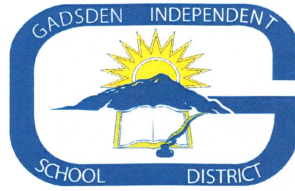


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Gadsden Independent School District
June 30, 2016 Audit Report
Submission of Report to GISD Board of Education

The Gadsden ISD Annual Financial Statements for the year ended June 30, 2016 is presented to the Board of Education as required by the NM Audit Rule – 2016.

The annual audit was completed on November 8, 2016 and was accepted by the State Auditor on December 16, 2016. The audit report became a public record 5 days after the release letter from the NM State Auditor which was dated December 16, 2016.

The report is presented to the GISD Board of Education with the following items noted:

1. The audit report issued on the financial statements of the District by Accounting & Consulting Group, LLP is an Unmodified report.
2. The audit report issued on compliance for major programs of the District by Accounting & Consulting Group, LLP is an Unmodified report.
3. There are 4 findings listed in the report as required by the NM State Auditor and governmental auditing standards. The findings are recapped below and are reflected in the last section of the annual financial report being presented:

- A. Capital Assets (Significant Deficiency) – Accumulated Depreciation was not rolled forward properly from the prior year in the software system used to maintain the fixed asset records of the District for financial reporting purposes.

The Finance Department is implementing additional training and procedures to address this issue.

- B. Evaluations over Schoolwide Programs (Other Noncompliance) - District's Education Plan for Student Success (EPSS), it was noted that a school failed to update their schoolwide program evaluation via the EPSS system.

At present, the Gadsden Independent School District has assigned someone at the district level to monitor and assist school campuses in the implementation of the EPSS program.

- C. Activity Funds (Findings that do not rise to the level of significant deficiency) – Failure to meet the twenty-four hour deposit rule and Purchases made prior to the issuance of a purchase order. School sites continue to violate these requirements.

The Finance Department continues to address these issues via monthly internal reviews and training.

- D. Proceeds from Recycling of Scrap Metal (Findings that do not rise to the level of significant deficiency) – The District received money for parts/equipment that were sold for scrap metal. These parts/equipment were originally purchased by the District in the General Fund. The revenue for the scrap of these items was receipted into the Agency Funds (fund 70000). The value of the receipted scrap metal for fiscal year ending June 30, 2016 was \$4,587.70.

The District will implement controls to ensure that any gains or losses resulting from the disposal of property is properly accounted for in the fund used to purchase the item(s) being disposed.

- 4. The June 30, 2016 financial statements and related audit reports were submitted before the November 15, 2016 deadline for school districts as required by the NM State Auditor.