

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

VOLUME VI – CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2018

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
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NEW MEXICO SCHOOL FOR THE ARTS

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| | Governmental Activities |
|----------------------------------------------------------------------------------------|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 1,958,526 |
| Taxes Receivables | 4,576 |
| Due from Primary Government | 103,992 |
| Other Receivables | 6,483 |
| Prepaid Expenses and Other Assets | 15,458 |
| Capital Assets, Net of Accumulated Depreciation: Furniture, Fixtures, and Equipment | 14,220 |
| TOTAL ASSETS | 2,103,255 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources Related to Pension Amounts | 1,632,833 |
| Deferred Outflows of Resources OPEB Amounts | 25,447 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,658,280 |
| LIABILITIES | |
| Accrued Liabilities | 169,267 |
| Accounts Payable | 12,225 |
| Noncurrent Liabilities: | |
| Net Pension Liability | 4,696,552 |
| Net OPEB Liability | 1,271,134 |
| TOTAL LIABILITIES | 6,149,178 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows of Resources Related to Pension Amounts | 258,334 |
| Deferred Inflows of Resources OPEB Amounts | 289,307 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 547,641 |
| NET POSITION | |
| Net Investment in Capital Assets | 14,220 |
| Restricted for: | |
| Food Services | 9,646 |
| Capital Projects | 1,238,222 |
| Other Purposes | 210,887 |
| Unrestricted | (4,408,259) |
| TOTAL NET POSITION | \$ (2,935,284) |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| Functions/Programs | Expenses | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|----------------------------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|--------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| Instruction | \$ 1,554,184 | \$ 8,162 | \$ 57,371 | \$ - | \$ (1,488,651) |
| Support Services - Students | 388,165 | 2,127 | 4,774 | - | (381,264) |
| Support Services - Instruction | 200,694 | 403 | - | - | (200,291) |
| Support Services - General Administration | 186,681 | 1,018 | - | - | (185,663) |
| Support Services - School Administration | 152,836 | 831 | - | - | (152,005) |
| Support Services - Central Services | 161,293 | 1,109 | 822 | - | (159,362) |
| Support Services - Operation and Maintenance of Plant | 206,602 | 1,537 | - | - | (205,065) |
| Support Services - Student Transportation | 3,867 | 30 | - | - | (3,837) |
| Support Services - Other | 2,298 | 18 | - | - | (2,280) |
| Noninstructional - Community Services Operations | - | - | - | - | - |
| Noninstructional - Food Services Operations | 43,666 | 11,360 | 8,453 | - | (23,853) |
| Interest Expense | - | - | - | - | - |
| Unallocated* | 228,715 | - | - | 315,211 | 86,496 |
| Total Governmental Activities | \$ 3,129,001 | \$ 26,595 | \$ 71,420 | \$ 315,211 | (2,715,775) |

GENERAL REVENUES

| | |
|-------------------------------|------------------|
| State Equalization Guarantee | 2,151,535 |
| Property Taxes | 299,453 |
| Miscellaneous | 16,594 |
| Total General Revenues | 2,467,582 |

CHANGE IN NET POSITION

| | |
|-----------------------------------------------|-------------|
| | (248,193) |
| Net Position - Beginning of Year | (1,177,187) |
| Restatement | (1,509,904) |
| Net Position - Beginning of Year, as Restated | (2,687,091) |

NET POSITION - END OF YEAR

\$ (2,935,284)

*This amount includes expenses that were not allocated to a specific function, which include expenditures in the budgetary function "Capital Outlay" that were not required to be capitalized and other unallocated depreciation amounts.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
BALANCE SHEET
JUNE 30, 2018**

| | Major General Fund | Major Special Revenue Fund | Major Capital Project Fund | Major Capital Project Fund |
|-------------------------------------|-------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 11000 | 29102 | 31200 | 31600 |
| | Operational | Private Dir Grants (Categorical) | Public School Capital Outlay | Capital Improvements HB33 |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 495,146 | \$ 219,052 | \$ - | \$ 346,549 |
| Taxes Receivables | - | - | - | 1,912 |
| Due from Primary Government | - | - | 75,443 | - |
| Other Receivables | 6,483 | - | - | - |
| Prepaid Expenses | 15,458 | - | - | - |
| Due from Other Funds | 94,250 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 611,337</u> | <u>\$ 219,052</u> | <u>\$ 75,443</u> | <u>\$ 348,461</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Accrued Liabilities | \$ 150,324 | \$ 11,825 | \$ - | \$ - |
| Accounts Payable | 12,225 | - | - | - |
| Due to Other Funds | - | - | 75,443 | - |
| Total Liabilities | <hr/> 162,549 | <hr/> 11,825 | <hr/> 75,443 | <hr/> - |
| Fund Balances: | | | | |
| Nonspendable | 15,458 | - | - | - |
| Restricted for: | | | | |
| Food Services | - | - | - | - |
| Capital Projects | - | - | - | 348,461 |
| Other Purposes | - | 207,227 | - | - |
| Assigned for Subsequent Year | 329,163 | - | - | - |
| Unassigned (Deficit) | 104,167 | - | - | - |
| Total Fund Balance (Deficit) | <hr/> 448,788 | <hr/> 207,227 | <hr/> - | <hr/> 348,461 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Liabilities and Fund Balance | <u>\$ 611,337</u> | <u>\$ 219,052</u> | <u>\$ 75,443</u> | <u>\$ 348,461</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
BALANCE SHEET
JUNE 30, 2018**

| | Major Capital Project Fund | Major Capital Project Fund | Non-Major Special Revenue Fund | Non-Major Special Revenue Fund |
|-------------------------------------|------------------------------------------|---------------------------------------|-----------------------------------|-----------------------------------|
| | 31701 | 31900 | 14000 | 21000 |
| | Capital Improvements SB- 9 - Local | Ed. Technology Equipment | Instructional Materials | Food Services |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 602,899 | \$ 284,198 | \$ - | \$ 10,682 |
| Taxes Receivables | 2,664 | - | - | - |
| Due from Primary Government | - | - | - | - |
| Other Receivables | - | - | - | - |
| Prepaid Expenses | - | - | - | - |
| Due from Other Funds | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Assets | <u>\$ 605,563</u> | <u>\$ 284,198</u> | <u>\$ -</u> | <u>\$ 10,682</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Accrued Liabilities | \$ - | \$ - | \$ - | \$ 1,036 |
| Accounts Payable | - | - | - | - |
| Due to Other Funds | - | - | - | - |
| Total Liabilities | <hr/> | <hr/> | <hr/> | <hr/> |
| | | | | 1,036 |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Food Services | - | - | - | 9,646 |
| Capital Projects | 605,563 | 284,198 | - | - |
| Other Purposes | - | - | - | - |
| Assigned for Subsequent Year | - | - | - | - |
| Unassigned (Deficit) | - | - | - | - |
| Total Fund Balance (Deficit) | <hr/> | <hr/> | <hr/> | <hr/> |
| | 605,563 | 284,198 | - | 9,646 |
| Total Liabilities and Fund Balance | <u>\$ 605,563</u> | <u>\$ 284,198</u> | <u>\$ -</u> | <u>\$ 10,682</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
BALANCE SHEET
JUNE 30, 2018**

| | Non-Major Special Revenue Fund 24101 | Non-Major Special Revenue Fund 24106 | Non-Major Special Revenue Fund 24154 Teacher/Principal Training & Recruiting | Non-Major Special Revenue Fund 27103 Dual Credit Instruction |
|-------------------------------------------|--------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| | Title I - IASA | Entitlement IDEA-B | | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - |
| Taxes Receivables | - | - | - | - |
| Due from Primary Government | 6,130 | 20,562 | 1,035 | - |
| Other Receivables | - | - | - | - |
| Prepaid Expenses | - | - | - | - |
| Due from Other Funds | - | - | - | - |
| Total Assets | \$ 6,130 | \$ 20,562 | \$ 1,035 | \$ - |
| LIABILITIES AND FUND BALANCE | | | | |
| Accrued Liabilities | \$ 2,970 | \$ 3,079 | \$ 33 | \$ - |
| Accounts Payable | - | - | - | - |
| Due to Other Funds | 1,490 | 15,493 | 1,002 | - |
| Total Liabilities | 4,460 | 18,572 | 1,035 | - |
| Fund Balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted for: | | | | |
| Food Services | - | - | - | - |
| Capital Projects | - | - | - | - |
| Other Purposes | 1,670 | 1,990 | - | - |
| Assigned for Subsequent Year | - | - | - | - |
| Unassigned (Deficit) | - | - | - | - |
| Total Fund Balance (Deficit) | 1,670 | 1,990 | - | - |
| Total Liabilities and Fund Balance | \$ 6,130 | \$ 20,562 | \$ 1,035 | \$ - |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
BALANCE SHEET
JUNE 30, 2018**

| | Non-Major Special Revenue Fund | |
|-------------------------------------|-----------------------------------|-----------------------------|
| | <u>27128</u> | |
| | Teacher Recruitment | Governmental Funds Total |
| | <u> </u> | <u> </u> |
| ASSETS | | |
| Cash and Cash Equivalents | \$ - | \$ 1,958,526 |
| Taxes Receivables | - | 4,576 |
| Due from Primary Government | 822 | 103,992 |
| Other Receivables | - | 6,483 |
| Prepaid Expenses | - | 15,458 |
| Due from Other Funds | - | 94,250 |
| | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 822</u> | <u>\$ 2,183,285</u> |
| LIABILITIES AND FUND BALANCE | | |
| Accrued Liabilities | \$ - | \$ 169,267 |
| Accounts Payable | - | 12,225 |
| Due to Other Funds | 822 | 94,250 |
| Total Liabilities | <u>822</u> | <u>275,742</u> |
| Fund Balances: | | |
| Nonspendable | - | 15,458 |
| Restricted for: | | |
| Food Services | - | 9,646 |
| Capital Projects | - | 1,238,222 |
| Other Purposes | - | 210,887 |
| Assigned for Subsequent Year | - | 329,163 |
| Unassigned (Deficit) | - | 104,167 |
| Total Fund Balance (Deficit) | <u>-</u> | <u>1,907,543</u> |
| Total Liabilities and Fund Balance | <u>\$ 822</u> | <u>\$ 2,183,285</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

| | |
|--------------------------------------------------------------------------------------|---------------------|
| Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet) | \$ 1,907,543 |
|--------------------------------------------------------------------------------------|---------------------|

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

| | |
|-------------------------------|------------------|
| The Cost of Capital Assets is | 153,311 |
| Accumulated Depreciation is | <u>(139,091)</u> |

| | |
|----------------------|--------|
| Total Capital Assets | 14,220 |
|----------------------|--------|

Deferred inflows and outflows of resources related to the net pension liability and OPEB liability are not reported in the funds.

| | |
|--------------------------------|-----------|
| Deferred Outflows of Resources | 1,658,280 |
|--------------------------------|-----------|

| | |
|-------------------------------|-----------|
| Deferred Inflows of Resources | (547,641) |
|-------------------------------|-----------|

Long-term and certain other liabilities 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:

| | |
|-----------------------|--------------------|
| Long-Term Debt | - |
| Compensated Absences | - |
| Net Pension Liability | (4,696,552) |
| Net OPEB Liability | <u>(1,271,134)</u> |

| | |
|----------------------------------------------------------------------------|------------------------------|
| Net Position of Governmental Activities (Statement of Net Position) | <u>\$ (2,935,284)</u> |
|----------------------------------------------------------------------------|------------------------------|

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | Major General Fund | Major Special Revenue Fund | Major Capital Project Fund | Major Capital Project Fund |
|--------------------------------------------------------------|-----------------------|-------------------------------------|---------------------------------|---------------------------------|
| | 11000 | 29102 | 31200 | 31600 |
| | Operational | Private Dir Grants (Categorical) | Public School Capital Outlay | Capital Improvements HB33 |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ 127,815 |
| Federal Sources | - | - | - | - |
| State Sources | 2,151,535 | - | 150,885 | - |
| County and Local Sources | - | - | - | - |
| Fees | 15,367 | - | - | - |
| Other Revenue | 14,094 | 2,500 | - | - |
| Total Revenues | 2,180,996 | 2,500 | 150,885 | 127,815 |
| EXPENDITURES | | | | |
| Instruction | 1,068,906 | 1,013 | - | - |
| Support Services - Students | 278,449 | - | - | - |
| Support Services - Instruction | 52,733 | 90,646 | - | - |
| Support Services - General Administration | 133,228 | - | - | 1,275 |
| Support Services - School Administration | 108,736 | - | - | - |
| Support Services - Central Services | 145,188 | - | - | - |
| Support Services - Operation and Maintenance of Plant | 201,277 | - | - | - |
| Support Services - Student Transportation | 3,867 | - | - | - |
| Support Services - Other | 2,298 | - | - | - |
| Non-Instructional - Food Services Operations | 17,287 | - | - | - |
| Capital Outlay | - | - | 150,885 | 1,712 |
| Total Expenditures | 2,011,969 | 91,659 | 150,885 | 2,987 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 169,027 | (89,159) | - | 124,828 |
| Other Financing Sources (Uses): | | | | |
| Other Financing Sources - Transfers In | - | - | - | - |
| Other Financing Uses - Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| NET CHANGES IN FUND BALANCES | | | | |
| | 169,027 | (89,159) | - | 124,828 |
| Fund Balances - Beginning of Year | 279,761 | 296,386 | - | 223,633 |
| FUND BALANCES - END OF YEAR | \$ 448,788 | \$ 207,227 | \$ - | \$ 348,461 |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | Major Capital Project Fund | Major Capital Project Fund | Non-Major Special Revenue Fund | Non-Major Special Revenue Fund |
|--------------------------------------------------------------|------------------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
| | 31701 | 31900 | 14000 | 21000 |
| | Capital Improvements SB- 9 - Local | Ed. Technology Equipment | Instructional Materials | Food Services |
| REVENUES | | | | |
| Property Taxes | \$ 171,638 | \$ - | \$ - | \$ - |
| Federal Sources | - | - | - | 8,453 |
| State Sources | - | - | 7,026 | - |
| County and Local Sources | - | 164,326 | - | - |
| Fees | - | - | - | 11,228 |
| Other Revenue | - | - | - | - |
| Total Revenues | <u>171,638</u> | <u>164,326</u> | <u>7,026</u> | <u>19,681</u> |
| EXPENDITURES | | | | |
| Instruction | - | - | 11,769 | - |
| Support Services - Students | - | - | - | - |
| Support Services - Instruction | - | - | - | - |
| Support Services - General Administration | 1,712 | - | - | - |
| Support Services - School Administration | - | - | - | - |
| Support Services - Central Services | - | - | - | - |
| Support Services - Operation and Maintenance of Plant | - | - | - | - |
| Support Services - Student Transportation | - | - | - | - |
| Support Services - Other | - | - | - | - |
| Non-Instructional - Food Services Operations | - | - | - | 19,723 |
| Capital Outlay | 38,441 | 27,294 | - | - |
| Total Expenditures | <u>40,153</u> | <u>27,294</u> | <u>11,769</u> | <u>19,723</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 131,485 | 137,032 | (4,743) | (42) |
| Other Financing Sources (Uses): | | | | |
| Other Financing Sources - Transfers In | - | - | - | - |
| Other Financing Uses - Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | 131,485 | 137,032 | (4,743) | (42) |
| Fund Balances - Beginning of Year | <u>474,078</u> | <u>147,166</u> | <u>4,743</u> | <u>9,688</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 605,563</u> | <u>\$ 284,198</u> | <u>\$ -</u> | <u>\$ 9,646</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | Non-Major Special Revenue Fund | Non-Major Special Revenue Fund | Non-Major Special Revenue Fund | Non-Major Special Revenue Fund |
|--------------------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------------------|-----------------------------------|
| | 24101 | 24106 | 24154 | 27103 |
| | Title I - IASA | Entitlement IDEA-B | Teacher/Principal Training & Recruiting | Dual Credit Instruction |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Federal Sources | 17,900 | 35,695 | 1,084 | - |
| State Sources | - | - | - | 440 |
| County and Local Sources | - | - | - | - |
| Fees | - | - | - | - |
| Other Revenue | - | - | - | - |
| Total Revenues | 17,900 | 35,695 | 1,084 | 440 |
| EXPENDITURES | | | | |
| Instruction | 17,900 | 30,921 | 1,084 | 440 |
| Support Services - Students | - | 4,774 | - | - |
| Support Services - Instruction | - | - | - | - |
| Support Services - General Administration | - | - | - | - |
| Support Services - School Administration | - | - | - | - |
| Support Services - Central Services | - | - | - | - |
| Support Services - Operation and Maintenance of Plant | - | - | - | - |
| Support Services - Student Transportation | - | - | - | - |
| Support Services - Other | - | - | - | - |
| Non-Instructional - Food Services Operations | - | - | - | - |
| Capital Outlay | - | - | - | - |
| Total Expenditures | 17,900 | 35,695 | 1,084 | 440 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| Other Financing Sources (Uses): | | | | |
| Other Financing Sources - Transfers In | - | - | - | - |
| Other Financing Uses - Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| NET CHANGES IN FUND BALANCES | - | - | - | - |
| Fund Balances - Beginning of Year | 1,670 | 1,990 | - | - |
| FUND BALANCES - END OF YEAR | \$ 1,670 | \$ 1,990 | \$ - | \$ - |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | <u>Non-Major Special Revenue Fund</u> | |
|--------------------------------------------------------------|-------------------------------------------|-------------------------------------|
| | 27128 | |
| | <u>Teacher Recruitment</u> | <u>Governmental Funds Total</u> |
| REVENUES | | |
| Property Taxes | \$ - | \$ 299,453 |
| Federal Sources | - | 63,132 |
| State Sources | 822 | 2,310,708 |
| County and Local Sources | - | 164,326 |
| Fees | - | 26,595 |
| Other Revenue | - | 16,594 |
| Total Revenues | <u>822</u> | <u>2,880,808</u> |
| EXPENDITURES | | |
| Instruction | - | 1,132,033 |
| Support Services - Students | - | 283,223 |
| Support Services - Instruction | - | 143,379 |
| Support Services - General Administration | - | 136,215 |
| Support Services - School Administration | - | 108,736 |
| Support Services - Central Services | 822 | 146,010 |
| Support Services - Operation and Maintenance of Plant | - | 201,277 |
| Support Services - Student Transportation | - | 3,867 |
| Support Services - Other | - | 2,298 |
| Non-Instructional - Food Services Operations | - | 37,010 |
| Capital Outlay | - | 218,332 |
| Total Expenditures | <u>822</u> | <u>2,412,380</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | 468,428 |
| Other Financing Sources (Uses): | | |
| Other Financing Sources - Transfers In | - | - |
| Other Financing Uses - Transfers Out | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCES | - | 468,428 |
| Fund Balances - Beginning of Year | - | 1,439,115 |
| FUND BALANCES - END OF YEAR | <u>\$ -</u> | <u>\$ 1,907,543</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

**Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in
Fund Balances)**

\$ 468,428

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid).

Expenses Related to Compensated Absences

-

In the Statement of Activities, pension and OPEB expense is measured by the change in benefit liability and the related deferred inflows and outflows of resources. In the governmental funds, however, these expenditures are reported for current year employer contributions.

Expenses Related to the Net Pension Liability

(681,148)

Expenses Related to the Net OPEB Liability

(25,090)

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital Outlay

-

Depreciation Expense

(10,383)

**Change in Net Position of Governmental Activities
(Statement of Activities)**

\$ (248,193)

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
SCHEDULE OF BUDGETARY COMPARISONS - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018
OPERATIONAL (FUND 11000)**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance From Final Budget Positive (Negative) |
|----------------------------------------------------------------------|------------------|------------------|----------------------------------------|------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local and County Sources | \$ - | \$ - | \$ 22,978 | \$ 22,978 |
| State Sources | 2,118,571 | 2,151,535 | 2,151,535 | - |
| Federal Sources | - | - | - | - |
| Total Revenues | <u>2,118,571</u> | <u>2,151,535</u> | <u>2,174,513</u> | <u>22,978</u> |
| EXPENDITURES | | | | |
| Instruction | 1,353,464 | 1,357,038 | 1,059,957 | 297,081 |
| Support Services | 947,958 | 1,012,609 | 910,000 | 102,609 |
| Operation of Noninstructional Services | 33,691 | 33,691 | 17,287 | 16,404 |
| Capital Outlay | - | - | - | - |
| Total Expenditures | <u>2,335,113</u> | <u>2,403,338</u> | <u>1,987,244</u> | <u>416,094</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (216,542) | (251,803) | 187,269 | 439,072 |
| DESIGNATED CASH | <u>216,542</u> | <u>251,803</u> | <u>-</u> | <u>(251,803)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | 187,269 | <u>\$ 187,269</u> |
| RECONCILIATION TO GAAP BASIS | | | | |
| Other Financing Sources (Uses) | | | - | |
| Adjustments to Revenues | | | 6,483 | |
| Adjustments to Expenditures | | | <u>(24,725)</u> | |
| NET CHANGES IN FUND BALANCES | | | <u>\$ 169,027</u> | |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
SCHEDULE OF BUDGETARY COMPARISONS - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2018
PRIVATE DIR GRANTS (CATEGORICAL) (FUND 29102)**

| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance From Final Budget Positive (Negative) |
|----------------------------------------------------------------------|------------------|----------------|----------------------------------------|------------------------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local and County Sources | \$ 75,000 | \$ 75,825 | \$ 2,500 | \$ (73,325) |
| State Sources | - | - | - | - |
| Federal Sources | - | - | - | - |
| Total Revenues | <u>75,000</u> | <u>75,825</u> | <u>2,500</u> | <u>(73,325)</u> |
| EXPENDITURES | | | | |
| Instruction | 13,447 | 48,560 | 1,013 | 47,547 |
| Support Services | 73,203 | 113,651 | 90,646 | 23,005 |
| Operation of Non-Instructional Services | - | - | - | - |
| Capital Outlay | 210,000 | 210,000 | - | 210,000 |
| Total Expenditures | <u>296,650</u> | <u>372,211</u> | <u>91,659</u> | <u>280,552</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (221,650) | (296,386) | (89,159) | 207,227 |
| DESIGNATED CASH | <u>221,650</u> | <u>296,386</u> | <u>-</u> | <u>(296,386)</u> |
| NET CHANGES IN FUND BALANCES | <u>\$ -</u> | <u>\$ -</u> | (89,159) | <u>\$ (89,159)</u> |
| RECONCILIATION TO GAAP BASIS | | | | |
| Other Financing Sources/(Uses) | | | - | |
| Adjustments to Revenues | | | - | |
| Adjustments to Expenditures | | | - | |
| NET CHANGES IN FUND BALANCES | | | <u>\$ (89,159)</u> | |

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2018

| | Agency Funds |
|---------------------------|------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 10,522 |
| Accounts Receivable | - |
| TOTAL ASSETS | \$ 10,522 |
| LIABILITIES | |
| Accrued Liabilities | \$ - |
| Funds Held for Others | 10,522 |
| TOTAL LIABILITIES | \$ 10,522 |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
YEAR ENDED JUNE 30, 2018**

| | Balance, July 1, 2017 | Additions | Deletions | Balance, June 30, 2018 |
|---------------------------|-----------------------------|-----------------|-------------------|------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 11,382 | \$ 8,427 | \$ (9,287) | \$ 10,522 |
| Accounts Receivable | - | - | - | - |
| TOTAL ASSETS | <u>\$ 11,382</u> | <u>\$ 8,427</u> | <u>\$ (9,287)</u> | <u>\$ 10,522</u> |
| LIABILITIES | | | | |
| Accrued Liabilities | \$ - | \$ - | \$ - | \$ - |
| Funds Held for Others | 11,382 | 8,427 | (9,287) | 10,522 |
| TOTAL LIABILITIES | <u>\$ 11,382</u> | <u>\$ 8,427</u> | <u>\$ (9,287)</u> | <u>\$ 10,522</u> |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2018**

| Name of Depository | Description of Pledged Collateral | Fair/Par Market Value June 30, 2018 | Safekeeping Agent |
|--------------------|-----------------------------------|----------------------------------------|-------------------------|
| New York Mellon | 3138M7HU2/3140F4JS6 | \$ 1,054,608 | Bank of New York Mellon |
| | | <u>\$ 1,054,608</u> | |
| | Total Amount on Deposit | \$ 1,985,054 | |
| | Less: FDIC | <u>(250,000)</u> | |
| | Uninsured Public Funds | 1,735,054 | |
| | 50% Collateral Requirement | 867,527 | |
| | Total Pledged | <u>1,054,608</u> | |
| | Over (Under) Pledged | <u>\$ 187,081</u> | |

STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
SCHEDULE OF CASH AND CASH EQUIVALENTS
JUNE 30, 2018

| | Primary Government Wells Fargo |
|---------------------------------------|-----------------------------------|
| Operating Account | \$ 1,985,054 |
| Reconciling Items | (16,006) |
| Reconciled Balance at June 30, 2018 | 1,969,048 |
| Plus: Petty Cash | - |
| Less: Activity Funds | (10,522) |
| Balance per Statement of Net Position | \$ 1,958,526 |

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
CASH RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| | Operational Account 11000 | Instructional Materials 14000 | Food Services 21000 |
|--------------------------------------------------|---------------------------------|-------------------------------------|---------------------------|
| June 30 2017 Cash (Book Balance) | \$ 344,217 | \$ 4,743 | \$ 9,688 |
| June 30 2017 Payroll Liabilities | (138,142) | - | - |
| June 30 2017 Temporary Interfund Loans | 45,724 | - | - |
| June 30 2017 Adjustments/Reconciling Differences | - | - | - |
| June 30 2017 Cash Available to Budget | 251,799 | 4,743 | 9,688 |
| 2017-2018 Revenue | 2,174,513 | 7,026 | 19,681 |
| 2017-2018 Expenditures | (1,987,244) | (11,769) | (19,723) |
| Permanent Cash Transfers/Reversions | - | - | - |
| Adjustments | - | - | - |
| June 30 2018 Cash Available to Budget | 439,068 | - | 9,646 |
| June 30 2018 Payroll Liabilities | 150,324 | - | 1,036 |
| June 30 2018 Temporary Interfund Loans | (94,250) | - | - |
| June 30 2018 Adjustments/Reconciling Differences | 4 | - | - |
| June 30 2018 Cash (Book Balance) | <u>\$ 495,146</u> | <u>\$ -</u> | <u>\$ 10,682</u> |
| Reconciliation to PED Cash Report Line 7 | | | |
| June 30 2018 Cash (Book Balance) | \$ 495,146 | \$ - | \$ 10,682 |
| June 30 2018 Payroll Liabilities | (150,324) | - | (1,036) |
| June 30 2018 Temporary Interfund Loans | 94,250 | - | - |
| Audit Adjustments and Reclassifications | 89,311 | - | - |
| Line 7 PED Cash Report June 30 2018* | <u>\$ 528,383</u> | <u>\$ -</u> | <u>\$ 9,646</u> |

* May include rounding errors when compared to PED Cash Report.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
CASH RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| | Projects Account 24000 | State Flowthrough Fund 27000 | Local/State Account 29000 |
|--------------------------------------------------|------------------------------|------------------------------------|---------------------------------|
| June 30 2017 Cash (Book Balance) | \$ 61 | \$ - | \$ 302,150 |
| June 30 2017 Payroll Liabilities | (5,327) | - | (5,760) |
| June 30 2017 Temporary Interfund Loans | (7,715) | - | - |
| June 30 2017 Adjustments/Reconciling Differences | - | - | - |
| June 30 2017 Cash Available to Budget | (12,981) | - | 296,390 |
| 2017-2018 Revenue | 43,595 | 440 | 2,500 |
| 2017-2018 Expenditures | (54,679) | (1,262) | (91,659) |
| Permanent Cash Transfers/Reversions | - | - | - |
| Adjustments | - | - | - |
| June 30 2018 Cash Available to Budget | (24,065) | (822) | 207,231 |
| June 30 2018 Payroll Liabilities | 6,082 | - | 11,825 |
| June 30 2018 Temporary Interfund Loans | 17,985 | 822 | - |
| June 30 2018 Adjustments/Reconciling Differences | (2) | - | (4) |
| June 30 2018 Cash (Book Balance) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 219,052</u> |
| Reconciliation to PED Cash Report Line 7 | | | |
| June 30 2018 Cash (Book Balance) | \$ - | \$ - | \$ 219,052 |
| June 30 2018 Payroll Liabilities | (6,082) | - | (11,825) |
| June 30 2018 Temporary Interfund Loans | (17,985) | (822) | - |
| Audit Adjustments and Reclassifications | - | - | 2,773 |
| Line 7 PED Cash Report June 30 2018* | <u>\$ (24,067)</u> | <u>\$ (822)</u> | <u>\$ 210,000</u> |

* May include rounding errors when compared to PED Cash Report.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
CASH RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| | Public School Capital Outlay 31200 | Capital Improve. HB 33 31600 | Capital Improve. SB 9 Local 31701 |
|--------------------------------------------------|------------------------------------------|------------------------------------|-----------------------------------------|
| June 30 2017 Cash (Book Balance) | \$ - | \$ 222,076 | \$ 471,853 |
| June 30 2017 Payroll Liabilities | - | - | - |
| June 30 2017 Temporary Interfund Loans | (38,009) | - | - |
| June 30 2017 Adjustments/Reconciling Differences | - | - | - |
| June 30 2017 Cash Available to Budget | (38,009) | 222,076 | 471,853 |
| 2017-2018 Revenue | 113,451 | 127,460 | 171,199 |
| 2017-2018 Expenditures | (150,885) | (2,987) | (40,153) |
| Permanent Cash Transfers/Reversions | - | - | - |
| Adjustments | - | - | - |
| June 30 2018 Cash Available to Budget | (75,443) | 346,549 | 602,899 |
| June 30 2018 Payroll Liabilities | - | - | - |
| June 30 2018 Temporary Interfund Loans | 75,443 | - | - |
| June 30 2018 Adjustments/Reconciling Differences | - | - | - |
| June 30 2018 Cash (Book Balance) | <u>\$ -</u> | <u>\$ 346,549</u> | <u>\$ 602,899</u> |
| Reconciliation to PED Cash Report Line 7 | | | |
| June 30 2018 Cash (Book Balance) | \$ - | \$ 346,549 | \$ 602,899 |
| June 30 2018 Payroll Liabilities | - | - | - |
| June 30 2018 Temporary Interfund Loans | (75,443) | - | - |
| Audit Adjustments and Reclassifications | - | - | - |
| Line 7 PED Cash Report June 30 2018* | <u>\$ (75,443)</u> | <u>\$ 346,549</u> | <u>\$ 602,899</u> |

* May include rounding errors when compared to PED Cash Report.

**STATE OF NEW MEXICO
PUBLIC EDUCATION DEPARTMENT
NEW MEXICO SCHOOL FOR THE ARTS
CASH RECONCILIATION
YEAR ENDED JUNE 30, 2018**

| | Ed Tech Equip 31900 | Total Primary Government | |
|--------------------------------------------------|---------------------------|--------------------------------|-------------------------------|
| June 30 2017 Cash (Book Balance) | \$ 147,166 | \$ 1,501,954 | |
| June 30 2017 Payroll Liabilities | - | (149,229) | |
| June 30 2017 Temporary Interfund Loans | - | - | |
| June 30 2017 Adjustments/Reconciling Differences | - | - | |
| June 30 2017 Cash Available to Budget | 147,166 | 1,352,725 | |
| 2017-2018 Revenue | 164,326 | 2,824,191 | |
| 2017-2018 Expenditures | (27,294) | (2,387,655) | |
| Permanent Cash Transfers/Reversions | - | - | |
| Adjustments | - | - | |
| June 30 2018 Cash Available to Budget | 284,198 | 1,789,261 | |
| June 30 2018 Payroll Liabilities | - | 169,267 | |
| June 30 2018 Temporary Interfund Loans | - | - | |
| June 30 2018 Adjustments/Reconciling Differences | - | (2) | |
| June 30 2018 Cash (Book Balance) | <u>\$ 284,198</u> | <u>\$ 1,958,526</u> | Per Statement of Net Position |
| Reconciliation to PED Cash Report Line 7 | | | |
| June 30 2018 Cash (Book Balance) | \$ 284,198 | \$ 1,958,526 | |
| June 30 2018 Payroll Liabilities | - | (169,267) | |
| June 30 2018 Temporary Interfund Loans | - | - | |
| Audit Adjustments and Reclassifications | - | 92,084 | |
| Line 7 PED Cash Report June 30 2018* | <u>\$ 284,198</u> | <u>\$ 1,881,343</u> | |

* May include rounding errors when compared to PED Cash Report.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

NEW AMERICA SCHOOL OF LAS CRUCES (CONTINUED)

2018-001 Internal Control over Cash Receipts (Other Noncompliance) (Continued)

Management's Response: The School does have proper internal controls and procedures surrounding cash receipts in its policies. These controls and policies have been re-emphasized to the responsible staff to ensure they are followed correctly.

Implementation: 11/12/2018

Person Responsible: Business Manager, Assistant Business Manager

NEW MEXICO SCHOOL FOR THE ARTS

2018-001 Internal Control over Payroll (Material Weakness)

Condition/Context: During our audit we encountered numerous issues related to the compliance and financial accounting and reporting of payroll transactions.

- During our review of 5 personnel files, we noted 1 employee that was compensated \$1,550 more than the approved contract amount; also, the file lacked documentation to account for the additional compensation.
- 5 monthly ERB contributions were filed more than 15 days after the end of the previous month.
- A total of \$4,120 in employee voluntary 403(b) contributions from June/July 2017, which were not contributed to the plan until September 29, 2017.
- Accrued payroll account liabilities are not being reconciled.
- 941 filings for the first 3 quarters lacked evidence of review and approval and timely submission. In addition, the School incurred penalties of \$5,801.
- The ERB contribution in July 2017 for the FY17 summer payroll was approximately \$17,000 lower than it should have been, which is yet to be contributed to ERB.
- Due to the implementation of the new system, not all of the FY18 accrued payroll liabilities were reflected in the trial balance provided. As a result, an adjustment in the amount of \$92,000 was required to properly reflect the liabilities and related expenditures as of June 30, 2018.
- Approximately \$52,000 in payroll related liabilities were incorrectly classified as outstanding items in the bank reconciliation and required a reclassification journal entry to properly reflect the cash and payroll liabilities as of June 30, 2018.

Criteria: Per NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll, as well as maintaining strict internal controls, close supervision, and financial accounting in accordance with GAAP. School district shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certification, pay deductions authorizations, pay or position change notices, Education Retirement Act plan application, and direct deposit authorization. ERB require the monthly contributions to be submitted within 15 days of the end of the month. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-001 Internal Control over Payroll (Material Weakness) (Continued)

Criteria (Continued): that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Lack of adequate controls surrounding the financial accounting, reporting, and other compliance matters related to payroll during the fiscal year.

Effect: Noncompliance with applicable rules and regulations, misstatements to the financial statements.

Auditor's Recommendation: We acknowledge that management hired a new business manager at the end of the fiscal year and has already implemented various controls and processes to address these issues that were identified. We recommend management evaluate all processes and procedures surrounding the payroll accounting and reporting to ensure that they have implemented effective controls to address all of the issues.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues.

2018-002 Internal Control Structure (Significant Deficiency)

Condition/Context: During our audit, we identified the following items related to the overall internal control structure during the year:

- Bank reconciliations during the year were not being prepared and reviewed in a timely manner.
- 5 of 10 journal entries reviewed lacked evidence of review and approval by someone independent of the preparer.
- 2 out of 20 deposits reviewed lacked evidence of a pre-numbered receipt or proper signatures on the pre-numbered receipts.

Criteria: Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

Cause: During the year, the School had 3 different business managers and lacked an adequate overall internal control environment.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-002 Internal Control Structure (Significant Deficiency) (Continued)

Effect: Possible misstatement to the financial statements if management doesn't properly identify capital assets.

Auditor's Recommendation: We acknowledge that management hired a new business manager at the end of the fiscal year and has already implemented various controls and processes to address these issues that were identified. We recommend management evaluate all processes and procedures surrounding the internal control structure to ensure that they have implemented effective controls to address all of the issues.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues. Bank reconciliations are reviewed monthly at the finance committee meetings. Journal entries are reviewed and approved by management

2018-003 Purchasing (Other Noncompliance)

Condition/Context: During our audit, we identified the following issues during our review of 42 disbursements:

- 1 disbursement included sales tax of \$151 on purchases for tangible property in which the school is exempt from NM GRT.
- 1 disbursement that lacked an approved purchase order or requisition and included a late charge of \$50.
- 1 disbursement in the amount of \$15,224 that lacked evidence of an approval on the purchase order.

Criteria: Per PSAB Supplement 13-Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction. Per NMAC 6.20.2.11, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP.

Cause: Management oversight. In addition, during the year the School had 3 different business managers and lacked an adequate overall internal control environment.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC EDUCATION DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

NEW MEXICO SCHOOL FOR THE ARTS (CONTINUED)

2018-003 Purchasing (Other Noncompliance) (Continued)

Effect: Noncompliance with applicable rules and regulations.

Auditor's Recommendation: We recommend management implement effective controls to ensure that all purchases have a valid approved purchase order that covers the entire cost of the purchase in advance of the purchase.

Management's Response: NMSA made a decision to switch Business Managers and the Financial Management Software system at the beginning of the fiscal year. The combination of these two changes became an issue. Management recognized the issue and took action by changing Business Managers.

Implementation: Some of the corrections were made in FY18 while others were made in FY19 due to timing constraints.

Person Responsible: Internal controls have been updated and implemented to resolve these issues.

NORTH VALLEY ACADEMY

2018-001 Untimely Cash Receipts (Other Noncompliance)

Condition/Context: During our review of 12 cash receipts, we noted one cash receipt in the amount of \$92 that was not deposited within 24 hours of receipt.

Criteria: NMAC 6.20.2.14 states that money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.

Cause: Management oversight.

Effect: Noncompliance with NMAC 6.20.2.14. Possible misappropriation of School assets.

Auditor's Recommendation: We recommend that management establish a process to ensure timely deposit of all cash receipts.

Management's Response: The School will review the requirements of NMAC 6.20.2.14 with the individual responsible for preparing and delivering the bank deposits. The School will also designate another individual/s to prepare and deliver the bank deposits to serve as a back-up when the responsible individual is absent.

Implementation: December 31, 2018

Person Responsible: Business Manager/Principal