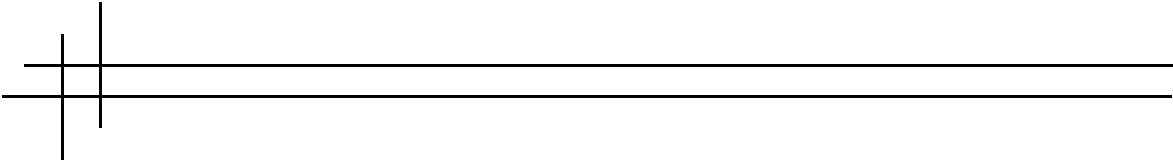


State of New Mexico
Carrizozo Municipal Schools

Annual Financial Report
June 30, 2017

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



State of New Mexico
Carrizozo Municipal Schools
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 For the Year Ended June 30, 2017

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Carrizozo Municipal Schools
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State of New Mexico
Carrizozo Municipal Schools
Official Roster
June 30, 2017

Board of Education

John Hemphill	President
Kelly Zamora	Vice-President
Antoinette Rossi	Secretary
Chris Barela	Member
Faithe Samora	Member

School Officials

Ricky Espinoza	Superintendent
Liz Montoya	Business Manager

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Carrizozo Municipal Schools

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Carrizozo Municipal School (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and debt service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining fund financial statements as of and for the year ended June 30, 2017, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects and debt service 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 be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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 that the Schedules of Required Supplementary Information for the Pension Plan 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 contest. 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 District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated, in all material

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 26, 2017

Financial Section

State of New Mexico
Carrizozo Municipal Schools
Government-Wide Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 753,764
Property Taxes Receivable	25,032
Due from Grantor	41,352
Total Current Assets	<u>820,148</u>
Noncurrent Assets	
Capital Assets	10,689,902
Less: Accumulated Depreciation	<u>(1,666,395)</u>
Total Noncurrent Assets	<u>9,023,507</u>
Total Assets	<u>9,843,655</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	14,034
Investment Experience	193,090
Changes of Assumptions	65,847
Changes in Proportion	93,185
Contributions Subsequent to Measurement Date	<u>178,797</u>
Total Deferred Outflows of Resources	<u>544,953</u>
Liabilities	
Current Liabilities	
Accounts Payable	11,365
Compensated Absences	13,918
Accrued Interest	29,801
Current Portion of Long-Term Debt	290,000
Total Current Liabilities	<u>345,084</u>
Noncurrent Liabilities	
Bonds	3,140,000
Pension Liability	3,234,797
Total Noncurrent Liabilities	<u>6,374,797</u>
Total Liabilities	<u>6,719,881</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	<u>30,767</u>
Total Deferred Inflows of Resources	<u>30,767</u>
Net Position	
Net Investment in Capital Assets	5,593,507
Restricted for:	
Capital Projects	330,193
Debt Service	21,359
Unrestricted	<u>(2,307,099)</u>
Total Net Position	<u>\$ 3,637,960</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 1,778,572	\$ 7,958	\$ 243,847	\$ 0	\$ (1,526,767)
Support Services					
Students	212,649	5,510	21,675	0	(185,464)
Instruction	79,044	0	22,355	0	(56,689)
General Administration	98,245	0	0	0	(98,245)
School Administration	105,306	0	31	0	(105,275)
Central Services	120,503	0	0	0	(120,503)
Operation of Plant	391,878	0	0	0	(391,878)
Student Transportation	153,602	0	152,093	0	(1,509)
Food Services Operations	101,594	1,892	76,906	0	(22,796)
Interest on Long-Term Obligations & Other Charges					
	59,542	0	0	0	(59,542)
Total Governmental Activities	\$ 3,100,935	\$ 15,360	\$ 516,907	\$ 0	(2,568,668)
General Revenues					
Taxes					
					22,763
					117,737
					320,795
Federal and State aid not restricted to specific purpose					
					1,905,714
					145,591
Miscellaneous					
					5,802
					<u>2,518,402</u>
					<u>(50,266)</u>
					3,689,639
					<u>(1,413)</u>
					<u>3,688,226</u>
					<u>\$ 3,637,960</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund		
	Operational 11000	Transportation 13000	Instructional Materials 14000
Assets			
Cash and Cash Equivalents	\$ 61,387	\$ 0	\$ 3,461
Receivables			
Taxes Receivable	1,176	0	0
Due From Grantor	0	0	0
Interfund Balances	41,352	0	0
Total Assets	<u>\$ 103,915</u>	<u>\$ 0</u>	<u>\$ 3,461</u>
Liabilities			
Accounts Payable	\$ 6,720	\$ 3,949	\$ 0
Interfund Balance	0	0	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	<u>6,720</u>	<u>3,949</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>1,176</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>1,176</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	96,019	-3,949	3,461
Total Fund Balances	<u>96,019</u>	<u>-3,949</u>	<u>3,461</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 103,915</u>	<u>\$ 0</u>	<u>\$ 3,461</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2017

	Capital Projects		
	NM Highway Department 28120	Bond Building 31100	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 136,378	\$ 104,786	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Interfund Balances	0	0	0
Total Assets	<u>\$ 136,378</u>	<u>\$ 104,786</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Current Portion Due			
Principal	0	0	0
Interest	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	136,378	104,786	0
Restricted for Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>136,378</u>	<u>104,786</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 136,378</u>	<u>\$ 104,786</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	<u>Capital Projects</u>		
	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Other Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 89,725	\$ 341,160	\$ 16,867
Receivables			
Taxes Receivable	6,387	17,469	0
Due From Grantor	0	0	41,352
Interfund Balances	0	0	0
Total Assets	\$ 96,112	\$ 358,629	\$ 58,219
Liabilities			
Accounts Payable	\$ 696	\$ 0	\$ 0
Interfund Balance	0	0	41,352
Current Portion Due			
Principal	0	290,000	0
Interest	0	29,801	0
Total Liabilities	696	319,801	41,352
Deferred Inflows of Resources			
Unavailable Revenue	6,387	17,469	0
Total Deferred Inflows of Resources	6,387	17,469	0
Fund Balances			
Restricted for Special Revenue	0	0	16,867
Restricted for Capital Projects	89,029	0	0
Restricted for Debt Service	0	21,359	0
Unassigned	0	0	0
Total Fund Balances	89,029	21,359	16,867
Total Liabilities, Deferred Inflows and Fund Balances	\$ 96,112	\$ 358,629	\$ 58,219

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 753,764
Receivables	
Taxes Receivable	25,032
Due From Grantor	41,352
Interfund Balances	41,352
Total Assets	<u>\$ 861,500</u>
Liabilities	
Accounts Payable	\$ 11,365
Interfund Balance	41,352
Current Portion Due	
Principal	290,000
Interest	29,801
Total Liabilities	<u>372,518</u>
Deferred Inflows of Resources	
Unavailable Revenue	<u>25,032</u>
Total Deferred Inflows of Resources	<u>25,032</u>
Fund Balances	
Restricted for Special Revenue	16,867
Restricted for Capital Projects	330,193
Restricted for Debt Service	21,359
Unassigned	95,531
Total Fund Balances	<u>463,950</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 861,500</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds \$ 463,950

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 25,032

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

Capital Assets	\$ 10,689,902	
Accumulated Depreciation	<u>(1,666,395)</u>	9,023,507

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	544,953	
Deferred Inflows Related to Pensions	<u>(30,767)</u>	514,186

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bonds payable-GWFS	(3,430,000)	
Current Principal Due-Balance Sheet	290,000	
Compensated Absences	(13,918)	
Pension Liability	(3,234,797)	
Accrued Interest-GWFS	(29,801)	
Current Interest Due-Balance Sheet	<u>29,801</u>	<u>(6,388,715)</u>

Total Net Position - Governmental Activities \$ 3,637,960

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

	General Fund		
	Operational	Transportation	Instructional
	11000	13000	Materials 14000
Property Taxes	\$ 24,330	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	1,904,928	138,877	10,130
Federal Grants	786	0	0
Miscellaneous	5,148	0	0
Total Revenues	<u>1,935,192</u>	<u>138,877</u>	<u>10,130</u>
Expenditures			
Current			
Instruction	1,155,019	0	16,003
Support Services			
Students	179,741	0	0
Instruction	52,369	0	0
General Administration	68,656	0	0
School Administration	91,180	0	0
Central Services	113,808	0	0
Operation and Maintenance of Plant	284,750	0	0
Student Transportation	0	142,972	0
Food Services Operations	17,698	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,963,221</u>	<u>142,972</u>	<u>16,003</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(28,029)</u>	<u>(4,095)</u>	<u>(5,873)</u>
Other Financial Sources			
Bond Issue	0	0	0
Total Other Financial Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>(28,029)</u>	<u>(4,095)</u>	<u>(5,873)</u>
Fund Balances at Beginning of Year	124,048	292	10,601
Restatement	0	(146)	(1,267)
Restated Beginning Fund Balance	<u>124,048</u>	<u>146</u>	<u>9,334</u>
Fund Balances End of Year	<u>\$ 96,019</u>	<u>\$ (3,949)</u>	<u>\$ 3,461</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

	Capital Projects		
	NM Highway Department 28120	Bond Building 31100	Senate Bill Nine-State 31700
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	145,591	0	0
Federal Grants	0	0	0
Miscellaneous	0	654	0
Total Revenues	145,591	654	0
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	18,839	0
School Administration	0	0	0
Central Services	0	0	0
Operation and Maintenance of Plant	0	0	0
Student Transportation	0	0	0
Food Services Operations	0	0	0
Capital Outlay	9,213	323,898	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	9,213	342,737	0
Excess (Deficiency) of Revenues Over Expenditures	136,378	(342,083)	0
Other Financial Sources			
Bond Issue	0	425,000	0
Total Other Financial Sources	0	425,000	0
Net Change in Fund Balances	136,378	82,917	0
Fund Balances at Beginning of Year	0	21,869	0
Restatement	0	0	0
Restated Beginning Fund Balance	0	21,869	0
Fund Balances End of Year	\$ 136,378	\$ 104,786	\$ 0

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2017

	<u>Capital Projects</u>		
	Senate Bill Nine-Local 31701	Debt Service 41000	Other Governmental Funds
Property Taxes	\$ 126,340	\$ 343,675	\$ 0
Fees	0	0	15,360
State & Local Grants		0	108,413
Federal Grants	0	0	259,487
Miscellaneous	0	0	0
Total Revenues	<u>126,340</u>	<u>343,675</u>	<u>383,260</u>
Expenditures			
Current			
Instruction	0	0	251,427
Support Services			
Students	0	0	23,303
Instruction	0	0	22,355
General Administration	1,264	3,437	0
School Administration	0	0	31
Central Services	0	0	0
Operation and Maintenance of Plant	98,276	0	0
Student Transportation	0	0	3,086
Food Services Operations	0	0	80,704
Capital Outlay	20,906	0	0
Debt Service			
Principal	0	290,000	0
Interest	0	59,542	0
Total Expenditures	<u>120,446</u>	<u>352,979</u>	<u>380,906</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>5,894</u>	<u>(9,304)</u>	<u>2,354</u>
Other Financial Sources			
Bond Issue	0	0	0
Total Other Financial Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>5,894</u>	<u>(9,304)</u>	<u>2,354</u>
Fund Balances at Beginning of Year	83,135	30,663	14,513
Restatement	0	0	0
Restated Beginning Fund Balance	<u>83,135</u>	<u>30,663</u>	<u>14,513</u>
Fund Balances End of Year	<u>\$ 89,029</u>	<u>\$ 21,359</u>	<u>\$ 16,867</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2017

	Total Governmental Funds
Property Taxes	\$ 494,345
Fees	15,360
State & Local Grants	2,307,939
Federal Grants	260,273
Miscellaneous	5,802
Total Revenues	<u>3,083,719</u>
Expenditures	
Current	
Instruction	1,422,449
Support Services	
Students	203,044
Instruction	74,724
General Administration	92,196
School Administration	91,211
Central Services	113,808
Operation and Maintenance of Plant	383,026
Student Transportation	146,058
Food Services Operations	98,402
Capital Outlay	354,017
Debt Service	
Principal	290,000
Interest	59,542
Total Expenditures	<u>3,328,477</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(244,758)</u>
Other Financial Sources	
Bond Issue	425,000
Total Other Financial Sources	<u>425,000</u>
Net Change in Fund Balances	<u>180,242</u>
Fund Balances at Beginning of Year	285,121
Restatement	(1,413)
Restated Beginning Fund Balance	<u>283,708</u>
Fund Balances End of Year	<u>\$ 463,950</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2017

Net Change in Fund Balances \$ 180,242

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2016	\$ (58,083)	
Property Taxes Receivable, June 30, 2017	<u>25,032</u>	(33,051)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(250,008)	
Capital Outlays	<u>354,017</u>	104,009

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (425,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.
 Principal paid for bonds 290,000

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2016	16,509	
Compensated Absences, June 30, 2017	<u>(13,918)</u>	2,591

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	178,797	
Pension Expense	<u>(347,854)</u>	<u>(169,057)</u>

Changes in Net Position of Governmental Activities \$ (50,266)

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 23,329	\$ 23,329	\$ 24,330	\$ 1,001
State Grants	1,855,828	1,917,958	1,904,928	(13,030)
Federal Grants	0	0	786	786
Miscellaneous	0	0	5,148	5,148
Total Revenues	<u>1,879,157</u>	<u>1,941,287</u>	<u>1,935,192</u>	<u>(6,095)</u>
Expenditures				
Instruction				
Personnel Services	801,715	789,560	789,081	479
Employee Benefits	307,889	293,197	292,636	561
Professional & Tech Services	9,900	12,200	10,768	1,432
Other Purchased Services	27,408	40,919	35,719	5,200
Supplies	29,229	32,973	26,636	6,337
Supply Assets	0	8,872	178	8,694
Total Instruction	<u>1,176,141</u>	<u>1,177,721</u>	<u>1,155,018</u>	<u>22,703</u>
Support Services				
Students				
Personnel Services	45,484	45,484	45,483	1
Employee Benefits	11,616	11,512	11,507	5
Professional & Tech Services	55,897	69,177	67,202	1,975
Other Purchased Services	51,756	61,799	55,502	6,297
Supplies	200	200	30	170
Total Students	<u>164,953</u>	<u>188,172</u>	<u>179,724</u>	<u>8,448</u>
Instruction				
Personnel Services	37,453	37,453	37,453	0
Employee Benefits	17,136	14,922	14,916	6
Professional & Tech Services	100	0	0	0
Total Instruction	<u>54,689</u>	<u>52,375</u>	<u>52,369</u>	<u>6</u>
General Administration				
Personnel Services	33,000	33,000	33,000	0
Employee Benefits	8,432	8,433	8,423	10
Professional & Tech Services	24,585	22,306	20,556	1,750
Other Purchased Services	5,325	2,773	1,958	815
Supplies	5,120	9,467	4,719	4,748
Total General Administration	<u>\$ 76,462</u>	<u>\$ 75,979</u>	<u>\$ 68,656</u>	<u>\$ 7,323</u>

State of New Mexico
Carrizozo Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 66,495	\$ 66,496	\$ 66,495	\$ 1
Employee Benefits	24,209	23,828	23,824	4
Professional & Tech Services	0	1,700	17	1,683
Supplies	1,000	1,000	844	156
Total School Administration	<u>91,704</u>	<u>93,024</u>	<u>91,180</u>	<u>1,844</u>
Central Services				
Personnel Services	66,943	71,943	71,943	0
Employee Benefits	29,645	29,940	29,938	2
Professional & Tech Services	11,480	10,315	9,957	358
Other Purchased Services	2,600	2,032	1,659	373
Supplies	1,000	5,647	307	5,340
Total Central Services	<u>111,668</u>	<u>119,877</u>	<u>113,804</u>	<u>6,073</u>
Operation of Plant				
Personnel Services	58,175	57,675	57,675	0
Employee Benefits	35,703	34,536	34,533	3
Professional & Tech Services	0	176	175	1
Purchased Property Services	128,489	126,154	98,145	28,009
Other Purchased Services	89,875	92,102	84,585	7,517
Supplies	11,700	17,200	9,866	7,334
Total Operation of Plant	<u>323,942</u>	<u>327,843</u>	<u>284,979</u>	<u>42,864</u>
Total Support Services	<u>823,418</u>	<u>857,270</u>	<u>790,712</u>	<u>66,558</u>
Food Service				
Personnel Services	0	7,500	7,500	0
Employee Benefits	0	1,767	1,766	1
Professional & Tech Services	0	12,000	8,433	3,567
Supplies	0	0	0	0
Total Food Service	<u>0</u>	<u>21,267</u>	<u>17,699</u>	<u>3,568</u>
Total Expenditures	<u>\$ 1,999,559</u>	<u>\$ 2,056,258</u>	<u>\$ 1,963,429</u>	<u>\$ 92,829</u>

State of New Mexico
Carrizozo Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Excess (Deficiency) of Revenues Over Expenditures	\$ (120,402)	\$ (114,971)	\$ (28,237)	\$ 86,734
Cash Balance Beginning of Year	130,976	130,976	130,976	0
Restatement				0
Restated Beginning Cash Balance	<u>130,976</u>	<u>130,976</u>	<u>130,976</u>	<u>0</u>
Cash Balance End of Year	\$ <u>10,574</u>	\$ <u>16,005</u>	\$ <u>102,739</u>	\$ <u>86,734</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (28,237)	
Net Change in Taxes Receivable			(1,567)	
Net Change in Accounts Payables			208	
Net Change in Unavailable Revenue			1,567	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(28,029)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 157,348	\$ 138,877	\$ 138,877	\$ 0
Total Revenues	<u>157,348</u>	<u>138,877</u>	<u>138,877</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	53,760	39,100	39,100	0
Employee Benefits	12,687	9,180	9,196	(16)
Professional & Tech Services	100	118	118	0
Purchased Property Services	1,400	283	354	(71)
Other Purchased Services	82,401	83,623	85,340	(1,717)
Supplies	7,000	6,865	4,915	1,950
Returned to PED	0	0	146	(146)
Total Student Transportation	<u>157,348</u>	<u>139,169</u>	<u>139,169</u>	<u>0</u>
Total Expenditures	<u>157,348</u>	<u>139,169</u>	<u>139,169</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(292)	(292)	0
Cash Balance Beginning of Year	<u>292</u>	<u>292</u>	<u>292</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 292</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (292)	
Net Change in Accounts Payables			(3,949)	
Returned to PED			146	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,095)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grants	\$ 7,936	\$ 6,669	\$ 10,130	\$ 3,461
Total Revenues	<u>7,936</u>	<u>6,669</u>	<u>10,130</u>	<u>3,461</u>
Expenditures				
Instruction				
Supplies	16,334	17,270	16,003	1,267
Returned to PED	<u>0</u>	<u>0</u>	<u>1,267</u>	<u>(1,267)</u>
Total Instruction	<u>16,334</u>	<u>17,270</u>	<u>17,270</u>	<u>0</u>
Total Expenditures	<u>16,334</u>	<u>17,270</u>	<u>17,270</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,398)	(10,601)	(7,140)	3,461
Cash Balance Beginning of Year	<u>10,601</u>	<u>10,601</u>	<u>10,601</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,203</u>	<u>\$ 0</u>	<u>\$ 3,461</u>	<u>\$ 3,461</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,140)	
Returned to PED			<u>1,267</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,873)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 52,926
Total Assets	<u>\$ 52,926</u>
Liabilities	
Deposits Held for Others	\$ 52,926
Total Liabilities	<u>\$ 52,926</u>

The notes to the financial statements are an integral part of this statement.

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.

Financial Reporting Entity

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.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

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.

The District reports the following major governmental funds:

General Fund (11000)(13000)(14000)

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.

Capital Projects Funds

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

Bond Building (31000). To account for a bond issue to spend of capital improvements.

Senate Bill Nine-State (31700). The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Senate Bill Nine-Local (31701). The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Debt Service Fund (41000). 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. Expenditures are restricted to debt reduction.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

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.

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore 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.

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.
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.

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.

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 Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

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

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

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.

Short -Term Debt

Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance represents assets that are other than cash such as inventory.

Restricted fund balance indicates that portion of fund equity which has been segregated for specific purposes.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance classification are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance indicates that portion of fund equity which is available for budgeting in future periods.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

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.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

First Savings Bank		Balance Per Bank 6/30/17	Reconciled Balance	Type
<u>Name of Account</u>				
Operational	Checking	\$ 815,848	\$ 648,979	Interest
Activity	Checking	58,818	52,926	Interest
TOTAL Deposited		874,666	<u>701,905</u>	
Less: FDIC Coverage		(250,000)		
Uninsured Amount		624,666		
50% collateral requirement		312,333		
Pledged securities		883,179		
Over (Under) requirement		<u>\$ 570,846</u>		

State of New Mexico
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Notes to the Financial Statements
June 30, 2017

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

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	31307BJW1	\$ 207,273	03/01/2023	Federal Reserve
FNMA	3138EKJA4	244,600	01/01/2028	Federal Reserve
FNR	3136AA2L8	3,466	01/25/2028	Federal Reserve
FHLMC	3128ME4M0	190,151	08/01/2031	Federal Reserve
FHLMC	3128ME4M0	237,689	08/01/2031	Federal Reserve
		<u>\$ 883,179</u>		

Bank of America-NMFA

<u>Name of Account</u>		<u>Balance Per Bank 6/30/17</u>	<u>Reconciled Balance</u>	<u>Type</u>
Bond Building	Checking	\$ 104,785	\$ 104,785	Interest

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 354,785
Collateralized:	
Collateral held by the pledging bank in District's name	624,666
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 979,451</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017 none of the District's bank balance of \$979,451 was exposed to custodial credit risk.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2017:

	<u>Operational 11000</u>	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	<u>Total</u>
Property Taxes				
Available	\$ 0	\$ 0	0	0
Unavailable	1,176	6,387	17,469	25,032
Total	<u>\$ 1,176</u>	<u>\$ 6,387</u>	<u>\$ 17,469</u>	<u>25,032</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2017:

State	\$ 697
Federal	40,655
Total	<u>\$ 41,352</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>
	<u>Nonmajor</u>
Operational Fund	\$ <u>41,352</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/16	Increases	Decreases	Ending Balance 6/30/17
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 513,093	\$ 0	\$ 0	\$ 513,093
Construction in Progress	0	9,213	0	9,213
Total Capital Assets, not Being Depreciated	<u>513,093</u>	<u>9,213</u>	<u>0</u>	<u>522,306</u>
Other Capital Assets				
Buildings & Improvements	9,388,128	327,787	0	9,715,915
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	434,664	17,017		451,681
Total Capital Assets, being depreciated	<u>9,822,792</u>	<u>344,804</u>	<u>0</u>	<u>10,167,596</u>
Total Capital Assets	<u>10,335,885</u>	<u>354,017</u>	<u>0</u>	<u>10,689,902</u>
Less Accumulated Depreciation				
Buildings & Improvement	1,138,158	231,511		1,369,669
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	278,229	18,497		296,726
Total Accumulated Depreciation	<u>1,416,387</u>	<u>250,008</u>	<u>0</u>	<u>1,666,395</u>
Capital Assets, net	<u>\$ 8,919,498</u>	<u>\$ 104,009</u>	<u>\$ 0</u>	<u>\$ 9,023,507</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 250,008
Total depreciation expenses	<u>\$ 250,008</u>

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/16	Additions	Reductions	Ending Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 3,260,000	\$ 425,000	\$ 255,000	\$ 3,430,000	\$ 290,000
Long-Term Liabilities	<u>\$ 3,260,000</u>	<u>\$ 425,000</u>	<u>\$ 255,000</u>	<u>\$ 3,430,000</u>	<u>\$ 290,000</u>
Other Liabilities					
Compensated Absences					
Absences	\$ 16,509	\$ 10,736	\$ 13,327	\$ 13,918	\$ 13,918
Total Other Liabilities	<u>\$ 16,509</u>	<u>\$ 10,736</u>	<u>\$ 13,327</u>	<u>\$ 13,918</u>	<u>\$ 13,918</u>

Payments on the general obligation bonds are made by the Debt Service Funds.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Maturity Year Ending	Original Amount	Interest Rate	Balance
2008	2021	800,000	2.00%	\$ 560,000
2009	2022	515,000	2.27%	310,000
2010	2021	345,000	1.10%	190,000
2010A	2004	420,000	1.08%	390,000
2012	2024	230,000	0.00%	200,000
2014	2029	800,000	0.1%-2.92%	790,000
2015	2029	575,000	1.70%	565,000
2016	2029	425,000	1.70%	425,000
				<u>\$ 3,430,000</u>

The annual requirements to amortize all of the above bonds including interest is as follows:

	Principal	Interest	Total
2018	\$ 290,000	\$ 56,662	\$ 346,662
2019	285,000	50,468	335,468
2020	315,000	43,278	358,278
2021	310,000	36,238	346,238
2022	225,000	30,557	255,557
2023-2027	1,290,000	98,445	1,388,445
2028-2029	715,000	5,387	720,387
	<u>\$ 3,430,000</u>	<u>\$ 321,035</u>	<u>\$ 3,751,035</u>

Reconciliation of Long-Term Debt disclosed in Note F to the Long-Term Debt reported in the Statement of Net Position.

Above	\$ 3,430,000
Statement of Net Position	<u>\$ 3,430,000</u>
Long-Term Per Government Wide Financial Statements	\$ 3,140,000
Current Portion	290,000
Statement of Net Position	<u>\$ 3,430,000</u>

F. Commitments

The District has various construction commitments District wide.

G. Retirement Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Educational Retirement Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at https://www.nmerb.org/Annual_reports.html .

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

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

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

Benefits. 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
- *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.

*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. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

Cost of Living Adjustment (COLA). All retired members and 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.

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

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

Fiscal Year	Date Range	Wage Category	Member's Rate	Employer's Rate	Combined Rate
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. for the fiscal years ended June 30, 2017 the employee and employer contributions were \$313,463.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$3,234,797 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The 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, 2016, the District's proportion was 0.04495%, which was an increase of 0.00088% from their proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$347,854. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,034	30,767
Net difference between projected and actual earnings on pension plan investments	193,090	0
Changes of assumptions	65,847	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	93,185	0
District's contributions subsequent to the	178,797	0
	<u>\$ 544,953</u>	<u>30,767</u>

\$178,797 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>		
2018	\$	100,086
2019		85,282
2020		102,936
2021		47,085
Total	\$	<u>335,389</u>

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

Inflation	3.00%
Salary Increases	Composed of 3% 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	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p>

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on June 12, 2015 in conjunction with the six-year actuarial experience study period ending June 30, 2014. At that time, the Board adopted several assumption changes, which included a decrease in the annual wage inflation rate from 4.25% to 3.75%, and changes to the mortality rates, disability rates, and retirement rates for members who joined the plan after June 30, 2010. In addition, the board lowered the population growth rate assumption to zero.

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

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

Discount rate. A single discount rate of 7.75% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 4,284,413	\$ 3,234,797	\$ 2,363,912

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

H. Retiree Health Care
Plan Description

The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which the 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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, 2015, 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, 2015, 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, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$25,727, \$25,735, and \$25,054, respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

J. Risk Management

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

The officials and certain employees of the District are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

K. Joint Powers Agreements

Carrizozo Municipal Schools entered into 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 July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

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.

L. 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.

M. Subsequent Events

Subsequent events were evaluated through October 26, 2017 which is the date the financial statements were available to be issued.

N. Deficit Fund Balance

Transportation-13000 ended the year with a deficit fund balance of \$(3,949).

O. Restatement

Fund Balances for Transportation-13000 and Instructional Materials-14000 were restated \$(146) and \$(1,267) for money returned to PED because of budget cuts. The Net Position was restated a total for both \$(1,413) for the same reason.

P. Subsequent Pronouncements

GASB Statement No. 85, Omnibus 2017. Issued 06/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Of the ten topics, only the following will apply to this District:

- *Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- *Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- *Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- *Classifying employer-paid member contributions for OPEB.
- *Simplifying certain aspects of the alternative measurement method for OPEB.
- *Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued 05/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 87, Leases. Issued 06/17. Effective Date: For reporting periods beginning after December 15, 2019. The District is still evaluating how this pronouncement will affect the financial statements.

**Supplemental Information Related to
Major Funds**

State of New Mexico
Carrizozo Municipal Schools
 Capital Projects Fund-NM Highway Department-28120
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 145,591	\$ 145,591	\$ 145,591	\$ 0
Total Revenues	<u>145,591</u>	<u>145,591</u>	<u>145,591</u>	<u>0</u>
Expenditures				
Capital Outlay				
Fixed Assets	145,591	145,591	9,213	136,378
Total Capital Outlay	<u>145,591</u>	<u>145,591</u>	<u>9,213</u>	<u>136,378</u>
Total Expenditures	<u>145,591</u>	<u>145,591</u>	<u>9,213</u>	<u>136,378</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	136,378	136,378
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 136,378</u>	<u>\$ 136,378</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 136,378</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 136,378</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Capital Projects Fund-Bond Building-31100
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Bond Issue	\$ 425,000	\$ 425,000	\$ 425,000	\$ 0
Interest Income	0	0	654	654
Total Revenues	<u>425,000</u>	<u>425,000</u>	<u>425,654</u>	<u>654</u>
Expenditures				
Capital Outlay				
Professional & Tech Services	35,000	34,438	18,839	15,599
Building Improvement	<u>412,430</u>	<u>412,430</u>	<u>323,898</u>	<u>88,532</u>
Total Capital Outlay	<u>447,430</u>	<u>446,868</u>	<u>342,737</u>	<u>104,131</u>
Total Expenditures	<u>447,430</u>	<u>446,868</u>	<u>342,737</u>	<u>104,131</u>
Excess (Deficiency) of Revenues Over Expenditures	(22,430)	(21,868)	82,917	104,785
Cash Balance Beginning of Year	<u>21,869</u>	<u>21,869</u>	<u>21,869</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (561)</u>	<u>\$ 1</u>	<u>\$ 104,786</u>	<u>\$ 104,785</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 82,917</u>	
Net Changes in Fund Balance-GAAP Basis			<u>\$ 82,917</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Capital Projects Fund-Senate Bill Nine-31700
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 17,464	\$ 17,464	\$ 17,464	\$ 0
Total Revenues	<u>17,464</u>	<u>17,464</u>	<u>17,464</u>	<u>0</u>
Expenditures				
Support Services				
Capital Outlay				
Supplies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues	17,464	17,464	17,464	0
Cash Balance Beginning of Year	<u>(17,464)</u>	<u>(17,464)</u>	<u>(17,464)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 17,464	
Net Change in Due from Grantor			<u>(17,464)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Carrizozo Municipal Schools

Capital Projects Fund-Senate Bill Nine-Local-31700

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 120,755	\$ 120,755	\$ 126,340	\$ 5,585
Total Revenues	<u>120,755</u>	<u>120,755</u>	<u>126,340</u>	<u>5,585</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	1,208	1,264	1,264	0
Total General Administration	<u>1,208</u>	<u>1,264</u>	<u>1,264</u>	<u>0</u>
Total Support Services	<u>1,208</u>	<u>1,264</u>	<u>1,264</u>	<u>0</u>
Capital Outlay				
Repairs & Maintenance	150,331	149,785	80,623	69,162
Supplies	25,000	25,000	15,396	9,604
Supply Assets	25,000	27,841	22,467	5,374
Total Capital Outlay	<u>200,331</u>	<u>202,626</u>	<u>118,486</u>	<u>84,140</u>
Total Expenditures	<u>201,539</u>	<u>203,890</u>	<u>119,750</u>	<u>84,140</u>
Excess (Deficiency) of Revenues	(80,784)	(83,135)	6,590	89,725
Cash Balance Beginning of Year	<u>83,135</u>	<u>83,135</u>	<u>83,135</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,351</u>	<u>\$ 0</u>	<u>\$ 89,725</u>	<u>\$ 89,725</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 6,590	
Net Change in Taxes Receivable			(8,603)	
Net Change in Due from Grantor			(696)	
Net Change in Unavailable Revenue			8,603	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 5,894</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Debt Service Fund-41000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 316,234	\$ 316,234	\$ 343,675	\$ 27,441
Total Revenues	<u>316,234</u>	<u>316,234</u>	<u>343,675</u>	<u>27,441</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	<u>3,162</u>	<u>5,162</u>	<u>3,437</u>	<u>1,725</u>
Total General Administration	<u>3,162</u>	<u>5,162</u>	<u>3,437</u>	<u>1,725</u>
Total Support Services	<u>3,162</u>	<u>5,162</u>	<u>3,437</u>	<u>1,725</u>
Debt Service				
Principal	255,000	255,000	255,000	0
Interest	<u>62,500</u>	<u>62,500</u>	<u>61,603</u>	<u>897</u>
Total Debt Service	<u>317,500</u>	<u>317,500</u>	<u>316,603</u>	<u>897</u>
Total Expenditures	<u>320,662</u>	<u>322,662</u>	<u>320,040</u>	<u>2,622</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,428)	(6,428)	23,635	30,063
Cash Balance Beginning of Year	<u>317,525</u>	<u>317,525</u>	<u>317,525</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 313,097</u>	<u>\$ 311,097</u>	<u>\$ 341,160</u>	<u>\$ 30,063</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 23,635	
Net Change in Taxes Receivable			(22,880)	
Net Change in Current Interest Due			2,061	
Net Change in Current Principal Due			(35,000)	
Net Change in Unavailable Revenue			22,880	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (9,304)</u>	

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

Title I (24101)(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.

IDEA B Entitlement (24106)(24108). 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 the Individuals with Disabilities Education Act, Part B, Sections 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. The fund was created by the authority of federal grant provisions.

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

Improving Teacher Quality (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Medicaid (25153). 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. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Rural Education Achievement Program (REAP) (25233). To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

K3 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.

STEM Teacher Initiative (27195). To account for a state grant used to equipment a science classroom. The fund was created by the authority of state grant provisions.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	Title I 24101
Assets			
Cash and Cash Equivalents	\$ 5,996	\$ 3,752	\$ 0
Receivables			
Due From Grantor	0	0	20,895
Total Assets	<u>\$ 5,996</u>	<u>\$ 3,752</u>	<u>\$ 20,895</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	20,895
Total Liabilities	<u>0</u>	<u>0</u>	<u>20,895</u>
Fund Balance			
Restricted for Special Revenue	5,996	3,752	0
Assigned for Capital Projects	0	0	0
Total Fund Balance	<u>5,996</u>	<u>3,752</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 5,996</u>	<u>\$ 3,752</u>	<u>\$ 20,895</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	IDEA B Entitlement 24106	NM Autism Project 24108	Preschool 24109
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	13,107	3,000	2,046
Total Assets	<u>\$ 13,107</u>	<u>\$ 3,000</u>	<u>\$ 2,046</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	13,107	3,000	2,046
Total Liabilities	<u>13,107</u>	<u>3,000</u>	<u>2,046</u>
Fund Balance			
Restricted for Special Revenue	0	0	0
Assigned for Capital Projects	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 13,107</u>	<u>\$ 3,000</u>	<u>\$ 2,046</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	Improving Teacher Quality 24154	Title I School Improvement 24162	Medicaid 25153
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 7,119
Receivables			
Due From Grantor	1,064	0	0
Total Assets	<u>\$ 1,064</u>	<u>\$ 0</u>	<u>\$ 7,119</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	1,064	0	0
Total Liabilities	<u>1,064</u>	<u>0</u>	<u>0</u>
Fund Balance			
Restricted for Special Revenue	0	0	7,119
Assigned for Capital Projects	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>7,119</u>
Total Liabilities and Fund Balance	<u>\$ 1,064</u>	<u>\$ 0</u>	<u>\$ 7,119</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds		
	REAP 25233	Dual Credit Instructional Materials 27103	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Due From Grantor	542	0	698
Total Assets	<u>\$ 542</u>	<u>\$ 0</u>	<u>\$ 698</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	542	0	698
Total Liabilities	<u>542</u>	<u>0</u>	<u>698</u>
Fund Balance			
Restricted for Special Revenue	0	0	0
Assigned for Capital Projects	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 542</u>	<u>\$ 0</u>	<u>\$ 698</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>K 3 Plus 27166</u>	<u>STEM Teacher 27195</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 16,867
Receivables			
Due From Grantor	0	0	41,352
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,219</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	0
Interfund Balance	0	0	41,352
Total Liabilities	<u>0</u>	<u>0</u>	<u>41,352</u>
Fund Balance			
Restricted for Special Revenue	0	0	16,867
Assigned for Capital Projects	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>16,867</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,219</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Fees	\$ 1,892	\$ 7,958	\$ 0
State & Local Grants	0	0	0
Federal Grants	76,906	0	98,787
Total Revenues	<u>78,798</u>	<u>7,958</u>	<u>98,787</u>
Expenditures			
Current			
Instruction	0	7,580	76,432
Support Services			
Students	0	0	0
Instruction	0	0	22,355
School Administration	0	0	0
Student Transportation	0	0	0
Food Services Operation	80,704	0	0
Total Expenditures	<u>80,704</u>	<u>7,580</u>	<u>98,787</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,906)	378	0
Fund Balances at Beginning of Year	<u>7,902</u>	<u>3,374</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 5,996</u>	<u>\$ 3,752</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	IDEA B Entitlement 24106	NM Autism Project 24108	Preschool 24109
	<u>24106</u>	<u>24108</u>	<u>24109</u>
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	35,314	6,091	2,046
Total Revenues	<u>35,314</u>	<u>6,091</u>	<u>2,046</u>
Expenditures			
Current			
Instruction	17,587	5,551	0
Support Services			
Students	17,727	540	2,046
Instruction	0	0	0
School Administration	0	0	0
Student Transportation	0	0	0
Food Services Operation	0	0	0
Total Expenditures	<u>35,314</u>	<u>6,091</u>	<u>2,046</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	Improving Teacher Quality 24154	Title I School Improvement 24162	Medicaid 25153
Revenues			
Fees	\$ 0	\$ 0	\$ 5,510
State & Local Grants	0	0	0
Federal Grants	10,825	22,000	0
Total Revenues	<u>10,825</u>	<u>22,000</u>	<u>5,510</u>
Expenditures			
Current			
Instruction	9,432	22,000	0
Support Services			
Students	1,362	0	1,628
Instruction	0	0	0
School Administration	31	0	0
Student Transportation	0	0	0
Food Services Operation	0	0	0
Total Expenditures	<u>10,825</u>	<u>22,000</u>	<u>1,628</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	3,882
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>3,237</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,119</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Funds		
	REAP 25233	Dual Credit Instructional Materials 27103	NM Reads to Lead 27114
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	507	67,394
Federal Grants	7,518	0	0
Total Revenues	<u>7,518</u>	<u>507</u>	<u>67,394</u>
Expenditures			
Current			
Instruction	7,518	507	67,394
Support Services			
Students	0	0	0
Instruction	0	0	0
School Administration	0	0	0
Student Transportation	0	0	0
Food Services Operation	0	0	0
Total Expenditures	<u>7,518</u>	<u>507</u>	<u>67,394</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>		
	<u>K 3 Plus 27166</u>	<u>STEM Teacher 27195</u>	<u>Total</u>
Revenues			
Fees	\$ 0	\$ 0	\$ 15,360
State & Local Grants	34,437	6,075	108,413
Federal Grants	0	0	259,487
Total Revenues	<u>34,437</u>	<u>6,075</u>	<u>383,260</u>
Expenditures			
Current			
Instruction	31,351	6,075	251,427
Support Services			
Students	0		23,303
Instruction	0	0	22,355
School Administration	0	0	31
Student Transportation	3,086	0	3,086
Food Services Operation	0	0	80,704
Total Expenditures	<u>34,437</u>	<u>6,075</u>	<u>380,906</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	2,354
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>14,513</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,867</u>

The notes to the financial statements are an integral part of this statement.

Required Supplemental Information

Carrizozo Municipal Schools

Schedules of Required Supplementary Information and Notes for Pension Plan

For the Year Ended June 30, 2017

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability		0.04315%	0.04407%	0.00045%
District's proportionate share of the net pension liability	\$	2,462,013 \$	2,854,531 \$	3,234,797
District's covered-employee payroll	\$	1,278,570 \$	1,283,901	1,286,309
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		192.56%	222.33%	251.48%
Plan fiduciary net position as a percentage of the total		63.97%	63.97%	61.58%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Schedule of District's Contributions

Last 10 Fiscal Years*

		June 30,		
		2015	2016	2017
Contractually required contribution	\$	174,124 \$	178,462 \$	178,797
Contributions in relation to the contractually required		174,124	178,462	178,797
Contribution deficiency (excess)	\$	0 \$	0	0
Districts covered-employee payroll	\$	1,252,691 \$	1,283,901	1,286,309
Contributions as a percentage of covered-employee		13.90%	13.90%	13.90%

**Governmental Accounting Standards Board Statement No. 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for District is not available prior to fiscal year 2015, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138 million decrease in the unfunded actuarial accrued liability.

The notes to the financial statements are an integral part of this statement.

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Carrizozo Municipal Schools
 Agency Funds
 Statement of Fiduciary Net Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2017

	Beginning Balance <u>6/30/16</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>6/30/17</u>
Assets				
Cash in Bank	\$ 45,048	\$ 79,338	\$ 71,461	\$ 52,926
Total Assets	<u>\$ 45,048</u>	<u>\$ 79,338</u>	<u>\$ 71,461</u>	<u>\$ 52,926</u>
Liabilities				
Deposits Held for Others	\$ 45,048	\$ 79,338	\$ 71,461	\$ 52,926
Total Liabilities	<u>\$ 45,048</u>	<u>\$ 79,338</u>	<u>\$ 71,461</u>	<u>\$ 52,926</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Agency Funds - Activity
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2017

	Beginning Balance 6/30/16	Additions	Deductions	Ending Balance 6/30/17
Assets				
23100 Administration General	\$ 2,546	\$ 2,761	\$ 2,795	\$ 2,512
23200 T-Mobile Hot Spots	0	1,170	130	1,040
23500 Grizzly Alumni	153	5,316	2,591	2,878
23502 Cafeteria Activity	9	0	9	0
23503 PFK	1,131	5,993	4,677	2,447
23505 "C" Club	19	300	0	319
23506 Carrizozo Opportunity Program	1,022	863	909	976
23507 Class of 2014	13	0	13	(0)
23508 FFA	20,047	23,728	22,002	21,773
23509 Booster Club	229	2,082	1,615	696
23510 Metal Shop Projects	1,268	669	1,424	512
23511 Music/Drama	517	85	85	517
23512 Library Activity	1,617	1,180	1,963	834
23513 Student Council	202	5,894	4,665	1,431
23514 National Honor Society	30	0	0	30
23518 Culinary Arts	2,116	5,244	4,509	2,851
23519 Track	98	3,185	2,561	722
23520 Girls Volleyball	444	1,658	1,602	500
23521 Yearbook Activity	3,380	1,600	1,248	3,732
23523 Sunshine Account	473	478	60	891
23524 Athletic Concession	3,833	10,250	11,658	2,425
23525 Elementary Activity	611	638	33	1,216
23526 Knowledge Bowl	238	0	88	151
23527 Boys Basketball	184	2,307	1,483	1,009
23528 Online Learning	142	0	0	142
23536 Student Activity	736	131	145	721
23544 Class of 2018	578	1,351	1,399	529
23545 Class of 2017	1,504	40	672	872
23546 Class of 2015	0	110	0	110
23547 Class of 2016	34	104	0	138
23548 Grizzlies Garden	980	2,202	2,322	860
23552 The Garden	89	0	0	89
23553 NMSBA	804	0	804	0
Total Assets	<u>\$ 45,048</u>	<u>\$ 79,338</u>	<u>\$ 71,461</u>	<u>\$ 52,926</u>
Liabilities				
Deposits Held for Others	<u>\$ 45,048</u>	<u>\$ 79,338</u>	<u>\$ 71,461</u>	<u>\$ 52,926</u>
Total Liabilities	<u>\$ 45,048</u>	<u>\$ 79,338</u>	<u>\$ 71,461</u>	<u>\$ 52,926</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Carrizozo Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2017

		Beginning Cash Balance <u>6/30/16</u>	Revenue	Expenditures	Ending Cash Balance <u>6/30/17</u>
Operational	11000	\$ 130,976	1,935,192	\$ 1,963,429	\$ 102,739
Transportation	13000	292	138,877	139,169	0
Instructional Materials	14000	10,601	10,130	17,270	3,461
Food Service	21000	7,902	73,792	75,698	5,996
Athletics	22000	3,373	7,958	7,580	3,751
Activities	23000	45,050	79,325	71,449	52,926
Federal Flowthrough	24000	(33,216)	168,168	175,063	(40,111)
Federal Direct	25000	3,236	12,486	9,145	6,577
State Grants	27000	(85)	115,867	116,479	(697)
State Direct	28000	0	145,591	9,213	136,378
Bond Building	31100	21,868	425,654	342,737	104,785
Senate Bill Nine-State	31700	(17,464)	17,464	0	0
Senate Bill Nine-Local	31701	83,135	126,340	119,750	89,725
Debt Service	41000	317,525	343,675	320,040	341,160
Totals		<u>\$ 573,193</u>	<u>3,600,519</u>	<u>\$ 3,367,022</u>	<u>\$ 806,690</u>

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Carrizozo Municipal Schools

Mr. Keller and Members of the Board

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 comparison of the general fund, of Carrizozo Municipal School (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and budgetary comparisons of the major capital projects and debt service funds of the District, presented as supplemental information, and have issued our report thereon dated October 26, 2017.

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 District'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be 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. 2012-001, 2015-005, 2016-001, 2017-001.

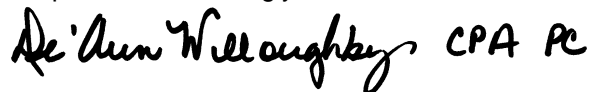
Compliance and Other Matters

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2012-001, 2015-005, 2016-001, 2017-001.

The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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.

De'Ann Willoughby, CPA PC

Clovis, New Mexico

October 26, 2017

Prior Year Audit Findings		<u>Status</u>
2012-001	Expenditure Issues	Repeated & Modified
2015-003	Timely Deposits of Activity Receipts	Resolved
2015-004	Payroll	Resolved
2015-005	Background Checks	Repeated & Modified
2015-006	PED Cash	Resolved
2016-001	New Hire Reporting	Repeated & Modified
2016-002	Cash Appropriations in Excess of Available Cash Balances	Resolved
2016-003	Bank Reconciliations not being performed in a timely manner	Resolved
2016-004	ERB & RHCA	Resolved
2016-005	Violation of the Nepotism Law	Resolved

Current Year Audit Findings

2012-001 Expenditure Issues - Compliance and Internal Control-Significant Deficiency Condition

Of a sample size of 86 totaling \$748,598.48 revealed the following:
 Fund 13000, Transportation-Of the 18 expenditures sampled totaling \$24,749.64 we noted 2 that were not recorded to the right fund and are not in compliance with restricted, reserved or designated resources totaling \$6,354.88.

Management has made some progress in resolving this finding.

Criteria

In accordance with 6.20.2.17 Purchasing, each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

One half of the year end cash balance is returned to PED giving motive to purchase items that are not necessarily needed for Transportation.

Effect

The results of this expenditure issue is the District may have to pay back the expenditures from the operational fund.

Recommendation

Personnel should be trained in the procurement process and there should be consequences for failing to follow the process.

Response

Superintendent, CPO will make sure this issue is resolved.

Superintendent is now the CPO and will adhere to all procurement procedures according to the State statues. He will also, ensure that the Business Support Specialist receives CPO training, by August, 2018.

2015-005 Background Checks-Compliance and Internal Control-Significant Deficiency

Condition

During our review of 10 background checks we noted the following:

One background check could not be located.

Management is not making progress solving this finding.

Criteria

NM Statute 22-10(A)-5B Local school boards and regional education cooperatives shall develop policies and procedures to require background checks on an applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school.

Cause

Management was confident the background check was performed but could not locate it.

Effect

As a safety measure, people with serious criminal records may not be fit to have responsibility for the safety and well being of children and it would not be known without a background check.

Recommendation

Access to personnel files should be limited to only those people responsible for the safety of those records. There should be a check out system tracking who has accessed the file determining who may have removed items from the file holding that person accountable.

Response

Background check has been re-done for employee that file is missing for. Vault passcodes have changed.

The Business Manager is responsible for this issue and expects the finding to be resolved by the end of the fiscal year.

2016-001 New Hire Reporting-Compliance and Internal Control-Significant Deficiency

Condition

One out of three new hires sampled were not reported to the NM New Hire Reporting System timely.

Management is not making progress solving this finding.

Criteria

New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire.

Cause

Management was confident the new hire reporting had been performed but could not locate documentation proving the reporting was timely.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

Additional training and supervision is necessary to avoid this oversight in the future.

Response

Issue has been resolved; employee has been reported to New Hire Directory. Assistant Business Manager has set-up a check list.

The Assistant Business Manager is responsible for reporting the new hires. The issue will be resolved immediately by implementing a system to avoid late reporting.

2017-001 Certification of Inventory-Compliance & Internal Control-Significant Deficiency

Condition

The District did not certify the inventory for the fiscal year ended June 30, 2017.

Criteria

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Cause

Management did not perform or certify the inventory.

Effect

Items that cost less than \$5,000 could be misappropriated intentionally or not intentionally. Without taking inventory and certifying it, it is not known if all inventory has been accounted for. Replacing items cost the District money that could be spent on educating the students.

Recommendation

An inventory should be taken annually, certified and approved in the minutes.

Response

The Superintendent will have employees turn in classroom inventory at the end of each school year and certify to the Board that this has been done.

The Superintendent will have teachers turn in classroom inventories at the end of each school year and certify to the Board that this has been done in the June Board meeting of each year.

Financial Statement Preparation-The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference-An exit conference was held on October 26, 2017. Those present were John Hemphill-Board President, Eli Barela-Audit Committee Member, Trampus Pierson-Principal, Ricky Espinoza-Superintendent, Elizabeth Montoya-Business Manager, Crystal Lucero-Business Support Specialist, and De'Aun Willoughby, CPA.