the contract that was not properly documented.

CORRECTIVE
ACTION:

The process for assuring that Purchase Orders are in compliance with the state procurement code (NMSA and NMAC) will be updated and implemented with fidelity. The plan shall include a centralized review of all Purchase Orders for compliance with policy and state laws.

The updated process will mandate that Purchase Orders shall only be signed after a business office or central purchasing staff has determined the transaction is in compliance with the District's updated procurement policies and with state law. The Business Office will receive training in the state procurement code (NMSA and NMAC) at the beginning of the 2017-2018 school year to assure that the changes to policies/procedures are indeed in compliance with state law. Additionally, the Superintendent and/or the Business Manager will provide training to the appropriate School District staff on the updated procurement policy and procedures.

The Superintendent will update the Business Office Manual of Procedures to reflect the changes to policy and procedures in August 2017. The new policy/procedures will address the proper use and documentation of requisitions, PO, vendor files (including W-9 information), change orders and vendor performance.

Required Documents Not Posted to the School's Website
(2017-013) **SA**

CONDITION	During the course of the audit, we noted that the School did not have certain required documents posted on its website. The documents not posted include budget status reports, budget adjustment requests, cash reports, voucher reports, and procurement listing reports as applicable.
CRITERIA	<p>Section 22-8-13.2 NMSA 1978 requires school districts to post at a minimum, the following reports to the School's website:</p> <ul style="list-style-type: none">• a report on the budget status of the district;• a statement of any budget adjustment requests;• cash reports;• voucher reports;• reports listing procurement, travel or gas card expenditures and;• investment reports.
CAUSE	The School is not posting this information to its website. This appears to be a common issue among many school districts throughout the State.
EFFECT	The School does not appear to be in compliance with Section 22-8-13.2 NMSA 1978 resulting in a lack of transparency to the public.
RECOMMENDATION	The School should ensure that the required reports are posted to its website in a timely manner.
RESPONSE	The Board of Education is committed to a strong internal control structure, prudent accounting practices and transparency in financial accounting and business practices. The School District agrees with this finding. The District had no knowledge of this requirement until it was brought up as a finding. Corrective action: Post required information to the District website beginning July 2017.

OSA Rebuttal

The School did not indicate in the response and corrective action plan to the finding who would be responsible for implementing the corrective action plan and ensuring that the required information is posted to the School's website, which is required by Section 2.2.2.10(L)(3)(d)(vi) NMAC.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2017 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on October 3, 2017, to discuss the current audit report. In attendance were Ms. Jana Roberts, Board President, Ms. Beck Frazee, Community Member, Ms. Julie Rooney, Parent, Mr. Brandon Hays, Interim Superintendent, Mr. Gowan Hays, Business Manager, Mr. Antonio Lucero and Ms. Pamela A. Rice, CPA, Contract Auditors.