

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
 CARRIZO MUNICIPAL SCHOOLS
 FOR THE YEAR ENDED JUNE 30, 2018
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STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
OFFICIAL ROSTER

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INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of Carrizozo Municipal Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of Carrizozo Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require 10 year ERB and RHCA schedules on pages 74 - 77 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 inquiries 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 we 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 financial statements the combining and individual fund financial statements, and the budgetary comparisons that collectively comprise the District's basic financial statements.

The combining and individual nonmajor fund financial statements and any other supplementary schedules required by the Audit Rule are the responsibility of Management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, 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 November 15, 2018 on our consideration of Carrizozo Municipal 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 in 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 Carrizozo Municipal Schools internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2018

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 631,925
Property taxes receivable	62,718
Due from grantor	<u>128,596</u>
Total current assets	823,239
Non-current assets	
Capital assets	10,982,440
Less accumulated depreciation	<u>(1,969,704)</u>
Total non-current assets	<u>9,012,736</u>
Total assets	9,835,975
Deferred outflows- OPEB	
Contributions - subsequent contributions	26,472
Deferred outflows - ERB	
Contributions - subsequent contributions	183,973
Change in assumption	1,465,423
Change in proportion	50,713
Net difference between projected and actual investments earnings on pension plan investments	<u>9,011</u>
Total deferred outflows	<u>1,735,592</u>
Total assets and deferred outflows	<u>\$ 11,571,567</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accounts payable	\$ 15,559
Accrued interest	11,191
Accrued compensated absences	15,786
Current portion of bonds payable	<u>300,000</u>
Total current liabilities	342,536
Long-term obligations	
Net pension liability	5,019,954
OPEB liability	1,357,689
Bonds payable	<u>2,840,000</u>
Total long-term liabilities	<u>9,217,643</u>
Total liabilities	9,560,179
Deferred inflows- OPEB	
Deferred inflows	309,007
Deferred inflows- ERB	
Net difference between experience and actual	77,337
Net difference between projected and actual investments earnings on pension plan investments	<u>689</u>
Total deferred inflows	<u>387,033</u>
Total liabilities and deferred inflows	9,947,212
NET POSITION	
Net investment in capital assets	5,861,545
Restricted for	
Special revenue	124,420
Capital projects	113,959
Debt service	344,351
Unrestricted	<u>(4,819,920)</u>
Total net position	<u>1,624,355</u>
Total liabilities, deferred inflows, and net position	<u>\$ 11,571,567</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
	Expenses	Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
Expenses - Governmental Activities:					
Instruction	\$ 2,033,878	\$ -	\$ 430,870	\$ 12,249	\$ (1,590,759)
Support services	485,513	4,955	-	-	(480,558)
Central services	118,735	-	-	-	(118,735)
Operation and maintenance of plant	457,869	-	-	-	(457,869)
Student transportation	130,455	-	160,046	-	29,591
Food services	92,024	1,730	81,999	-	(8,295)
Interest on long-term debt	56,653	-	-	-	(56,653)
Depreciation	283,059	-	-	-	(283,059)
Total governmental activities	<u>\$ 3,658,186</u>	<u>\$ 6,685</u>	<u>\$ 672,915</u>	<u>\$ 12,249</u>	(2,966,337)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					26,724
Property taxes, levied for debt services					387,065
Property taxes, levied for capital projects					131,775
State equalization guarantee					1,940,421
Interest and investment earnings					1,102
Miscellaneous					<u>2,232</u>
Subtotal, general revenue					<u>2,489,319</u>
Change in net position					(477,018)
Net position - beginning of year as previously stated					3,637,960
Restatement					<u>(1,536,587)</u>
Net position - beginning of year, as restated					<u>2,101,373</u>
Net position - end of year					<u>\$ 1,624,355</u>

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General Fund	Title I- IASA 24101	IDEA B Entitlement 24106	Teacher/ Principal Training & Recruiting 24154	NM Reads to Lead K-3 27114
ASSETS					
Cash and cash equivalents	\$ 43,155	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	3,275	-	-	-	-
Due from other funds	114,377	-	-	-	-
Due from grantors	13,019	38,616	15,540	14,591	24,669
	<u>173,826</u>	<u>38,616</u>	<u>15,540</u>	<u>14,591</u>	<u>24,669</u>
Total assets	<u>\$ 173,826</u>	<u>\$ 38,616</u>	<u>\$ 15,540</u>	<u>\$ 14,591</u>	<u>\$ 24,669</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,555	\$ -	\$ -	\$ 1,200	\$ -
Due to other funds	-	38,616	15,540	13,391	24,669
	<u>4,555</u>	<u>38,616</u>	<u>15,540</u>	<u>14,591</u>	<u>24,669</u>
Total liabilities	4,555	38,616	15,540	14,591	24,669
Deferred inflows:					
Deferred inflows - property tax	3,068	-	-	-	-
	<u>3,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	3,068	-	-	-	-
Total liabilities and deferred inflows	7,623	38,616	15,540	14,591	24,669
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
General fund	166,203	-	-	-	-
	<u>166,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	166,203	-	-	-	-
Total liabilities, deferred inflows and fund balances	<u>\$ 173,826</u>	<u>\$ 38,616</u>	<u>\$ 15,540</u>	<u>\$ 14,591</u>	<u>\$ 24,669</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

	NM Highway Department 28120	Debt Service	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 105,001	\$ 341,609	\$ 142,160	\$ 631,925
Property taxes receivable	-	43,296	16,147	62,718
Due from other funds	-	-	-	114,377
Due from grantors	-	-	22,161	128,596
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 105,001</u>	<u>\$ 384,905</u>	<u>\$ 180,468</u>	<u>\$ 937,616</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 9,804	\$ 15,559
Due to other funds	-	-	22,161	114,377
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	-	31,965	129,936
Deferred inflows:				
Deferred inflows - property tax	-	40,554	15,125	58,747
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows	-	40,554	15,125	58,747
Total liabilities and deferred inflows	-	40,554	47,090	188,683
Fund balances:				
Restricted, reported in:				
Special revenue fund	105,001	-	19,419	124,420
Debt service funds	-	344,351	-	344,351
Capital projects funds	-	-	113,959	113,959
Unassigned, reported in:				
General fund	-	-	-	166,203
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>105,001</u>	<u>344,351</u>	<u>133,378</u>	<u>748,933</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 105,001</u>	<u>\$ 384,905</u>	<u>\$ 180,468</u>	<u>\$ 937,616</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 748,933
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,012,736
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds - ERB	1,709,120
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds - OPEB	26,472
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds - ERB	(78,026)
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds - OPEB	(309,007)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	58,747
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(5,019,954)
OPEB liability	(1,357,689)
Accrued interest	(11,191)
Compensated absences	(15,786)
General obligation bonds	<u>(3,140,000)</u>
Total net position - governmental funds	<u>\$ 1,624,355</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Title I- IASA 24101	IDEA B Entitlement 24106	Teacher/ Principal Training & Recruiting 24154	NM Reads to Lead K-3 27114
REVENUES					
Taxes	\$ 26,724	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-
State sources	1,945,041	-	-	-	66,365
Federal sources	-	82,239	62,075	14,740	-
Transportation distribution	160,046	-	-	-	-
Miscellaneous	10,440	-	-	-	-
Total revenues	2,142,251	82,239	62,075	14,740	66,365
EXPENDITURES					
Current:					
Direct instruction	1,117,556	59,909	47,548	14,740	66,365
Instructional support	401,982	22,330	14,527	-	-
Central services	118,735	-	-	-	-
Operation and maintenance	293,584	-	-	-	-
Transportation	130,455	-	-	-	-
Food services	9,267	-	-	-	-
Capital outlay	-	-	-	-	-
Debt services:					
Principal payments	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	2,071,579	82,239	62,075	14,740	66,365
Net change in fund balance	70,672	-	-	-	-
Fund balance - beginning of year as previously stated	95,531	-	-	-	-
Restatement	-	-	-	-	-
Fund balance - beginning of year as restated	95,531	-	-	-	-
Fund balance - end of year	\$ 166,203	\$ -	\$ -	\$ -	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	NM Highway Department 28120	Debt Service	Other Governmental Funds	Total
REVENUES				
Taxes	\$ -	\$ 353,350	\$ 131,775	\$ 511,849
Charges for services	-	-	4,955	4,955
State sources	105,000	-	62,724	2,179,130
Federal sources	-	-	121,180	280,234
Transportation distribution	-	-	-	160,046
Miscellaneous	-	-	799	11,239
	<u>105,000</u>	<u>353,350</u>	<u>321,433</u>	<u>3,147,453</u>
Total revenues	105,000	353,350	321,433	3,147,453
EXPENDITURES				
Current:				
Direct instruction	-	-	48,745	1,354,863
Instructional support	-	3,506	43,168	485,513
Central services	-	-	-	118,735
Operation and maintenance	-	-	164,285	457,869
Transportation	-	-	-	130,455
Food services	-	-	82,757	92,024
Capital outlay	136,377	-	59,782	196,159
Debt services:				
Principal payments	-	290,000	-	290,000
Interest	-	56,653	-	56,653
	<u>136,377</u>	<u>350,159</u>	<u>398,737</u>	<u>3,182,271</u>
Total expenditures	136,377	350,159	398,737	3,182,271
Net change in fund balance	(31,377)	3,191	(77,304)	(34,818)
Fund balance - beginning of year as previously stated	136,378	21,359	210,682	463,950
Restatement	<u>-</u>	<u>319,801</u>	<u>-</u>	<u>(319,801)</u>
Fund balance - beginning of year as restated	<u>136,378</u>	<u>341,160</u>	<u>210,682</u>	<u>783,751</u>
Fund balance - end of year	<u>\$ 105,001</u>	<u>\$ 344,351</u>	<u>\$ 133,378</u>	<u>\$ 748,933</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 CARRIZO MUNICIPAL SCHOOLS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2018

Amount reported for governmental activities in the statement of net position are different because:

Change in fund balances - total governmental funds	\$	(34,818)
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense		(283,059)
Capital outlay		196,159

Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Net pension liability - ERB		(1,785,157)
Deferred outflow - ERB		1,164,167
Deferred inflows - ERB		(47,259)
OPEB liability - NMRHCA		280,753
Deferred outflow - OPEB		746
Deferred inflows - OPEB		(309,007)

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.		33,715
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The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in accrued interest		18,610
Change in accrued compensated absences		(1,868)
Principal payment on bond		290,000

Change in net position of governmental activities	\$	<u>(477,018)</u>
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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
GENERAL FUND COMBINED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 24,403	\$ 24,403	\$ 28,823	\$ 4,420
State sources	1,900,841	1,952,905	1,945,041	(7,864)
Transportation distribution	147,027	147,027	160,046	13,019
Earnings from investments	250	250	303	53
Miscellaneous	-	-	10,137	10,137
	<u>2,072,521</u>	<u>2,124,585</u>	<u>2,144,350</u>	<u>19,765</u>
Expenditures:				
Current:				
Direct instruction	1,123,343	1,162,131	1,123,670	38,461
Instructional support	180,706	148,079	139,175	8,904
Central services	115,824	127,250	118,735	8,515
Operation and maintenance	300,493	338,947	293,584	45,363
General administration	93,474	96,574	87,819	8,755
Transportation	150,227	150,372	130,455	19,917
Food services	17,027	25,573	9,267	16,306
	<u>2,156,117</u>	<u>2,228,591</u>	<u>2,077,693</u>	<u>150,898</u>
Excess (deficiency) of revenues over expenditures	<u>(83,596)</u>	<u>(104,006)</u>	<u>66,657</u>	<u>170,663</u>
Net change in fund balance	(83,596)	(104,006)	66,657	170,663
Fund balance - beginning of year	<u>95,531</u>	<u>95,531</u>	<u>95,531</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,935</u>	<u>\$ (8,475)</u>	<u>\$ 162,188</u>	<u>\$ 170,663</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 66,657	
Net revenue accruals			(2,099)	
Net expenditure accruals			<u>6,114</u>	
Net changes in fund balance GAAP basis			<u>\$ 70,672</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
TITLE I- IASA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	100,322	100,322	99,960	(362)
Total revenues	100,322	100,322	99,960	(362)
Expenditures:				
Current:				
Direct instruction	77,856	77,856	42,188	35,668
Instructional support	22,466	22,466	22,330	136
Total expenditures	100,322	100,322	64,518	35,804
Excess (deficiency) of revenues over expenditures	-	-	35,442	35,442
Net change in fund balance	-	-	35,442	35,442
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 35,442	\$ 35,442
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 35,442	
Net revenue accruals			(17,721)	
Net expenditure accruals			(17,721)	
Net changes in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
IDEA-B ENTITLEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	82,738	82,738	64,508	(18,230)
Total revenues	82,738	82,738	64,508	(18,230)
Expenditures:				
Current:				
Direct instruction	64,181	64,181	45,115	19,066
Instructional support	18,557	18,557	14,527	4,030
Total expenditures	82,738	82,738	59,642	23,096
Excess (deficiency) of revenues over expenditures	-	-	4,866	4,866
Net change in fund balance	-	-	4,866	4,866
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 4,866	\$ 4,866
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 4,866	
Net revenue accruals			(2,433)	
Net expenditure accruals			(2,433)	
Net changes in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
TEACHER/PRINCIPAL TRAINING & RECRUITING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	21,933	20,069	28,267	8,198
Total revenues	21,933	20,069	28,267	8,198
Expenditures:				
Current:				
Direct instruction	21,933	19,499	1,213	18,286
Instructional support	-	570	-	570
Total expenditures	21,933	20,069	1,213	18,856
Excess (deficiency) of revenues over expenditures	-	-	27,054	27,054
Net change in fund balance	-	-	27,054	27,054
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,054</u>	<u>\$ 27,054</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 27,054	
Net revenue accruals			(13,527)	
Net expenditure accruals			<u>(13,527)</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NM READS TO LEAD K-3 SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	68,780	68,780	90,336	21,556
Total revenues	68,780	68,780	90,336	21,556
Expenditures:				
Current:				
Direct instruction	68,780	68,780	42,394	26,386
Total expenditures	68,780	68,780	42,394	26,386
Excess (deficiency) of revenues over expenditures	-	-	47,942	47,942
Net change in fund balance	-	-	47,942	47,942
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,942</u>	<u>\$ 47,942</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 47,942	
Net revenue accruals			(23,971)	
Net expenditure accruals			<u>(23,971)</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NM HIGHWAY DEPARTMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
State sources	-	105,000	105,000	-
Total revenues	-	105,000	105,000	-
Expenditures:				
Current:				
Capital outlay	136,377	241,377	136,377	105,000
Total expenditures	136,377	241,377	136,377	105,000
Excess (deficiency) of revenues over expenditures	(136,377)	(136,377)	(31,377)	105,000
Net change in fund balance	(136,377)	(136,377)	(31,377)	105,000
Fund balance - beginning of year	-	-	136,378	136,378
Fund balance - end of year	<u>\$ (136,377)</u>	<u>\$ (136,377)</u>	<u>\$ 105,001</u>	<u>\$ 241,378</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (31,377)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (31,377)</u>	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2018

FIDUCIARY FUNDS

ASSETS

Current Assets

Cash \$ 56,844

Total assets \$ 56,844

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 56,844

Total liabilities \$ 56,844

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Carrizozo Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues

Ad valorem 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures

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

Other Financing Sources (Uses)

Transfers between funds that 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.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

Basis of Budgeting

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 generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the 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 New Mexico Public Education Department (PED) by the 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 SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the 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 SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for 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 SBFAU.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting

5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures 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 I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAU.

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 the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Budget comparison schedules are no longer required for non-major funds and are not included.

Cash and 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.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

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 five years last 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 investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Assets and Liabilities and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. 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. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Leases

Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

The District reports the following major governmental funds:

General Fund (11000)(13000)(14000) - is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The General Fund consist of three sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS) - The Title I project provides remedial instruction in 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 Special (24106), (24206 FEDERAL STIMULUS) - This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

Teacher/Principal Training & Recruiting (24154) - 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.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

C. Measurement Focus, Basis of Accounting

NM Reads to Lead K-3 (27114) - Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade - giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

NM Highway Dept (28120) - To account for a state grant from NMDOT to fund a paving project. The fund was created by grant provisions.

Debt Service Fund (41000) - is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

C. Measurement Focus, Basis of Accounting

Additionally, the District reports the following agency fund:

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Deferred Inflows

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Restricted Assets - The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

Receivables and Payables - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Lincoln and Socorro County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2018 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2018.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory - The District uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity 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. No deferred revenue was recorded for unused commodity inventory as of June 30, 2018.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Unearned Revenues and Deferred Inflows of Resources - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year end are classified as deferred inflow.

Compensated Absences - Administrative employees accumulate 108 annual hours of leave and maintenance employees accumulate 120 annual leave hours. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

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. In prior years, substantially all of the related expenditures have been liquidated by the general fund. 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.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance of Fund Financial Statements - In the fund financial statements, governmental funds are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government 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 a government 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.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Revenues

State Equalization Guarantee - School districts in the State of New Mexico receive a state equalization guarantee distribution which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,940,421 in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$26,724 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. The School collects property tax from two different counties, Guadalupe County may attach an enforceable lien on the property thirty days after delinquency and Torrance County considers delinquencies on December 10th, at which point they can attach an enforceable lien.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$160,046 in transportation distributions during the year ended June 30, 2018.

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 for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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 operates under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. New Pronouncements

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In April 2018, GASB No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements related to debt for periods beginning after June 15, 2018. Furthermore, GASB No. 88 clarifies which liabilities governments should include when disclosing information. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. New Pronouncements (Continued)

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, when the budget is approved those funds are legally restricted and shown as reserved fund balance.

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board and the New Mexico Public Education Department.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

3. DEPOSIT AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for non interest bearing accounts.

Deposits - 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 schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

First Savings Bank

	First National Bank	New Mexico Finance Authority	Total
	<u> </u>	<u> </u>	<u> </u>
Cash on deposit at June 30, 2018	\$ 775,402	\$ 45,803	\$ 821,205
FDIC coverage	<u>(250,000)</u>	<u>(45,803)</u>	<u>(295,803)</u>
Total uninsured public funds	<u>\$ 525,402</u>	<u>\$ -</u>	<u>\$ 525,402</u>
Pledged collateral	\$ 563,527	\$ -	\$ 563,527
Collateral requirement (50% of uninsured public funds)	<u>262,701</u>	<u>-</u>	<u>262,701</u>
Over collateralization	<u>\$ 300,826</u>	<u>\$ -</u>	<u>\$ 300,826</u>

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

The following securities are pledged at First Savings Bank:

<u>Description</u>	<u>CUSIP#</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLMC 10 YR	31307BJW1	145,872	03/01/2023	Federal Reserve
FNMA 15 YR	3138EKJA4	195,533	01/01/2028	Federal Reserve
FNR 2012-145 DC	3136AA2L8	26,244	01/25/2028	Federal Reserve
FHLMC 15 YR	3128ME3M0	<u>195,878</u>	08/01/2031	Federal Reserve
		\$ 563,527		

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 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, 2018, \$- of the District's bank balance of \$775,402 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2018, the carrying amount of these deposits was \$688,769.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

3. DEPOSIT AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 586,122
Restricted cash and cash equivalents - balance sheet	<u>45,803</u>
Total	<u>631,925</u>
Statement of Fiduciary Net Assets - cash	<u>56,844</u>
Total cash and cash equivalents	688,769
Add outstanding checks and other reconciling items	<u>132,436</u>
Bank balance of deposits and investments	<u>\$ 821,205</u>
Cash source:	
First Savings Bank	\$ 775,402
New Mexico Finance Authority	<u>45,803</u>
Total cash and cash equivalents	<u>\$ 821,205</u>

Credit and Interest Rate Risk

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.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

The composition of interfund balances during the year ended June 30, 2018 is as follows:

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 114,377	\$ -
Title I IASA	-	38,616
Entitlement IDEA B	-	15,540
NM Autism Project	-	911
IDEA B- Preschool	-	1,755
Title II	-	13,391
Title I School, Improvement	-	6,000
GO Bond Library	-	1,246
NM Reads to Lead K-3	-	24,669
SB - 9 cap outlay	-	12,249
Totals	<u>\$ 114,377</u>	<u>\$ 114,377</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2018.

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018, are as follows:

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ 13,019	\$ 68,747	\$ 46,830	\$ 128,596
Property taxes	-	62,718	-	62,718
Total	<u>\$ 13,019</u>	<u>\$ 131,465</u>	<u>\$ 46,830</u>	<u>\$ 191,314</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Retirements	Transfer	Balance June 30, 2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 513,093	\$ -	\$ -	\$ -	\$ 513,093
Construction in progress	9,213	-	-	(9,213)	-
Total capital assets not being depreciated	522,306	-	-	(9,213)	513,093
Capital assets being depreciated:					
Buildings & building improvements	9,715,915	196,159	-	9,213	9,921,287
Equipment, vehicles, information technology equipment, software & books	548,060	-	-	-	548,060
Total capital assets being depreciated	10,263,975	196,159	-	9,213	10,469,347
Less accumulated depreciation for:					
Buildings & building improvements	(1,369,598)	(244,439)	-	-	(1,614,037)
Equipment, vehicles, information technology equipment, software & books	(317,047)	(38,620)	-	-	(355,667)
Total accumulated depreciation	(1,686,645)	(283,059)	-	-	(1,969,704)
Total capital assets being depreciated, net	8,577,330	(86,900)	-	9,213	8,499,643
Governmental activities capital assets, net	\$ 9,099,636	\$ (86,900)	\$ -	\$ -	\$ 9,012,736

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2018, depreciation was charged to the following functions:

Governmental Activities	
Instruction	\$ -
Support services	-
Operations and maintenance of plant	<u>283,059</u>
 Total	 <u>\$ 283,059</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$4,110,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

Bonds outstanding at June 30, 2018, are comprised of the following:

<u>Note Description</u>	<u>Original issue</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
Series 2008	\$800,000	2021	2.00
Series 2009	515,000	2022	2.27
Series 2010	345,000	2021	1.10
Series 2010A	420,000	2004	1.08
Series 2012	230,000	2024	-
Series 2014	800,000	2029	.1 - 2.92
Series 2015	575,000	2029	1.70
Series 2016	<u>425,000</u>	2029	1.70
 Total	 \$4,110,000		

The following is a summary of the long-term debt and the activity for the year ended June 30, 2018:

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS (CONTINUED)

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 3,430,000	\$ -	\$ (290,000)	\$ 3,140,000	\$ 300,000
Compensated absences	13,918	13,301	(11,433)	15,786	-
Total governmental activities	<u>\$ 3,443,918</u>	<u>\$ 13,301</u>	<u>\$ (301,433)</u>	<u>\$ 3,155,786</u>	<u>\$ 300,000</u>

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2018, including interest payments are as follows:

Principal Due

Description	<u>6/30/19</u>	<u>6/29/20</u>	<u>6/29/21</u>	<u>6/29/22</u>	<u>6/29/23</u>	<u>Thereafter</u>
Series 2008	150,000	185,000	75,000	-	-	-
Series 2009	70,000	50,000	65,000	75,000	-	-
Series 2010	30,000	25,000	25,000	80,000	-	-
Series 2010A	10,000	15,000	10,000	70,000	145,000	130,000
Series 2012	-	-	-	-	-	190,000
Series 2014	10,000	10,000	10,000	10,000	10,000	730,000
Series 2015	10,000	10,000	10,000	10,000	10,000	505,000
Series 2016	20,000	-	10,000	20,000	20,000	335,000
Series 2018	-	-	10,000	20,000	30,000	30,000
Totals	<u>300,000</u>	<u>295,000</u>	<u>215,000</u>	<u>285,000</u>	<u>215,000</u>	<u>1,920,000</u>

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM OBLIGATIONS (CONTINUED)

Interest Due

Description	<u>6/30/19</u>	<u>6/29/20</u>	<u>6/29/21</u>	<u>6/29/22</u>	<u>6/29/23</u>	<u>Thereafter</u>
Series 2008	10,069	5,158	1,181	-	-	-
Series 2009	5,253	4,010	2,688	954	-	-
Series 2010	1,936	1,637	740	740	-	-
Series 2010A	6,486	6,071	5,629	4,061	1,339	-
Series 2012	-	-	-	-	-	-
Series 2014	17,360	17,171	16,953	16,709	16,441	43,392
Series 2015	9,984	9,821	9,633	9,423	9,189	32,233
Series 2016	811	799	763	716	668	3,047
Series 2018	<u>6,967</u>	<u>7,443</u>	<u>7,443</u>	<u>7,261</u>	<u>6,873</u>	<u>65,609</u>
Totals	58,866	52,110	45,030	39,864	34,510	144,281

Compensated Absences - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2018, compensated absences increased a net of \$1,868 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

8. LEASE AGREEMENTS

The District has an operating lease with Xerox for five copiers that began May 5, 2016, for 60 months at a \$455.79 monthly rate. The amount expensed in 2017-2018 was \$5,469.48.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The NMPSIA provides coverage for up to a maximum of \$500,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2018, there have been no claims that have exceeded insurance coverage.

10. 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.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of 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, are required to be members of the Plan, unless specifically excluded.

Benefits benefit – 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 an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (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.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Disability Benefit – An NMERB member is eligible for disability benefits if they have acquired at least ten years of earned service credit and is found totally disabled. The disability benefit is equal to 2% of the member's Final Average Salary (FAS) multiplied by the number of years of total service credits. However, the disability benefit shall not be less than the smaller of (a) one-third of the member's FAS or (b) 2% of the member's FAS multiplied by total years of service credit projected to age 60.

Cost of Living Adjustment (COLA) – All retired members and beneficiaries receiving benefits receive an automatic adjustment in their benefit on July 1 following the later of 1) the year a member retires, or 2) the year a member reaches age 65 (Tier 1 and Tier 2) or age 67 (Tier 3).

Tier 1 membership is comprised of employees who became members prior to July 1, 2010

Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013

Tier 3 membership is comprised of employees who became members on or after July 1, 2013

As of July 1, 2013, for current and future retirees the COLA 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 a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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, 2018 and 2017 educational employers contributed to the Plan based on the following rate schedule.

<u>Fiscal Year</u>	<u>Date Range</u>	<u>Wage Category</u>	<u>Member Rate</u>	<u>Employer Rate</u>	<u>Combined Rate</u>	<u>Increase over Prior</u>
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	10.70%	13.90%	24.60%	0.00%
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	10.70%	13.90%	24.60%	0.00%

Employer Contributions - Carrizozo Municipal Schools contributed 13.9% of gross covered salary.

The contribution requirements of plan members and the Carrizozo Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Carrizozo Municipal School's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$183,973, \$178,797, and \$178,462, respectively, which equal the amount of the required contributions for each fiscal year.

GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2016. As part of adopting GASB 68, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2018.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$1,357,689 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the 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, 2017, the District's proportion was .04517%, which was an increase of 0.0022% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$852,222. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Differences between expected and actual experience	\$ 9,011	\$ 77,337
Changes in assumptions	1,465,423	-
Net difference between projected and actual earnings on pension plan investments	-	689
District contributions subsequent to the measurement date	183,973	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>50,713</u>	<u>-</u>
Total	<u>\$ 1,709,120</u>	<u>\$ 78,026</u>

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

\$183,973 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2017, 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	\$	563,545	
2019		581,371	
2020		343,541	
2021		<u>(41,335)</u>	
Total		1,447,122	

Actuarial assumptions. The total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2017. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Specifically, the liabilities measured as of June 30, 2017 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Average of Expected Remaining Service Lives	3.77 years
Asset Valuation Method	5 year smooth market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of return	7.25%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, generational mortality improvements with Scale BB Healthy females: 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

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.). These items are developed for each major asset class.

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of net pension	\$ 6,534,731	\$ 5,019,954	\$ 3,781,746

Pension plan fiduciary net position Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2017 and June 30, 2016 which are publicly available at www.nmerb.org.

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2018 the District did not owe ERB any funds.

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

Plan Description - Carrizozo Municipal Schools 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 provided health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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) authorized 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 for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (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, 2016, 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, 2016, 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 237,375
Net difference between projected and actual earnings on OPEB plan investments	-	19,531
Difference between expected and actual experience	-	52,101
Contributions made after the measurement date	26,472	-
	\$ 26,472	\$ 309,007

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11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$1,357,689 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the District's proportion was 0.02996 percent.

Carrizozo Municipal Schools contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$26,472, \$25,727, and \$25,735, respectively, which equal the required contributions for each year.

Deferred outflows of resources totaling \$26,472 School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending	
2019	\$ (65,697)
2020	(65,697)
2021	(65,697)
2022	(65,697)
2023	<u>(46,219)</u>
	\$ (309,007)

Actuarial assumptions – The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal , level percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB: 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S. core of fixed income	4.10 %
U.S equity - large cap	9.10 %
Non U.S. - emerging markets	12.20 %
Non U.S. - developed equities	9.80 %
Private equity	13.80 %
Credit and structured finance	7.30 %
Real estate	6.90 %
Absolute return	6.10 %
U.S. equity - small/mid cap	9.10 %

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

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11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
\$ 1,646,856	\$ 1,357,689	\$ 1,130,812

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rates	1% Increase
\$ 1,154,808	\$ 1,357,689	\$ 1,515,886

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability – At June 30, 2018, the District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

12. LOSS CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

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13. ANALYSIS FOR IMPAIRMENT

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2018.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2018, the date the financial statements were available to be issued.

15. CONCENTRATION

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.

16. JOINT POWERS AGREEMENT

Carrizozo Municipal Schools entered in to a joint powers agreement with the Region 9 Education Cooperative (REC). The purpose of the agreement 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 under the Education of the Handicapped Act, Part B, PL 94142 among others.

There are seven schools that participate in the REC, they are Ruidoso, Capitan, Carrizozo, Cloudcroft, Corona, Hondo and Tularosa. The agreement became effective on July1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The REC is it's own fiscal agent and is responsible for its audit. The financial statements are available for inspection at the REC office located at 1400 Sudderth Dr. Ruidoso, New Mexico 88345.

17. RISK MANAGMENT

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

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2018

18. RESTATEMENT

The restatement was made to book the calculated OPEB liability and deferred outflows per GASB 75. Restatement includes a capital assets restatement for inventoried assets in fiscal year 2018 that were not included on the fiscal year 2017 financial statements.

	Government-Wide	Fund balance
OPEB liability	\$ (1,638,442)	\$ -
Deferred outflows - OPEB	25,726	-
Capital assets - expensed	96,379	-
Capital assets - related depreciation	(20,250)	-
Long term debt booked at the fund level	-	319,801
 Total prior period adjustment	 \$ (1,536,587)	 \$ 319,801

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Carrizozo Municipal Schools' proportion of the net pension liability	\$ 2,462,013	\$ 2,854,531	\$ 3,234,797	\$ 5,019,954
The Carrizozo Municipal Schools' proportionate share of the net pension liability	0.0432%	0.0441%	0.0452%	0.0452%
The Carrizozo Municipal Schools' covered-employee payroll	\$ 1,252,691	\$ 1,283,901	\$ 1,286,309	\$ 1,323,526
The Carrizozo Municipal Schools' proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.54 %	222.33 %	251.48 %	379.29 %
Plan fiduciary net position as a percentage of the total pension liability	63.97 %	63.97 %	61.58 %	52.95 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Carrizozo Municipal Schools will present information for those years for which information is available.

See independent auditors' report

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 174,124	\$ 178,462	\$ 178,797	\$ 183,973
Contributions in relation to the contractually required contribution	<u>174,124</u>	<u>178,462</u>	<u>178,797</u>	<u>183,973</u>
Contribution deficiency (excess)	-	-	-	-
The Carrizozo Municipal Schools' covered-employee payroll	<u>\$1,252,691</u>	<u>\$ 1,283,901</u>	<u>\$ 1,286,309</u>	<u>\$1,286,309</u>
Contributions as a percentage of covered-employee payroll	<u>13.90 %</u>	<u>13.90 %</u>	<u>13.90 %</u>	<u>13.90 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Carrizozo Municipal Schools will present information for those years for which information is available.

See independent auditors' report

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE OPEB LIABILITY
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2018

		<u>2018</u>
The Carrizozo Municipal Schools' proportion of the OPEB liability	\$	1,357,689
The Carrizozo Municipal Schools' proportionate share of the OPEB liability		0.0300%
The Carrizozo Municipal Schools' covered-employee payroll	\$	1,248,028
The Carrizozo Municipal Schools' proportionate share of the OPEB liability as a percentage of its covered-employee payroll		108.79 %
Plan fiduciary net position as a percentage of the total OPEB liability		11.34 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Carrizozo Municipal Schools will present information for those years for which information is available.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SCHEDULE OF CONTRIBUTIONS
 NEW MEXICO RETIREE HEALTH CARE AUTHORITY
 LAST 10 FISCAL YEARS*
 FOR THE YEAR ENDED JUNE 30, 2018

		<u>2018</u>
Contractually required contribution	\$	95,137
Contributions in relation to the contractually required contribution		<u>47,748</u>
Contribution deficiency (excess)		(47,389)
The Carrizozo Municipal Schools' covered- employee payroll	\$	<u>1,248,028</u>
Contributions as a percentage of covered- employee payroll		<u>3.83 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Carrizozo Municipal Schools will present information for those years for which information is available.

See independent auditors' report

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue	Capital Projects	Total
ASSETS			
Cash on deposit	\$ 29,223	\$ 112,937	\$ 142,160
Property taxes receivable	-	16,147	16,147
Accounts receivable	9,912	12,249	22,161
Total assets	\$ 39,135	\$ 141,333	\$ 180,468
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,804	\$ -	\$ 9,804
Due to other funds	9,912	12,249	22,161
Total liabilities	19,716	12,249	31,965
Deferred inflows:			
Property tax	-	15,125	15,125
Total deferred inflows	-	15,125	15,125
Total deferred inflows and liabilities	19,716	27,374	47,090
Fund balances:			
Nonspendable - inventory	-	-	-
Restricted, reported in:			
Special revenue funds	19,419	-	19,419
Capital project funds	-	113,959	113,959
Total fund balance	19,419	113,959	133,378
Total liabilities, deferred inflows, and fund balances	\$ 39,135	\$ 141,333	\$ 180,468

See independent auditors' report

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Taxes	\$ -	\$ 131,775	\$ 131,775
Charges for services	4,955	-	4,955
State sources	50,475	12,249	62,724
Federal sources	121,180	-	121,180
Miscellaneous	-	799	799
	<u>176,610</u>	<u>144,823</u>	<u>321,433</u>
Total revenues			
Expenditures:			
Current:			
Direct instruction	48,745	-	48,745
Instructional support	43,168	-	43,168
Food services	82,145	612	82,757
Operating and maintenance	-	164,285	164,285
Capital outlay	-	59,782	59,782
Debt services:			
Principal payments	-	-	-
Interest	-	-	-
	<u>174,058</u>	<u>224,679</u>	<u>398,737</u>
Total expenditures			
Net changes in fund balances	2,552	(79,856)	(77,304)
Fund balance - beginning of year	<u>16,867</u>	<u>193,815</u>	<u>210,682</u>
Fund balance - end of year	<u>\$ 19,419</u>	<u>\$ 113,959</u>	<u>\$ 133,378</u>

See independent auditors' report

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

The Special Revenue Funds are used to account for Federal, State and Local Funded grants. These grants are awarded to the District with the purpose of accomplishing specific education tasks. Grants accounted for in the Special Revenue Funds include:

Food Service (21000) - This program provides financing for 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. Also State Law NMSA 22-13-13.

Athletics (22000) - This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

NM Autism (24108) – This fund is used to account for funds provided to the district to support participation in the New Mexico Autism Project. The New Mexico Autism Project was established to improve educational outcomes for children diagnosed with Autism Spectrum Disorder. The funds were to be used for the establishment of a Technical Assistance Team, professional development, and curriculum resources.

IDEA-B Preschool (24109) - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

Title I School Improvements (24162) - To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Title XIX Medicaid 3/21 Years (25153) - is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

Rural Education Achievement Program (25233) - is used to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Dual Credit Instructional Materials (27103) - SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 GO Bond Library (27107) - To account for monies received from, Laws of 2012 to be used to improve the library, acquire library books or library resources that support the library program.

K-3-Plus (27166) - To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

Teacher & School Leader Incentive Pay (27188) (27190) - provide grantees with the opportunity to increase the effectiveness of teachers, principals, and other school leaders by developing, implementing, improving, and/or expanding performance-based compensation systems and human capital management systems.

STEM Teacher Initiative (27195) - this was initiated 2015-16 to recruit and retain hard to staff areas of Science-Technology-Engineering and Math. it was offered in conjunction with the Special Education and Bilingual Stipends.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	NM Autism 24108	IDEA-B Preschool 24109	Title I - School Improvements 24162	Title XIX Medicaid 25153	Rural Education Achievement 25233
ASSETS							
Cash on deposit	\$ 17,384	\$ 3,353	\$ -	\$ -	\$ -	\$ 8,486	\$ -
Accounts receivable	-	-	911	1,755	6,000	-	-
Total assets	<u>\$ 17,384</u>	<u>\$ 3,353</u>	<u>\$ 911</u>	<u>\$ 1,755</u>	<u>\$ 6,000</u>	<u>\$ 8,486</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ -	\$ 911	\$ 1,755	\$ 6,000	\$ -	\$ -
Accounts payable	9,804	-	-	-	-	-	-
Total liabilities	9,804	-	911	1,755	6,000	-	-
Fund balances:							
Nonspendable - inventory	-	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	7,580	3,353	-	-	-	8,486	-
Total fund balance	<u>7,580</u>	<u>3,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,486</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 17,384</u>	<u>\$ 3,353</u>	<u>\$ 911</u>	<u>\$ 1,755</u>	<u>\$ 6,000</u>	<u>\$ 8,486</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2018

	Special Revenue Funds						
	Dual Credit Instructional Materials 27103	2012 Go Bond Student Library 27107	K-3 Plus 27166	Teacher and School Leader Incentive Pay 27188	Teacher and School Leader Incentive 27190	Stem Teacher Initiative 27195	Total Special Revenue Funds
ASSETS							
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,223
Accounts receivable	-	1,246	-	-	-	-	9,912
Total assets	\$ -	\$ 1,246	\$ -	\$ -	\$ -	\$ -	\$ 39,135
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	\$ -	\$ 1,246	\$ -	\$ -	\$ -	\$ -	\$ 9,912
Accounts payable	-	-	-	-	-	-	9,804
Total liabilities	-	1,246	-	-	-	-	19,716
Fund balances:							
Nonspendable - inventory	-	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	-	-	-	-	-	-	19,419
Total fund balance	-	-	-	-	-	-	19,419
Total liabilities and fund balances	\$ -	\$ 1,246	\$ -	\$ -	\$ -	\$ -	\$ 39,135

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	NM Autism 24108	IDEA-B Preschool 24109	Title I - School Improvements 24162	Title XIX Medicaid 25153	Rural Education Achievement 25233
Revenues:							
Charges for services	\$ -	\$ 4,955	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	1,730	-	-	-	-	-	-
Federal sources	81,999	-	911	1,755	22,073	7,184	7,258
Total revenues	83,729	4,955	911	1,755	22,073	7,184	7,258
Expenditures:							
Current:							
Direct instruction	-	-	-	-	-	-	-
Instructional support	-	5,354	911	1,755	22,073	5,817	7,258
Food services	82,145	-	-	-	-	-	-
Total expenditures	82,145	5,354	911	1,755	22,073	5,817	7,258
Net changes in fund balances	1,584	(399)	-	-	-	1,367	-
Fund balance - beginning of	5,996	3,752	-	-	-	7,119	-
Fund balance - end of year as restated	\$ 7,580	\$ 3,353	\$ -	\$ -	\$ -	\$ 8,486	\$ -

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 CARRIZO MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 JUNE 30, 2018

	Special Revenue Funds						
	Dual Credit Instructional Materials 27103	2012 Go Bond Student Library 27107	K-3 Plus 27166	Teacher and School Leader Incentive Pay 27188	Teacher and School Leader Incentive 27190	Stem Teacher Initiative 27195	Total Special Revenue Funds
Revenues:							
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,955
State sources	443	4,229	24,716	12,973	309	6,075	50,475
Federal sources	-	-	-	-	-	-	121,180
Total revenues	443	4,229	24,716	12,973	309	6,075	176,610
Expenditures:							
Current:							
Direct instruction	443	4,229	24,716	12,973	309	6,075	48,745
Instructional support	-	-	-	-	-	-	43,168
Food services	-	-	-	-	-	-	82,145
Total expenditures	443	4,229	24,716	12,973	309	6,075	174,058
Net changes in fund balances	-	-	-	-	-	-	2,552
Fund balance - beginning	-	-	-	-	-	-	16,867
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,419

See independent auditors' report and accompanying notes to financial statements.

NONMAJOR CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

BOND BUILDING CAPITAL FUND (31100) – This fund accounts for the revenue received from bonds sold by the school to be used for improvements and additions to school owned property.

CAPITAL IMPROVEMENTS SB - 9 (31700, 31701) - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

STATE OF NEW MEXICO
CARRIZO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Bond Building 31100	Capital Improvements SB-9- State 31700	Capital Improvements SB-9- Local 31701	Total
ASSETS				
Cash on deposit	\$ 45,803	\$ -	\$ 67,134	\$ 112,937
Taxes receivable	-	-	16,147	16,147
Accounts receivable	-	12,249	-	12,249
Total assets	<u>\$ 45,803</u>	<u>\$ 12,249</u>	<u>\$ 83,281</u>	<u>\$ 141,333</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payables	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	12,249	-	12,249
Total liabilities	-	12,249	-	12,249
Deferred inflows:				
Property Tax	-	-	15,125	15,125
Total deferred inflows and liabilities	-	12,249	15,125	27,374
Fund balances:				
Restricted, reported in:				
Capital projects funds	45,803	-	68,156	113,959
Total fund balance	<u>45,803</u>	<u>-</u>	<u>68,156</u>	<u>113,959</u>
Total liabilities and fund balances	<u>\$ 45,803</u>	<u>\$ 12,249</u>	<u>\$ 83,281</u>	<u>\$ 141,333</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Bond Building 31100	Capital Improvements SB-9- State 31700	Capital Improvements SB-9- State 31701	Total
Revenues:				
Taxes	\$ -	\$ -	\$ 131,775	\$ 131,775
State sources	-	12,249	-	12,249
Investment earnings	799	-	-	799
Total revenues	799	12,249	131,775	144,823
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Operating and maintenance	-	12,249	152,036	164,285
Collection costs	-	-	612	612
Capital outlay	59,782	-	-	59,782
Total expenditures	59,782	12,249	152,648	224,679
Net changes in fund balances	(58,983)	-	(20,873)	(79,856)
Fund balance - beginning of year	104,786	-	89,029	193,815
Fund balance - end of year	<u>\$ 45,803</u>	<u>\$ -</u>	<u>\$ 68,156</u>	<u>\$ 113,959</u>

See independent auditors' report and accompanying notes to financial statements.

GENERAL FUND

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET
 GENERAL FUND
 JUNE 30, 2018

	Operational 11000	Transportation 13000	Instructional Material 14000	Total
ASSETS				
Cash	\$ 23,624	\$ 13,351	\$ 6,180	\$ 43,155
Taxes receivable	3,275	-	-	3,275
Due from other funds	114,377	-	-	114,377
Due from other grantors	-	13,019	-	13,019
 Total assets	 \$ 141,276	 \$ 26,370	 \$ 6,180	 \$ 173,826
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,555	\$ -	\$ -	\$ 4,555
Total liabilities	4,555	-	-	4,555
Deferred inflows:				
Property tax	\$ 3,068	\$ -	\$ -	\$ 3,068
Total deferred inflows	3,068	-	-	3,068
Fund balances:				
Unassigned, reported in:				
General fund	133,653	26,370	6,180	166,203
Total fund balances	133,653	26,370	6,180	166,203
Total liabilities, deferred inflows, and fund balances	\$ 141,276	\$ 26,370	\$ 6,180	\$ 173,826

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Operational 11000</u>	<u>Transportation 13000</u>	<u>Instructional Material 14000</u>	<u>Total</u>
REVENUES				
Taxes	\$ 26,724	\$ -	\$ -	\$ 26,724
Charges for services	-	-	-	-
State sources	1,940,421	-	4,620	1,945,041
Transportation distribution	-	160,046	-	160,046
Earnings from investments	303	-	-	303
Miscellaneous	10,137	-	-	10,137
	<u>1,977,585</u>	<u>160,046</u>	<u>4,620</u>	<u>2,142,251</u>
Total revenues	1,977,585	160,046	4,620	2,142,251
EXPENDITURES				
Current:				
Direct instruction	1,115,655	-	1,901	1,117,556
Instructional support	401,982	-	-	401,982
Central services	118,735	-	-	118,735
Operation and maintenance	293,584	-	-	293,584
Transportation	728	129,727	-	130,455
Food services	9,267	-	-	9,267
	<u>1,939,951</u>	<u>129,727</u>	<u>1,901</u>	<u>2,071,579</u>
Total expenditures	1,939,951	129,727	1,901	2,071,579
Net change in fund balance	37,634	30,319	2,719	70,672
Fund balance at beginning of year	<u>96,019</u>	<u>(3,949)</u>	<u>3,461</u>	<u>95,531</u>
Fund balance at end of year	<u>\$ 133,653</u>	<u>\$ 26,370</u>	<u>\$ 6,180</u>	<u>\$ 166,203</u>

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
AGENCY FUNDS CASH RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2018

Activity Funds

	Beginning	Deposited	Used	Ending
Assets				
23100 - ADMINISTRATION GENERAL	\$ 2,512	\$ 2,078	\$ (1,513)	\$ 3,077
23200 - T-MOBILE HOTSPOTS	1,040	2,857	(229)	3,668
23500 - GRIZZLY ALUMNI	2,878	822	(2,015)	1,685
23501 - SCHOLARSHIPS	-	4,837	(3,337)	1,500
23503 - PFK	2,447	7,956	(7,329)	3,074
23505 - GIRLS BASKETBALL	319	4,057	(919)	3,457
23506 - CHRISTMAS FUND	976	518	(928)	566
23508 - FFA ACTIVITY	21,773	15,660	(18,414)	19,019
23509 - GRIZZLIES DEN BOOSTER CLI	696	-	(245)	451
23510 - METAL SHOP PROJECTS	512	332	(370)	474
23511 - MUSIC/DRAMA	517	-	(159)	358
23512 - LIBRARY ACTIVITY	834	1,905	(1,792)	947
23513 - STUDENT COUNCIL	1,431	3,743	(4,496)	678
23514 - NATIONAL HONOR SOCIETY	30	335	-	365
23518 - CULINARY ARTS	2,851	6,577	(7,508)	1,920
23519 - TRACK	722	-	(255)	467
23520 - GIRLS VOLLEYBALL	500	2,798	(905)	2,393
23521 - YEARBOOK ACTIVITY	3,732	1,010	(1,528)	3,214
23523 - SUNSHINE ACCOUNT	891	-	-	891
23524 - ATHLETIC CONCESSION	2,425	9,485	(9,313)	2,597
23525 - ELEMENTARY ACTIVITY	1,216	10	(257)	969
23526 - KNOWLEDGE BOWL	151	-	(66)	85
23527 - BOYS BASKETBALL	1,009	4,155	(4,122)	1,042
23528 - ONLINE LEARNING	142	-	-	142
23536 - STUDENT ACTIVITY	721	1,116	-	1,837
23544 - CLASS OF 2018	529	-	(529)	-
23545 - CLASS OF 2017	872	143	(872)	143
23546 - CLASS OF 2020	110	149	-	259
23547 - CLASS OF 2019	138	3,769	(3,587)	320
23548 - GRIZZLIES GARDEN	860	1,507	(1,199)	1,168
23552 - THE GARDEN	89	-	(11)	78
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Activity Funds	\$ 52,923	\$ 75,819	\$ (71,898)	\$ 56,844
Liabilities				
Deposits Held for Others	<u>\$ 52,923</u>	<u>\$ 75,819</u>	<u>\$ (71,898)</u>	<u>\$ 56,844</u>
Total Liabilities	<u>\$ 52,923</u>	<u>\$ 75,819</u>	<u>\$ (71,898)</u>	<u>\$ 56,844</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
 JUNE 30, 2018

First Savings Bank

Description of Pledge Collateral	Market Value	Maturity Date	CSIP#
Tiered Maturities			
FHLMC 10 YR	\$ 145,872	03/01/23	31307BJW1
FNMA 15 YR	195,533	01/01/28	3138EKJA4
FNR 2012-145 DC	26,244	01/25/28	3136AA2L8
FHLMC 15 YR	<u>195,878</u>	08/01/23	3128ME4M0
Total	<u>\$ 563,527</u>		

Carrizozo Municipal Schools secures their public monies in United States Securities as listed above. The Schools are in compliance as disclosed in Note 3.

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
First Savings Bank				
General Operational	Checking	\$ 714,719	\$ (128,597)	\$ 586,122
Activity Fund	Checking	<u>60,683</u>	<u>(3,839)</u>	<u>56,844</u>
Total FSB		775,402	(132,436)	642,966
New Mexico Finance Authority				
Restricted Cash	Savings	45,803	-	45,803
Total NMFA		<u>45,803</u>	<u>-</u>	<u>45,803</u>
Total deposits		<u>\$ 821,205</u>	<u>\$ (132,436)</u>	<u>\$ 688,769</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2018

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Service 21000	Athletics Account 22000	Agency Account 23000	Federal Flowthrough 24000
Cash, June 30, 2017	\$ 102,739	\$ -	\$ 3,461	\$ 5,996	\$ 3,752	\$ 52,923	\$ (40,112)
Cash receipts, 2017-2018	1,977,378	147,027	4,620	83,729	4,955	75,524	223,905
Cash disbursements, 2017-2018	<u>(2,056,493)</u>	<u>(133,676)</u>	<u>(1,901)</u>	<u>(72,341)</u>	<u>(5,354)</u>	<u>(71,603)</u>	<u>(183,793)</u>
Cash balance, June 30, 2018	<u>\$ 23,624</u>	<u>\$ 13,351</u>	<u>\$ 6,180</u>	<u>\$ 17,384</u>	<u>\$ 3,353</u>	<u>\$ 56,844</u>	<u>\$ -</u>

	Federal Direct 25000	State Flowthrough 27000	State Direct 28000	Bond Building 31100	Cap. Impro. SB 9 31700	Cap. Impro. SB 9 31701	Debt Service Fund 41000	Total
Cash, June 30, 2017	\$ 6,577	\$ (698)	\$ 136,378	\$ 104,785	\$ -	\$ 89,725	\$ 341,161	\$ 806,687
Cash receipts, 2017-2018	14,984	115,887	105,000	800	12,249	130,753	350,608	3,247,419
Cash disbursements, 2017-2018	<u>(13,075)</u>	<u>(115,189)</u>	<u>(136,377)</u>	<u>(59,782)</u>	<u>(12,249)</u>	<u>(153,344)</u>	<u>(350,160)</u>	<u>(3,365,337)</u>
Cash balance, June 30, 2018	<u>\$ 8,486</u>	<u>\$ -</u>	<u>\$ 105,001</u>	<u>\$ 45,803</u>	<u>\$ -</u>	<u>\$ 67,134</u>	<u>\$ 341,609</u>	<u>\$ 688,769</u>

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 JOINT POWERS AGREEMENTS
 JUNE 30, 2018

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
Region 9 Education Cooperative (REC)	The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94142 among others.	7/1/1995	6/30/2018	-	-	Each their own/annual renewal

COMPLIANCE SECTION



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

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board of Directors of Carrizozo Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Carrizozo Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the combined and individual funds and any other schedule required by the Audit Rule presented as supplementary information, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management Responses to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

November 15, 2018

STATE OF NEW MEXICO
 CARRIZOZO MUNICIPAL SCHOOLS
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2018

PRIOR AUDIT FINDINGS		Current status
2017-001	Certification of Inventory-Compliance & Internal Control-Significant Deficiency	Resloved
2012-001	Expenditure Issues - Compliance and Internal Control-Significant Deficiency Condition	Resloved
2015-005	Background Checks-Compliance and Internal Control-Significant Deficiency	Resloved
2016-001	New Hire Reporting-Compliance and Internal Control-Significant Deficiency	Resloved
 CURRENT AUDIT FINDINGS		 Current status
2018-001	Journal Entries-Significant Deficiency	New

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Journal Entries (Significant Deficiency) - 2018-001

CONDITION	During journal entry testwork performed, it was noted that the District does not have a review and approval process in place for the recording of manual journal entries.
CRITERIA	Section 6.20.2.11 of NMAC requires each School District to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.
CAUSE	The District was unaware of this requirement.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override
RECOMMENDATION	We recommend that the District implement a review and approval process for journal entries and other adjustments to mitigate the risk of management override or financial statement manipulation.
RESPONSE	Management will assure all manual entries are reviewed and approved prior to financial system entry.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of Carrizozo Municipal Schools as of, and for the year ended June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
CARRIZOZO MUNICIPAL SCHOOLS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted September 19, 2018 in a closed meeting of the Carrizozo Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Carrizozo Municipal Schools

Antoinette Rossi	Board Member
Cathy Barela	Dean
Elizabeth Montoya	Business Manager
Amber Vallejos	Business Support Specialist

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Senior Auditor
Ashley Tierney	Audit Staff II

An exit conference was conducted November 13, 2018 in a closed meeting of the Carrizozo Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Carrizozo Municipal Schools

John Hemphill	Board President
Antoinette Rossi	Board Member
Todd Lindsay	Superintendent
Elizabeth Montoya	Business Manager
Amber Vallejos	Business Support Specialist

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Senior Auditor
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