

**STATE OF NEW MEXICO**

**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**



**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**



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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
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**FOR THE YEAR ENDED JUNE 30, 2017**

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**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
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**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**OFFICIAL ROSTER**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**

<u>Name</u>	<u>School Board</u>	<u>Title</u>
Ronald Anderson		President
Bret Wier		Vice-President
Annie Lindsey		Secretary
Matthew Gonzales		Member
Valorie Garcia		Member
 <u>District Officials</u> 		
Adan Estrada		Superintendent
Lawana Whitten		Business Manager

**MORENO VALLEY HIGH SCHOOL**

<u>Governing Board</u>	<u>Title</u>
Tammy DeVine	President
Debi Coscia	Vice-President
Kathie Westlund	Treasurer
Rogers Lanon	Member
Jason Grisham	Member
Sandra Haevischer	Member
Trini Bradley	Member
Sanjay Poovadan	Member
Ed McCracken	Member
 <u>School Officials</u> 	
Tammy Dunn	Director
Amy Trevino	Business Administrator

**MORENO VALLEY EDUCATION FOUNDATION**

<u>Board of Directors</u>	<u>Title</u>
Carl Nelson	President
Johnese Turri	Vice President
Samantha Weeks	Secretary
Larry Leahy	Member

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**FINANCIAL SECTION**





## INDEPENDENT AUDITOR'S REPORT

Wayne Johnson, New Mexico State Auditor  
The Office of Management and Budget  
And the Board of Education of  
Cimarron Municipal School District No. 3  
Cimarron, NM

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Cimarron Municipal School District No. 3, (the "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.

### Management's Responsibility for the Financial Statements

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

### 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, and accordingly, no such opinion is expressed.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires the Schedules I and II and the notes to the Required Supplementary Information on pages 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and other supplemental information required by 2.2.2 NMAC, Schedules III through VII are presented for the purposes of additional analysis and are not a required part of the financial statements.

Schedules III through VII on pages 94 through 103 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 auditing standards generally accepted in the United States of America. In our opinion, Schedules III through VII required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages i through iii has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 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.

*Manning Accounting and Consulting Services, LLC*

Manning Accounting and Consulting Services, LLC  
Kirtland, New Mexico  
October 18, 2017

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**BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

Exhibit A-1

	<u>Primary Government</u>	<u>Component Unit</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and temporary investments	\$ 6,655,341	\$ 405,971
Receivables (net of allowance for uncollectibles)	766,866	16,098
Inventory	1,330	-
<i>Total current assets</i>	<u>7,423,537</u>	<u>422,069</u>
<i>Noncurrent assets</i>		
Restricted cash	1,010,670	-
Capital assets (net of accumulated depreciation)		
Land and land improvements	2,124,228	151,920
Buildings and building improvements	24,665,516	1,775,624
Furniture, fixtures and equipment	4,474,534	145,647
Construction in progress	275,939	-
Less: accumulated depreciation	(13,366,232)	(456,407)
<i>Total noncurrent assets</i>	<u>19,184,655</u>	<u>1,616,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension - change in proportion	91,279	15,942
Pension - change in assumptions	137,745	25,797
Pension - change in investment experience	403,922	75,647
Pension - change in actuarial experiences	29,357	5,498
Pension - employer contributions after measurement date	378,353	63,857
<i>Total deferred outflows</i>	<u>1,040,656</u>	<u>186,741</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 27,648,848</u>	<u>\$ 2,225,594</u>
<b>LIABILITIES</b>		
<i>Current liabilities</i>		
Accounts payable	\$ 256,294	\$ 3,626
Accrued payroll liabilities	208,745	8,586
Accrued interest payable	15,162	-
Unearned revenue	54,718	-
Current maturities of:		
Bonds payable	895,000	-
Compensated absences	2,854	-
<i>Total current liabilities</i>	<u>1,432,773</u>	<u>12,212</u>
<i>Noncurrent liabilities:</i>		
Bond premiums, net of amortization of \$31,281	121,878	-
Bonds payable	6,640,000	-
Net pension liability	6,766,806	1,267,292
<i>Total noncurrent liabilities</i>	<u>13,528,684</u>	<u>1,267,292</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension - change in actuarial experiences	64,361	12,054
Pension - change in proportion	52,942	112,503
<i>Total deferred inflows</i>	<u>117,303</u>	<u>124,557</u>
<b>NET POSITION</b>		
Invested in capital assets	10,517,107	1,616,784
Restricted for:		
Debt service	1,216,612	-
Capital projects	6,100,992	241,748
Other purposes - special revenue	133,449	-
Unrestricted	(5,398,072)	(1,036,999)
<i>Total net position</i>	<u>12,570,088</u>	<u>821,533</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 27,648,848</u>	<u>\$ 2,225,594</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
<b>Primary Government</b>						
Governmental activities:						
Instruction	\$ (580,674)	\$ 12,659	\$ 310,384	\$ -	\$ 903,717	
Support services:						
Students	732,242	-	21,878	-	(710,364)	
Instruction	118,267	-	38,921	-	(79,346)	
General administration	314,982	-	-	-	(314,982)	
School administration	303,509	-	-	-	(303,509)	
Other	-	-	-	-	-	
Central services	142,120	-	-	-	(142,120)	
Operation & maintenance of plant	815,566	56,550	-	12,938	(746,078)	
Student transportation	471,808	-	403,609	-	(68,199)	
Food services operations	304,316	36,687	236,227	-	(31,402)	
Community services	-	-	-	-	-	
Interest on long-term debt	77,753	-	-	-	(77,753)	
Facilities materials, supplies, & other services	4,454,175	-	-	40,555	(4,413,620)	
Total Primary Government	<u>\$ 7,154,064</u>	<u>\$ 105,896</u>	<u>\$ 1,011,019</u>	<u>\$ 53,493</u>	<u>(5,983,656)</u>	
<b>Component Unit:</b>						
Moreno Valley High School	<u>\$ 1,206,053</u>	<u>\$ -</u>	<u>\$ 6,166</u>	<u>\$ 59,451</u>		<u>\$ (1,140,436)</u>
<b>General Revenues:</b>						
Property taxes:						
Levied for general purposes						
					161,877	-
Levied for debt service						
					1,025,729	-
Levied for capital projects						
					693,061	131,952
Oil and gas taxes						
					131,432	-
State Equalization Guarantee						
					3,754,109	746,008
Unrestricted Federal grants						
					973	-
Unrestricted investment earnings						
					26,379	-
Unrestricted donations						
					-	37,700
Loss on disposal of fixed assets						
					(11,856)	(2,787)
Proceeds from sale of district assets						
					192,688	-
Miscellaneous						
					106,061	1,397
Reversion to the State						
					-	(1,881)
Transfer to Moreno Valley High School						
					(187,904)	187,904
Total general revenues						
					<u>5,892,549</u>	<u>1,100,293</u>
Change in net position						
					<u>(91,107)</u>	<u>(40,143)</u>
Net position - beginning of year						
					12,485,671	938,327
Prior period adjustment						
					<u>175,524</u>	<u>(76,651)</u>
Net position - beginning of year, restated						
					<u>12,661,195</u>	<u>861,676</u>
Net position - end of year						
					<u>\$ 12,570,088</u>	<u>\$ 821,533</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	General Fund			Capital Projects
	Operational 11000	Transportation 13000	Instructional Materials 14000	Bond Building 31100
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 322,632	\$ 4	\$ 36,717	\$ 2,985,635
Accounts receivable				
Taxes	39,682	-	-	-
Due from other governments	31,068	-	-	-
Interfund receivables	63,056	-	-	-
Other	-	192,688	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 456,438</u>	<u>\$ 192,692</u>	<u>\$ 36,717</u>	<u>\$ 2,985,635</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ 15,634	\$ -	\$ -	\$ -
Accrued payroll liabilities	208,745	-	-	-
Interfund payables	-	-	-	-
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>224,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	28,682	-	-	-
<i>Total deferred inflows of resources</i>	<u>28,682</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Transportation	-	192,692	-	-
Instructional materials	-	-	5,680	-
Grant mandates	-	-	-	-
Capital projects	-	-	-	2,967,635
Debt service	-	-	-	-
Assigned	171,060	-	31,037	18,000
Unassigned	32,317	-	-	-
<i>Total fund balances</i>	<u>203,377</u>	<u>192,692</u>	<u>36,717</u>	<u>2,985,635</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 456,438</u>	<u>\$ 192,692</u>	<u>\$ 36,717</u>	<u>\$ 2,985,635</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Capital Projects			
	Capital Improvements SB-9 31700	Educational Techology Equipment Act 31900	Other Governmental Funds	Total Primary Government
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 1,941,470	\$ 1,188,589	\$ 1,190,964	\$ 7,666,011
Accounts receivable				
Taxes	182,551	-	227,570	449,803
Due from other governments	11,646	-	81,661	124,375
Interfund receivables	-	-	-	63,056
Other	-	-	-	192,688
Inventory	-	-	1,330	1,330
<i>Total assets</i>	<u>\$ 2,135,667</u>	<u>\$ 1,188,589</u>	<u>\$ 1,501,525</u>	<u>\$ 8,497,263</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ 240,660	\$ -	\$ -	\$ 256,294
Accrued payroll liabilities	-	-	-	208,745
Interfund payables	-	-	63,056	63,056
Unearned revenue	-	-	54,718	54,718
<i>Total liabilities</i>	<u>240,660</u>	<u>-</u>	<u>117,774</u>	<u>582,813</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	131,626	-	153,112	313,420
<i>Total deferred inflows of resources</i>	<u>131,626</u>	<u>-</u>	<u>153,112</u>	<u>313,420</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,330	1,330
Restricted for:				
Transportation	-	-		192,692
Instructional materials	-	-		5,680
Grant mandates	-	-	41,754	41,754
Capital projects	-	-	1,189	2,968,824
Debt service	-	-	164,299	164,299
Assigned	1,763,381	1,188,589	1,022,067	4,194,134
Unassigned	-	-	-	32,317
<i>Total fund balances</i>	<u>1,763,381</u>	<u>1,188,589</u>	<u>1,230,639</u>	<u>7,601,030</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,135,667</u>	<u>\$ 1,188,589</u>	<u>\$ 1,501,525</u>	<u>\$ 8,497,263</u>

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



STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 GOVERNMENTAL FUNDS  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2017

Exhibit B-2

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental funds	\$ 7,601,030
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
The cost of capital assets is	31,540,217
Accumulated depreciation is	(13,366,232)
Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements.	378,353
Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet.	
Delinquent property taxes	313,420
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds.	
Deferred outflows of resources related to change in proportion	91,279
Deferred outflows of resources related to change in assumptions	137,745
Deferred outflows of resources related to investment experience	403,922
Deferred outflows of resources related to actuarial experience	29,357
Deferred inflows of resources related to actuarial experience	(64,361)
Deferred inflows of resources related to change in proportion	(52,942)
Bond discounts and premiums are not financial resources and therefore are not reported in the funds	
Bond premiums net of accumulated amortization	(121,878)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of:	
Accrued interest payable	(15,162)
Bonds payable	(7,535,000)
Accrued compensated absences	(2,854)
Net pension liability	(6,766,806)
Total net position - governmental activities	<u>\$ 12,570,088</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit B-3

	General Fund			Capital Projects
	Operational 11000	Transportation 13000	Instructional Materials 14000	Bond Building 31100
<i>Revenues:</i>				
Property taxes	\$ 159,225	\$ -	\$ -	\$ -
Oil and gas taxes	11,584	-	-	-
State grants	3,754,109	403,609	22,933	-
Federal grants	973	-	-	-
Miscellaneous	90,836	-	-	-
Charges for services	71,775	-	-	-
Sale of district assets	-	192,688	-	-
Investment income	4,789	-	-	1,835
<i>Total revenues</i>	<u>4,093,291</u>	<u>596,297</u>	<u>22,933</u>	<u>1,835</u>
<i>Expenditures:</i>				
Current:				
Instruction	2,609,928	-	6,105	-
Support services				
Students	555,092	-	-	-
Instruction	35,451	-	-	-
General administration	272,660	-	-	-
School administration	215,546	-	-	-
Central services	93,964	-	-	-
Operation & maintenance of plant	541,124	-	-	-
Student transportation	-	403,607	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	636,659
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs				32,086
<i>Total expenditures</i>	<u>4,323,765</u>	<u>403,607</u>	<u>6,105</u>	<u>668,745</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(230,474)</u>	<u>192,690</u>	<u>16,828</u>	<u>(666,910)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	3,000,000
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>
<i>Net changes in fund balances</i>	(230,474)	192,690	16,828	2,333,090
<i>Fund balances - beginning of year</i>	<u>433,851</u>	<u>2</u>	<u>19,889</u>	<u>652,545</u>
<i>Fund balances - end of year</i>	<u>\$ 203,377</u>	<u>\$ 192,692</u>	<u>\$ 36,717</u>	<u>\$ 2,985,635</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit B-3

	Capital Projects			Total Primary Government
	Capital Improvements	Educational Techology Equipment Act	Other Governmental	
	SB-9 31700	31900	Funds	
<i>Revenues:</i>				
Property taxes	\$ 684,439	\$ -	\$ 1,007,112	\$ 1,850,776
Oil and gas taxes	53,484	-	66,364	131,432
State grants	52,920	573	58,263	4,292,407
Federal grants	-	-	506,214	507,187
Miscellaneous	-	-	20,000	110,836
Charges for services	-	-	49,346	121,121
Sale of district assets	-	-	-	192,688
Investment income	9,780	6,638	3,337	26,379
<i>Total revenues</i>	<u>800,623</u>	<u>7,211</u>	<u>1,710,636</u>	<u>7,232,826</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	196,767	2,812,800
Support services				
Students	-	-	42,281	597,373
Instruction	-	-	64,863	100,314
General administration	6,540	-	9,603	288,803
School administration	-	-	35,901	251,447
Central services	-	-	21,242	115,206
Operation & maintenance of plant	-	-	-	541,124
Student transportation	-	-	-	403,607
Other support services	-	-	-	-
Food services operations	-	-	266,115	266,115
Community services	-	-	-	-
Capital outlay	908,400	221,928	20,973	1,787,960
Debt service				
Principal	-	-	935,000	935,000
Interest	-	-	84,575	84,575
Bond issuance costs	-	84,125	-	116,211
<i>Total expenditures</i>	<u>914,940</u>	<u>306,053</u>	<u>1,677,320</u>	<u>8,300,535</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(114,317)</u>	<u>(298,842)</u>	<u>33,316</u>	<u>(1,067,709)</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	(187,904)	-	(187,904)
Proceeds from bond issues	-	1,750,000	-	4,750,000
Bond underwriter premium	-	-	42,240	42,240
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,562,096</u>	<u>42,240</u>	<u>4,604,336</u>
<i>Net changes in fund balances</i>	(114,317)	1,263,254	75,556	3,536,627
<i>Fund balances - beginning of year</i>	<u>1,877,698</u>	<u>(74,665)</u>	<u>1,155,083</u>	<u>4,064,403</u>
<i>Fund balances - end of year</i>	<u>\$ 1,763,381</u>	<u>\$ 1,188,589</u>	<u>\$ 1,230,639</u>	<u>\$ 7,601,030</u>

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

**STATE OF NEW MEXICO**

Exhibit B-4

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 3,536,627
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. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(985,658)
Capital outlays	1,399,989
Loss on disposal of capital assets	(11,856)
Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were:	
Unavailable revenue related to the property taxes receivable	29,891
The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first, whereas these amounts are deferred and amortized in the Statement of Activities:	
Amortization of bond premiums	21,136
Accrued interest payable	6,822
Bond premium capitalized	(42,240)
Bond proceeds	(4,750,000)
Bond principle payments	935,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense.	
Difference between prior year pension contributions per entity and amount reported in the pension report	
Pension contributions - current year	378,353
Pension expense	<u>(609,171)</u>
Change in net position - total governmental activities	<u>\$ (91,107)</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**OPERATIONAL FUND (11000)**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ 159,377	\$ 159,377	\$ 151,055	\$ (8,322)
Oil and gas taxes	25,094	25,094	12,613	(12,481)
State grants	3,880,989	3,738,870	3,754,109	15,239
Federal grants	-	-	973	973
Miscellaneous	42,000	42,000	61,554	19,554
Charges for services	75,904	75,904	71,775	(4,129)
Interest	-	-	4,789	4,789
<i>Total revenues</i>	<u>4,183,364</u>	<u>4,041,245</u>	<u>4,056,868</u>	<u>15,623</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	2,517,069	2,622,381	2,455,961	166,420
Support services				
Students	781,495	567,609	554,105	13,504
Instruction	28,093	36,716	35,451	1,265
General administration	278,929	268,148	262,388	5,760
School administration	219,932	218,778	215,546	3,232
Central services	93,731	97,387	93,964	3,423
Operation & maintenance of plant	579,283	545,394	537,823	7,571
Student transportation	-	-	-	-
Other support services	15,116	15,116	-	15,116
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,513,648</u>	<u>4,371,529</u>	<u>4,155,238</u>	<u>216,291</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(330,284)</u>	<u>(330,284)</u>	<u>(98,370)</u>	<u>231,914</u>
<i>Other financing sources (uses):</i>				
Designated cash	330,284	330,284	-	(330,284)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>330,284</u>	<u>330,284</u>	<u>-</u>	<u>(330,284)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(98,370)</u>	<u>(98,370)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>484,058</u>	<u>484,058</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>484,058</u>	<u>484,058</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,688</u>	<u>\$ 385,688</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (98,370)	
Adjustments to revenues			36,423	
Adjustments to expenditures			(168,527)	
Net change in fund balance (GAAP basis)			<u>\$ (230,474)</u>	

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**TRANSPORTATION FUND (13000)**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	<u>Budgeted Amounts</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	457,676	403,609	403,609	-
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>457,676</u>	<u>403,609</u>	<u>403,609</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	457,676	403,609	403,607	2
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>457,676</u>	<u>403,609</u>	<u>403,607</u>	<u>2</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 2	
Adjustments to revenues			192,688	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 192,690</u>	

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 INSTRUCTIONAL MATERIALS FUND (14000)  
 FOR THE YEAR ENDING JUNE 30, 2017

Exhibit C-3

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	20,772	17,254	22,933	5,679
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>20,772</u>	<u>17,254</u>	<u>22,933</u>	<u>5,679</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	40,774	37,256	6,105	31,151
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,774</u>	<u>37,256</u>	<u>6,105</u>	<u>31,151</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(20,002)</u>	<u>(20,002)</u>	<u>16,828</u>	<u>36,830</u>
<i>Other financing sources (uses):</i>				
Designated cash	20,002	20,002	-	(20,002)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>20,002</u>	<u>20,002</u>	<u>-</u>	<u>(20,002)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>16,828</u>	<u>16,828</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>19,889</u>	<u>19,889</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>19,889</u>	<u>19,889</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,717</u>	<u>\$ 36,717</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 16,828	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 16,828</u>	

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

**STATE OF NEW MEXICO**  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
AGENCY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2017

Exhibit D-1

	<u>Agency Funds</u>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash	\$ 164,887
<i>Total assets</i>	<u>\$ 164,887</u>
 <b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Deposits held in trust for others	\$ 164,887
<i>Total liabilities</i>	<u>\$ 164,887</u>

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



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**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies**

Cimarron Municipal School District No. 3 (the “District”) is a public school District governed by an elected five-member Board of Education created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District boundaries. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of the District’s management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements.

During the year ended June 30, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The provisions of GASB No. 73 established requirements for defined benefit pensions that are not within the scope of Statement No. 68. The provisions of GASB No. 74 improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of GASB No. 77 are intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The provisions of GASB No. 78 address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The provisions of GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These pronouncement are not expected to have a material effect on the District.

The more significant accounting policies of the District are described below.

A.      *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*A. Financial Reporting Entity (Continued)*

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

Based upon the application of these criteria, the District has a charter school which operates as a component unit of the District – Moreno Valley High School Charter School. In addition, the School has a foundation, Moreno Valley Education Foundation, which is a component unit of the charter school. The District does not appoint the Charter School or the Foundation's governing council. Neither the charter school nor the foundation has separately issued reports for the year ended June 30, 2017.

Significant disclosure for the component units can be found in the financial footnotes and the governmental financial statements are in the Component Units section of the report and in Note 11 for pension information.

*B. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the statement of activities. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

***Deferred Outflows of Resources*** – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets; therefore, it is not recognized as an outflow of resources (expense) until then.

***Deferred Inflows of Resources*** – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities; therefore, it is not recognized as an inflow of resources (revenue) until that time.

***Net Position*** – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

C.      *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

The *agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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 general fixed assets, and the servicing of general long-term debt. Governmental funds include:

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources of the general government, except those required to be accounted for in other funds. The General Fund includes the Operational, Teacherage, Transportation, and Instructional Materials Funds.

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB Statement No. 34, the District is required to present some of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *Operational Fund* (11000) accounts for the primary revenues and expenditures of the District, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund.

The *Transportation Fund* (13000) accounts for state equalization funds authorized by Section 22-8-26, NMSA, 1978 designated for the costs of transporting school-age children who are students within the District. This fund is considered by PED to be a sub-fund of the General Fund.

The *Instructional Materials Fund* (14000) accounts for funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

*Bond Building Fund* (31100) this fund is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

The *Public School Capital Outlay Capital Projects Fund* (31200) is used to account for funding provided to the District by the State of New Mexico for capital improvement projects approved by the Public School Capital Outlay Council. Funding is authorized by NMAC 6.20.2 through the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

The *Capital Improvements SB-9 Capital Projects Fund* (31700) is used to account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

The *Education Technology Equipment Act* (31900) accounts for State funding to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities.

Additionally, the government reports the following fund types:

The fiduciary funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The fiduciary funds are for student activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

**Cash and Temporary Investments:** The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in certificates of deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1      Summary of Significant Accounting Policies (Continued)**

*D.      Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

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

The District receives monthly income from a tax levy in Colfax County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the Colfax County Treasurer in July and August 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue during the year ended June 30, 2017.

Certain Special Revenue Funds are administered on a reimbursement method of funding, other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

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

**Inventory:** The District accounts for its inventories under the consumption method, reporting inventories purchased as an asset. The recognition of the expenditures is deferred until the period in which the inventories are actually consumed. Inventory in the Food Services Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized and included in furniture and equipment in accordance with NMAC 2.20.1.9 C (5). Capital expenditures made by the New Mexico Public Schools Facilities Authority are appropriately included in the District's capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District expenses the cost of library books when purchased because their estimated useful life is less than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

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

Buildings	25-50 years
Building improvements	7-20 years

**STATE OF NEW MEXICO**  
 Cimarron Municipal School District No. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 1      Summary of Significant Accounting Policies (Continued)**

*D.      Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

Office equipment	5 years
Vehicles	5 years
Computer equipment	5 years

**Deferred Outflows of Resources –Pensions:** The government-wide financial statements report pension related expenses and liabilities for the cost-sharing plan one year in arrears, i.e. expenses and liabilities as of June 30, 2016. Contributions of \$378,353 made by the District in the current fiscal year are thus applicable to a future reporting period where they will then be expensed. As such, they are presented in the Statement of Net Position as a deferred outflow of resources in the current period. The District may also have four other deferred outflows which arise due to the implementation of GASB 68; change in proportion \$91,279; change in assumptions \$137,745; change in investment experience \$403,922; and actuarial experience \$29,357.

**Unearned revenues:** The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. At June 30, 2017, the District’s unearned revenues were \$54,718 related to uncollected property taxes.

**Compensated Absences:** The District no longer provides for the accrual of leave which is payable upon termination or retirement and is recorded as an expenditure when it is paid. However, one individual remains with the District who had compensated absences at the time the District did away with future accruals. The individual’s value of compensated absences was calculated at that time and will be paid out upon retirement.

**Long-term Obligations:** In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the fiscal year ended June 30, 2004, bond premiums and discounts, will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable of \$7,535,000 at June 30, 2017 are reported net of the applicable bond premium or discount. Bond insurance issuance costs will be reported as deferred charges and amortized over the term of the related debt.

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

**Net Pension Liability:** The District records its proportionate share of the difference between the value of total pension liabilities and plan assets for the State of New Mexico’s Employee Retirement Board pension plan. For the year ended June 30, 2017, net pension liability totaled \$6,766,806.

**Deferred Inflows of Resources – Unavailable Revenues:** Governmental funds report unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues not received within sixty (60) days of year-end are not considered available; therefore, a receivable is recorded for the amount due and a corresponding deferred revenue, is recorded as well. Total unavailable revenues of \$313,420 for property taxes were recorded at June 30, 2017.

**Deferred Inflows of Resources - Pensions:** Changes in actuarial experience \$64,361, and change in proportion \$52,942 for the District are applicable to a future reporting period and will be expensed over a five-year period beginning in the next fiscal year. As such, these amounts are presented in the Statement of Net Position as deferred inflows of resources in the current period.



**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

**Net Position or Fund Equity:** Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

*Net investment in capital assets:* Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position

*Restricted Net Position:* Consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (b) law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. The restricted component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

*Unrestricted Net Position:* All other net position that does not meet the definition of “restricted” or “invested in capital assets.”

**Fund Balance:** In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications. In the governmental financial statements, fund balance is classified and is displayed in five components:

*Nonspendable:* Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

*Restricted:* Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed:* Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

*Assigned:* Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)*

*Unassigned:* Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

*E. Revenues*

**Reclassifications:** Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

**Interfund Transactions:** Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets.

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$3,754,109 in state equalization guarantee distributions during the year ended June 30, 2017.

**Tax Revenues:** The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1 of each year and are payable in two equal installments, on November 10<sup>th</sup> of the year in which the tax bill is prepared and April 10<sup>th</sup> of the following year with the levies becoming delinquent 30 days (one month) thereafter. In the government-wide financial statements, the District recognizes property tax revenues in the period for which they are levied, net of estimated refunds and uncollectible amounts. The District records only the portion of the taxes considered to be 'measurable' and 'available' in the government fund financial statements, which is within 60 days of year-

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*E. Revenues (continued)*

end. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

In the financial statements, the mill levy and ad-valorem taxes are broken out into two types: property taxes – residential and commercial and property taxes – oil and gas. Amounts collected from residential and commercial property taxes at June 30, 2017 were \$1,850,776. Amounts collected from oil and gas taxes were \$131,432.

**Transportation Distribution:** School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$403,609 in transportation distributions during the year ended June 30, 2017.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education “State Adopted Instructional Material” list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$22,933.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$52,920 in state SB-9 matching during the year ended June 30, 2017.

**Public School Capital Outlay:** Under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved. During the year ended June 30, 2017, the District received no special capital outlay funds.

**Federal Grants:** The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the federal department or the flowthrough agency (usually the New Mexico Public Education Department). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1**      **Summary of Significant Accounting Policies (Continued)**

*E. Revenues (continued)*

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

**NOTE 2**      **Stewardship, Compliance and Accountability**

*Budgetary Information*

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted. Public School Capital Outlay Council expenditures in the Public School Capital Outlay fund are not budgeted at the District level, so there is no budgetary comparison presented.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the ending cash balance be appropriated in the budget of the subsequent fiscal year.

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) (100%) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico PED.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. 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 DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
Cimarron Municipal School District No. 3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2      Stewardship, Compliance and Accountability (Continued)**

Budgetary Information (Continued)

7.      Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8.      Legal budget control for expenditures is by function.
9.      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 schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10.     Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

The board of education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a governmental agency from exceeding an individual line item.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented on each funds' Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual.

**NOTE 3      Cash and Temporary Investments**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or by collateralized as required by the statute.

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO**  
 Cimarron Municipal School District No. 3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 3 Cash and Temporary Investments (Continued)**

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

**Deposits**

New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	International Bank
Total amounts of deposits	\$ 5,005,719
FDIC coverage	250,000
Total uninsured public funds	4,755,719
Collateral requirement (50% of uninsured public funds)	2,377,860
Pledged security	2,601,982
Total over (under) collateralized	\$ 224,122

The funds are maintained in interest bearing checking accounts and certificates of deposit in International Bank.

The types of collateral allowed are limited by the section 6-10-16, NMSA 1978.

*Custodial Credit Risk – Deposits.* 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, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Deposits – The risk exists when a portion of the District's deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's (District's) name.

At June 30, 2017, \$4,755,719 of the District's bank balance of \$5,005,719 was exposed to custodial credit risk as it was uninsured and the collateral was not held in the District's name.

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**NOTE 3 Cash and Temporary Investments (Continued)**

**Reconciliation of Cash to the Financial Statements**

The carrying amount of deposits and investments shown above are included in the District's Statement of Net Position as follows:

Reconciliation to Statement of Net Position	
Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 7,666,011
Statement of Fiduciary Net Position - cash per Exhibit D-1	164,887
Total per financial statements	7,830,898
Add outstanding checks and other reconciling items	171,509
Less: temporary investments	(2,968,563)
Less: activity fund annuities	(28,125)
Bank balance of deposits	\$ 5,005,719

The District utilized pooled accounts for their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts should be reclassified as due to/due from accounts in the combining balance sheets at June 30, 2017. Funds in the 24000's and 25000's are federal funds, 27000's funds are non-federal funds. The following individual funds had negative cash balances as of June 30, 2017:

Fund#	Special Revenue Funds:	
24106	IDEA-B Entitlement	\$ 27,561
24109	IDEA-B Preschool	2,631
24120	IDEA-B "Risk Pool"	706
24132	IDEA-B Results Plan	15,210
25153	Title XIX Medicaid 3/21 Years	4,574
27149	PreK Initiative	10,082
	Total	\$ 60,764

**Temporary Investments**

At June 30, 2017, the District had \$2,968,563 held in trust by the Bank of Albuquerque. Those funds are held in a U.S. Treasury Money Market Fund. The District does not have the legal authority to move these funds from the trust institution. Information regarding the fund is as follows:

Fund	CUSIP	WAM	Ratings		Net Assets
			S&P	Moody's	
Premier U.S. Government Money Portfolio	00142W843	22 days	AAAm	Aaa-mf	\$5.63 Billion

**Interest Rate Risk for Investments.** The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

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**NOTE 3 Cash and Temporary Investments (Continued)**

**Credit Risk.** State law limits investments to bonds or negotiable securities of the U. S. Government, the State, municipalities, or school district securities issued by the U.S. Government (or its agencies, either direct obligations or backed and guaranteed by the U.S. Government) and repurchase agreements with banks, savings and loan associations, or credit union. The District has no investment policy that would further limit its investment choices.

**Concentration of Credit.** The District places no limit on the amount the District may invest in any one issuer. Investments which are over 5% of total investments are the amounts invested in the Lipper Institutional U.S. Treasury Money Market Funds which are invested by the trust institution Bank of Albuquerque.

**NOTE 4 Receivables**

Receivables as of June 30, 2017 are as follows:

	Major Funds			Other Governmental Funds	Total Governmental Funds
	Operational 11000	Transportation 13,000	Capital Improv. SB-9 31700		
Taxes Receivable	\$ 39,682	\$ -	\$ 182,551	\$ 227,570	\$ 449,803
Due from other governments	31,068	-	11,646	81,661	124,375
Other	-	192,688	-	-	192,688
Total receivables	\$ 70,750	\$ 192,688	\$ 194,197	\$ 309,231	\$ 766,866

The above receivables are deemed 100% collectible. The “other” receivables is due from a company which had provided student to-and-from transportation services for the District which was buying the District’s share of the buses as the District is going to provide those services in-house in the next fiscal year. This receivable was collected in July 2017. In Accordance with GASB No. 33, property tax revenues in the amount of \$313,420 were not collected within the period of availability.



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**NOTE 5 Interfund Receivables, Payables, and Transfers (Continued)**

“Interfund balances” have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. The composition of interfund balances at June 30, 2017 is as follows:

<b>Governmental Activities</b>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Major Funds:</b>		
Operational (11000)	\$ 63,056	\$ -
<b>Non-major Funds:</b>		
IDEA-B Entitlement (24106)	-	28,000
IDEA-B Preschool (24109)	-	2,650
IDEA-B "Risk Pool" (24120)	-	706
IDEA-B Results Plan (24132)	-	17,000
Title XIX Medicaid 3/21 Years	-	4,600
PreK Initiative (27149)	-	10,100
Totals	<u>\$ 63,056</u>	<u>\$ 63,056</u>

All interfund balances are expected to be repaid or closed out within one year.

The District transferred \$187,904 to Moreno Valley High School for their share of the bond sale in 2017.

**NOTE 6 Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress is not subject to depreciation.

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance June 30, 2017</u>
Capital assets used in governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,112,475	\$ 26,634	\$ -	\$ -	\$ 1,139,109
Construction in progress	2,608,807	1,542,195	(4,113,335)	238,272	275,939
Total capital assets not being depreciated	<u>3,721,282</u>	<u>1,568,829</u>	<u>(4,113,335)</u>	<u>238,272</u>	<u>1,415,048</u>
Capital assets being depreciated:					
Land improvements	985,119	-	-	-	985,119
Buildings and building improvements	20,721,021	3,944,495	-	-	24,665,516
Furniture, fixtures, and equipment	4,551,614	-	(77,080)	-	4,474,534
Total capital assets being depreciated	<u>26,257,754</u>	<u>3,944,495</u>	<u>(77,080)</u>	<u>-</u>	<u>30,125,169</u>
Less accumulated depreciation:					
Land improvements	370,285	51,312	-	-	421,597
Buildings and building improvements	9,208,689	720,862	-	59,894	9,989,445
Furniture, fixtures, and equipment	2,806,930	213,484	(65,224)	-	2,955,190
Total accumulated depreciation	<u>12,385,904</u>	<u>985,658</u>	<u>(65,224)</u>	<u>59,894</u>	<u>13,366,232</u>
Total capital assets, net of depreciation	<u>\$ 17,593,132</u>	<u>\$ 4,527,666</u>	<u>\$ (4,125,191)</u>	<u>\$ 178,378</u>	<u>\$ 18,173,985</u>

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**NOTE 6 Capital Assets (Continued)**

Depreciation expense of \$985,658 for the year ended June 30, 2017 was allocated as follows:

Governmental activities:	
Instruction	\$ 398,009
Support services - students	111,084
Support services - instruction	13,109
Support services - general administration	40,806
School administration	36,075
Central services	21,192
Operation and maintenance of plant	263,959
Student transportation	65,152
Food services	36,272
Total depreciation	<u>\$ 985,658</u>

At June 30, 2017, the District had begun a project to remodel the elementary school, middle school, and high school in Cimarron, and this project had remaining estimated commitments of \$2,724,000.

While reviewing the construction project which was completed this fiscal year, it was discovered that the District had not been capitalizing the architectural and other professional fees in the construction project. Additionally, it was discovered that some assets had not been properly depreciated previously, and an adjustment was made to correct prior depreciation. As such, adjustments to the fixed asset and depreciation accounts were performed this year through a prior period adjustment. This resulted in a net increase in fixed assets of \$178,378.

The Schedule of Capital Assets Used by Source and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

**NOTE 7 Long-Term Debt**

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance at 06/30/16	Additions	Deletions	Balance at 06/30/17	Due Within One Year
General Obligation Bonds	\$ 3,720,000	\$ 4,750,000	\$ 935,000	\$ 7,535,000	\$ 895,000
Compensated Absences	2,854	-	-	2,854	2,854
Total	<u>\$ 3,722,854</u>	<u>\$ 4,750,000</u>	<u>\$ 935,000</u>	<u>\$ 7,537,854</u>	<u>\$ 897,854</u>

General Obligations Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District has the following outstanding general obligation bonds as of June 30, 2017:

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**NOTE 7 Long-Term Debt (continued)**

	Series 2015 GO Bond <u>3/24/2015</u>	Series 2016 GO Ed Tech Note <u>8/1/2016</u>	Series 2017 GO Bond <u>6/23/2017</u>
Issue Date			
Original Issue	\$4,000,000	\$1,750,000	\$3,000,000
Maturity Date	9/15/2026	8/1/2021	9/15/2032
Principal	15-Sep	1-Aug	15-Sep
Interest Rate	2.00% and 2.50%	2.00%	1.222% to 3.09%
Principal/Interest	15-Sep	1-Aug	15-Sep
Interest	15-Mar	1-Feb	15-Mar

The annual requirements to amortize the special revenue bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending <u>June 30,</u>	Total General Obligation Bonds		Total Debt
	<u>Principal</u>	<u>Interest</u>	<u>Service</u>
2018	\$ 895,000	\$ 127,866	\$ 1,022,866
2019	830,000	127,862	957,862
2020	665,000	114,394	779,394
2021	665,000	101,691	766,691
2022	630,000	89,179	719,179
2023-2027	2,080,000	309,403	2,389,403
2028-2032	1,460,000	87,727	1,547,727
2033-2037	<u>310,000</u>	<u>155</u>	<u>310,155</u>
Totals	<u>\$ 7,535,000</u>	<u>\$ 958,277</u>	<u>\$ 8,493,277</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Compensated Absences – The District had not previously recorded the compensated absences related to one individual who was grandfathered in when the District did away with future leave which was paid upon separation from the District. This resulted in a reduction to the prior period net position of \$2,854.

Operating Leases – The District leases office equipment, including copy machines and postage meter machines, under short-term cancelable operating leases.

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**NOTE 8            Unearned Revenues**

In accordance with the terms of the various grant agreements within the Special Revenue Funds, revenues received in excess of expenditures carry over to the subsequent years, unless such excess revenues are requested to be returned to the grantor. The District had the following unearned revenues at June 30, 2017:

Fund #	Special Revenue Funds:	Amount
24101	Title I IASA	\$ 48,764
24106	IDEA-B Entitlement	2,629
25233	Rural Education Achievement Program	<u>3,325</u>
	Total	<u>\$ 54,718</u>

**NOTE 9            Risk Management**

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes workers compensation, general and automobile liability, automobile physical damage, and property and crime coverage. Also included under the risk management program are boiler, machinery and student accident insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to depositor's forgery, credit card forgery and money orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

**NOTE 10          Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

1. Deficit fund balance of individual funds. The District had no funds reporting a deficit fund balance at June 30, 2017.
2. Excess of expenditures over appropriations. The following funds exceeded their approved budgetary authority for the year ended June 30, 2017:

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**NOTE 10 Other Required Individual Fund Disclosures (Continued)**

Fund #	Fund and Function	Amount
<b>Major Funds:</b>		
31100	Bond Building - Capital Outlay	\$ 16,201
<b>Non-Major Funds:</b>		
21000	Food Services - Food Services Operations	1,912
25153	Title XIX Medicaid 3/21 Years - Support Services	447
27149	PreK Initiative - Instruction	1,376
	Total	<u>\$ 19,936</u>

Bond Building, Title XIX Medicaid 3/21 Years, and PreK Initiative exceeded the total fund budgetary authority by the above amounts.

3. Cash appropriations in excess of available cash balance. For the year ended June 30, 2017, the following funds have cash appropriations in excess of available cash balance at the District.

Fund #	Name	Original Cash Budget	Actual Cash	Difference
14000	Instructional Materials	\$ 20,002	\$ 19,889	\$ (113)
25233	Rural Education Achievement	10,000	2,667	(7,333)
29102	Private Direct Grant	68,493	67,906	(587)
31600	Capital Improvements HB-33	28,394	20,752	(7,642)
31700	Capital Improvements SB-9	2,068,164	1,865,789	(202,375)
31900	Education Technology Equipment	1,673,115	51,427	(1,621,688)
43000	Education Technology Debt Service	366,315	360,755	(5,560)
	Total	<u>\$ 4,234,483</u>	<u>\$ 2,389,185</u>	<u>\$ (1,845,298)</u>

**NOTE 11. General Information on the Pension Plan – Educational Retirement Board**

**Plan Description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB’s comprehensive annual financial report. The report can be found on NMERB’s web site at [https://www.nmerb.org/Annual\\_report.html](https://www.nmerb.org/Annual_report.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 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 authority to set or amend contribution rates and other terms of the Plan which is a pension benefit trust fund of the State of New Mexico. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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**NOTE 11      General Information on the Pension Plan – Educational Retirement Board (Continued)**

All accumulated assets are held by the Plan in trust to pay benefits, including refunds of contributions as defined in the terms of the Plan. Eligibility for membership in the Plan is a condition of employments, 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 provided.** A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

**Summary of Plan Provisions for Retirement Eligibility.** For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit; or
- The member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on, or after, July 1, 2010 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after that July 1, 2010 is as follows:

- The member's age and earned service credit add up to the sum of 80 or more,
- The member is at least sixty-seven years of age and has five or more years of earned service credit; or
- The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for ERB employer on or after July 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 not 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.

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**NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)**

- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life Benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

**Cost of Living Adjustment (COLA).** All retired members and 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 the 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 was 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 years ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule:

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**NOTE 11**      **General Information on the Pension Plan – Educational Retirement Board (Continued)**

<b>Fiscal Year</b>	<b>Date Range</b>	<b>Wage Category</b>	<b>Member Rate</b>	<b>Employer Rate</b>	<b>Combined Rate</b>	<b>Increase Over Prior Year</b>
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the District and at Moreno Valley High School (MVHS) are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2017 and 2016 the District paid employee and employer contributions of \$668,234 and \$672,502, and MVHS paid employee and employer contributions of \$111,102 and \$122,314 which equal the amount of the required contributions for each fiscal year.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:*** The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. At June 30, 2017, the District reported a liability of \$6,766,806 for its proportionate share of the net pension liability; MVHS reported a liability of \$1,267,292 for its proportionate share of the net pension liability. The District’s and MVHS’ proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District’s proportion was 0.09403%, which was an increase of 0.00194% from its proportion measured at June 30, 2015. MVHS’ proportion was 0.01761% at June 30, 2016 which was a decrease of 0.00136% from its proportion measured at June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$609,171. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net (Inflows) Outflows</b>
Differences between expected and actual experience	\$ 29,357	\$ (64,361)	\$ (35,004)
Changes of assumptions	137,745	-	137,745
Net difference between projected and actual earnings on pension plan investments	403,922	-	403,922
Changes in proportion and differences between contributions and proportionate share of contributions	91,279	(52,942)	38,337
District's contributions subsequent to the measurement date	378,353	-	378,353
<b>Total</b>	<b>\$ 1,040,656</b>	<b>\$ (117,303)</b>	<b>\$ 923,353</b>



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**NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)**

Deferred outflows of resources of \$378,353 related to pensions resulting from the District’s contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

<b>2018</b>	\$ 99,021
<b>2019</b>	130,851
<b>2020</b>	216,627
<b>2021</b>	98,501
<b>2022</b>	-
<b>Total</b>	<u>\$ 545,000</u>

For the year ended June 30, 2017, MVHS recognized pension expense of \$83,926. At June 30, 2017, MVHS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Net (Inflows) Outflows</b>
Differences between expected and actual experience	\$ 5,498	\$ (12,054)	\$ (6,556)
Changes of assumptions	25,797	-	25,797
Net difference between projected and actual earnings on pension plan investments	75,647	-	75,647
Changes in proportion and differences between contributions and proportionate share of contributions	15,942	(112,503)	(96,561)
School's contributions subsequent to the measurement date	63,857	-	63,857
<b>Total</b>	<u>\$ 186,741</u>	<u>\$ (124,557)</u>	<u>\$ 62,184</u>

Deferred outflows of resources of \$63,857 related to pensions resulting from MVHS’s contributions subsequent to the measurement date of June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30,**

<b>2018</b>	\$ (14,020)
<b>2019</b>	(24,130)
<b>2020</b>	18,030
<b>2021</b>	18,447
<b>2022</b>	-
<b>Total</b>	<u>\$ (1,673)</u>

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**NOTE 11      General Information on the Pension Plan – Educational Retirement Board (Continued)**

Inflation	3.0%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75% 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><b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p><b>Healthy females:</b> 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><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. <b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> 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.</p>
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% 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.

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**NOTE 11      General Information on the Pension Plan – Educational Retirement Board (Continued)**

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 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:

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

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

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels.

Additionally, contributions received through the Alternative Retirement Plan (ARP) are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.** The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

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**NOTE 11 General Information on the Pension Plan – Educational Retirement Board (Continued)**

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Cimarron Municipal School District No. 3's proportionate share of the net pension liability	\$ 8,962,478	\$ 6,766,806	\$ 4,945,019

**Sensitivity of the MVHS' proportionate share of the net pension liability to changes in the discount rate.** The following table presents the MVHS' proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate.

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Moreno Valley High School's proportionate share of the net pension liability	\$ 1,678,499	\$ 1,267,292	\$ 926,106

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NMERB's financial reports. The reports can be found on NMERB's web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan.** The District and MVHS remit the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2017 the District had no contributions due and payable; MVHS had contributions due and payable in the amount of \$1,834 which were paid on July 7, 2017.

**NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan**

**Plan Description.** Cimarron Municipal School District No. 3 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.

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**NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan (Continued)**

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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](http://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, 2017, 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, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$53,472, \$56,784, and \$52,572 respectively, which equal the required contributions for each year.

Moreno Valley High School's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$8,969, \$9,711, and \$10,642 respectively, which equal the required contributions for each year.

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**NOTE 13      Unavailable Revenues**

The District had \$313,420 of property taxes which weren't collected within the period of availability. As such, the amount is recorded as a receivable and a deferred inflows of resources in the funds statements; however, for the government-wide statements the amounts are recorded as a receivable and a revenue.

**NOTE 14      Concentrations**

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in the specific flows of intergovernmental revenues based on modifications to the Federal and State laws and Federal and State appropriations.

**NOTE 15      Contingent Liabilities**

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

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

**NOTE 16      Subsequent Accounting Standard Pronouncements**

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

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**NOTE 16**      **Subsequent Accounting Standard Pronouncements (Continued)**

In January 2017, GASB Statement No. 84 *Fiduciary Activities*, was issued. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

In March 2017, GASB Statement No. 85 *Omnibus 2017*, was issued. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). 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 standard will affect the District.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues*, was issued. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. 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 standard will affect the District.

In June 2017, GASB Statement No. 87 *Leases*, was issued. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this standard will affect the District.

**NOTE 17**      **Prior Period Adjustments**

During the year ended June 30, 2017, there was a prior period adjustment to the District's capital assets resulting in an increase in net position in the amount of \$178,378. Additionally, a prior period adjustment was made to record accrued compensated absences which had not been previously recorded which resulted in a decrease in net position in the amount of \$2,854. The net effect for the District of these two changes was an increase to beginning net position in the amount of \$175,524.

**NOTE 18**      **Subsequent Events**

A review of subsequent events through October 18, 2017, which is the date the financial statements were available to be issued, indicated nothing of audit significance.

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**NOTE 19**

**Component Units**

**Moreno Valley High School**

Moreno Valley High School (MVHS) is a dependent charter school formed under NMSA 22-8A and as such is presented as a discrete component unit of Cimarron Municipal School District No. 3. MVHS is presented as a component unit since its charter is annually presented and approved by the District's board and a financial burden exists for the District upon closure of the charter school or when the charter school is in need of financial assistance. Additionally, the New Mexico State Auditor, through Rule 2 NMAC 2.2, requires the inclusion of this unit in the reporting entity. Refer to Notes 1 through 18 for significant policies of MVHS, as the charter school is subject to the same State and Federal regulations and follows the same policies as the District.

The following are summarized details of the charter school's balances and transactions as of June 30, 2017 and for the year then ended:

**A. *Financial Statement Presentation***

Under the requirements of GASB Statement No. 34, MVHS is required to present some of its governmental funds as major funds based upon certain criteria. The major funds presented in the supplementary information for the funds statements of the component unit include the following:

**Operational Fund (11000)** – To account for the primary revenues and expenditures of MVHS, including, but not limited to, student instruction, student support, instructional support, general administration, school administration, central services, and operations and maintenance of plant. Revenues come from district tax levy, state equalization, and other local, state, and federal sources. This fund is considered by PED to be a sub-fund of the General Fund. No minimum balance required according to legislation.

**Instructional Materials Fund (14000)** – To account for funding designated for instructional materials purchases as authorized by Sections 22-15-1 through 22-15-14, NMSA, 1978 for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund. No minimum balance required according to legislation.

**2012 GO Bonds Student Library Fund (SB66) (27107)** – To account for funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute. No minimum balance required according to legislation.

**Capital Improvements SB-9 Capital Projects Fund (31700)** – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978). No minimum balance required according to legislation.

**Education Technology Equipment Act (31900)** – To account for State funding to promote the comprehensive integration of advanced technologies in education settings, through the conduct of technical assistance, professional development, information and resource dissemination, and collaboration activities. No minimum balance required according to legislation.



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**NOTE 19**

**Component Units (Continued)**

**Moreno Valley High School (Continued)**

**B. Revenues**

*State Equalization Guarantee:* MVHS received \$746,008 in state equalization guarantee distributions during the year ended June 30, 2017.

*Instructional Materials:* Allocations received by MVHS from the State for the year ended June 30, 2017 totaled \$3,409.

*SB-9 State Match:* MVHS received \$9,018 in state SB-9 matching during the year ended June 30, 2017.

*Public School Capital Outlay:* Awards for rent assistance totaled \$50,433 during the year ended June 30, 2017 for MVHS.

*Tax Revenues:* In the year ended June 30, 2017, MVHS collected \$127,802 in property taxes.

**C. Cash and Temporary Investments**

*Deposits:* New Mexico state statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to MVHS for at least one half of the amount on deposit with the institution in excess of federal deposit insurance. The schedule listed below will meet the State of New Mexico Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	International Bank	Washington Federal	Total
Total amounts of deposits	\$ 335,140	\$ 14,074	\$ 349,214
FDIC coverage	250,000	14,074	264,074
Total uninsured public funds	85,140	-	85,140
Collateral requirement (50% of uninsured public funds)	42,570	-	42,570
Pledged security	149,505	-	149,505
Total over (under) collateralized	\$ 106,935	\$ -	\$ 106,935

Funds are maintained in non-interest bearing accounts in both financial institutions.

*Custodial Credit Risk – Deposits.* 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, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

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**NOTE 19**      **Component Units (Continued)**

**Moreno Valley High School (Continued)**

***C. Cash and Temporary Investments (Continued)***

Deposits – The risk exists when a portion of MVHS’s deposits are not covered by depository insurance and are:

1. Uncollateralized;
2. Collateralized with securities held by the pledging financial institution; or
3. Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (MVHS’s) name.

At June 30, 2017, \$85,140 of MVHS’ bank balance of \$349,214 was exposed to custodial credit risk as it was uninsured and the collateral was not held in MVHS’ name.

The carrying amount of deposits and investments shown above are included in MVHS’ Statement of Net Position as follows:

Reconciliation to Statement of Net Position

Governmental Funds - Balance Sheet

Cash and cash equivalents per Statement E-1	\$	293,470
Statement of Fiduciary Net Position - cash per Statement E-10		15,138
Total per financial statements		308,608
Less: cash on hand		(50)
Add outstanding checks and other reconciling items		40,656
 Bank balance of deposits	 \$	 349,214

***D. Receivables***

Receivables for MVHS as of June 30, 2017 are as follow:

	Major Funds		
	2013	Capital	Total Governmental Funds
	Student Library Fund (SB66) 27107	Improvements SB-9 31700	
Taxes Receivable	\$ -	\$ 13,341	
Due from other governments	2,757	-	2,757
Total receivables	\$ 2,757	\$ 13,341	\$ 16,098

The above receivables are deemed 100% collectible. In Accordance with GASB No. 33, property tax revenues in the amount of \$4,150 were not collected within the period of availability.

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**NOTE 19      Component Units (Continued)**

**Moreno Valley High School (Continued)**

***E. Interfund Receivables, Payables, and Transfers***

At June 30, 2017, MVHS' Operational Fund (11000) was owed \$2,757 from 2013 Student Library Fund (SB66) (27107). Additionally, the Operational Fund (11000) made operating transfers of \$23,177 during the year to IDEA-B Entitlement of \$22,159 and to Library GO Bonds 2010 of \$1,018. Finally, Beginning Teacher Mentoring reverted \$1,881 to the State.

During the year ended June 30, 2017, MVHS also received a transfer of \$187,904 from Cimarron Municipal School District No. 3 for its share of the proceeds from the Educational Technology bond.

***F. Capital Assets***

A summary of MVHS' capital assets and changes occurring during the year ended June 30, 2017 follow:

Capital assets used in governmental activities:	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
Capital assets being depreciated:					
Buildings and building improvements	\$ 1,775,624	\$ -	\$ -	\$ -	\$ 1,775,624
Furniture, fixtures, and equipment	103,951	-	-	-	103,951
Total capital assets being depreciated	<u>1,879,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879,575</u>
Less accumulated depreciation:					
Buildings and building improvements	265,730	45,030	-	-	310,760
Furniture, fixtures, and equipment	103,951	-	-	-	103,951
Total accumulated depreciation	<u>369,681</u>	<u>45,030</u>	<u>-</u>	<u>-</u>	<u>414,711</u>
Total capital assets, net of depreciation	<u>\$ 1,509,894</u>	<u>\$ (45,030)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,464,864</u>

Depreciation expense of \$45,030 for the year ended June 30, 2017 was allocated as follows:

Governmental activities:

Instruction	\$ 17,498
Support services - students	419
Support services - instruction	212
Support services - general administration	4,661
School administration	8,956
Central services	4,192
Operation and maintenance of plant	9,092
Total depreciation	<u>\$ 45,030</u>

The Schedule of Capital Assets Used by Source and the Schedule of Changes in Capital Assets by Function and Activity have not been prepared because the detailed information is unavailable.

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**NOTE 19**

**Component Units (Continued)**

**Moreno Valley High School (Continued)**

***G. Other Required Individual Fund Disclosures***

1. Deficit fund balance of individual funds. MVHS had no funds reporting a deficit fund balance at June 30, 2017.
2. Excess of expenditures over appropriations. The Operational Fund (11000) fund exceeded its approved budgetary authority for the year ended June 30, 2017 by \$1,185 in the Instruction function.
3. Cash appropriations in excess of available cash balance. For the year ended June 30, 2017, MVHS had no cash appropriations in excess of available cash balances.

***H. Unavailable Revenues***

MVHS had \$4,150 of property taxes which weren't collected within the period of availability. As such, the amount is recorded as a receivable and a deferred inflows of resources in the funds statements; however, for the government-wide statements the amounts are recorded as a receivable and a revenue.

**Moreno Valley Education Foundation – Component Unit of Moreno Valley High School**

Moreno Valley Education Foundation (Foundation) is a separate but affiliated, self-sustaining, not-for-profit organization. The Foundation was established to provide support for Moreno Valley High School and to promote, sponsor, and carry out charitable and related activities for Moreno Valley High School. It is governed by an independent board of volunteers. The Foundation is considered to be a component unit of the Moreno Valley High School because the purpose of the Foundation is to exclusively, or almost exclusively, benefit the District and MVHS by soliciting contributions and managing the funds.

The following are summarized details for the Foundation's balances and transactions as of June 30, 2017 and for the year then ended:

***A. Cash and Temporary Investments***

The Foundation's cash accounts are held in noninterest-bearing demand checking account at a local financial institution with a carrying amount of \$115,097 at June 30, 2017.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure the Foundation's deposits may not be returned to it. All of the Foundation's accounts are at an insured depository institution insured by the FDIC up to the maximum deposit insurance amount of \$250,000 for demand deposit accounts. At June 30, 2017, the Foundation had no uninsured cash deposits.

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**NOTE 19**      **Component Units (Continued)**

**Moreno Valley Education Foundation (Continued)**

***B. Capital Assets***

A summary of the Foundation's capital assets and changes occurring during the year ended June 30, 2017 follow:

	Balance				Balance
Capital assets used in governmental activities:	June 30, 2016	Additions	Deletions	Adjustments	June 30, 2017
Capital assets not being depreciated:					
Land	\$ 258,571	\$ -	\$ (30,000)	\$ (76,651)	\$ 151,920
Total capital assets not being depreciated	<u>258,571</u>	<u>-</u>	<u>(30,000)</u>	<u>(76,651)</u>	<u>151,920</u>
Capital assets being depreciated:					
Furniture, fixtures, and equipment	63,843	-	(22,147)	-	41,696
Total capital assets being depreciated	<u>63,843</u>	<u>-</u>	<u>(22,147)</u>	<u>-</u>	<u>41,696</u>
Less accumulated depreciation:					
Furniture, fixtures, and equipment	61,056	-	(19,360)	-	41,696
Total accumulated depreciation	<u>61,056</u>	<u>-</u>	<u>(19,360)</u>	<u>-</u>	<u>41,696</u>
Total capital assets, net of depreciation	<u>\$ 261,358</u>	<u>\$ -</u>	<u>\$ (32,787)</u>	<u>\$ (76,651)</u>	<u>\$ 151,920</u>

***C. Prior Period Adjustment***

During the year ended June 30, 2017, the Foundation identified \$76,651 in land which was being carried on the books of the Foundation which had previously been donated to the District. As such, this amount was removed from capital assets. This resulted in the beginning net position of the Foundation being reduced by a corresponding amount.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**EDUCATIONAL RETIREMENT BOARD (ERB) PLAN**  
**LAST 10 FISCAL YEARS\***  
**JUNE 30, 2017**

Schedule I

**Primary Government: Cimarron Municipal School District No. 3**

	<b>June 30</b>			
	<b>Fiscal Year</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement Date</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Cimarron Municipal School District No. 3's proportion of the net pension liability		0.09403%	0.09209%	0.09349%
Cimarron Municipal School District No. 3's proportionate share of the net pension liability		\$ 6,766,806	\$ 5,964,915	\$ 5,334,279
Cimarron Municipal School District No. 3's covered-employee payroll		\$ 2,684,101	\$ 2,617,732	\$ 2,577,055
Cimarron Municipal School District No. 3's proportionate share of the net pension liability as a percentage of covered-employee payroll		252.11%	227.87%	206.99%
Plan fiduciary net position as a percentage of total pension liability		61.58%	63.97%	66.54%

**Component Unit: Moreno Valley High School**

	<b>June 30</b>			
	<b>Fiscal Year</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>Measurement Date</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Moreno Valley High School's proportion of net pension liability		0.01761%	0.01897%	0.02054%
Moreno Valley High School's proportionate share of the net pension liability		\$ 1,267,292	\$ 1,228,737	\$ 1,171,949
Moreno Valley High School's covered-employee payroll		\$ 539,390	\$ 566,253	\$ 542,136
Moreno Valley High School's proportionate share of the net pension liability as a percentage of covered-employee payroll		234.95%	216.99%	216.17%
Plan fiduciary net position as a percentage of total pension liability		61.58%	63.97%	66.54%

\* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Cimarron Municipal Schools and Moreno Valley High School will present information for those years for which information is available.

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



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) PLAN**  
**LAST 10 FISCAL YEARS\***  
**JUNE 30, 2017**

Schedule II

**Primary Government: Cimarron Municipal School District No. 3**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 378,353	\$ 373,090	\$ 363,865
Contributions in relation to the contractually required contribution	378,353	373,090	363,865
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cimarron Municipal School District No. 3's covered-employee payroll	\$ 2,730,075	\$ 2,684,101	\$ 2,617,732
Contributions as a percentage of covered-employee payroll	13.86%	13.90%	13.90%

**Component Unit: Moreno Valley High School**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 63,857	\$ 74,975	\$ 74,462
Contributions in relation to the contractually required contribution	63,857	74,975	74,462
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Moreno Valley High School's covered-employee payroll	\$ 456,739	\$ 539,390	\$ 566,253
Contributions as a percentage of covered-employee payroll	13.98%	13.90%	13.15%

\* This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the Cimarron Municipal Schools and Moreno Valley High School will present information for those years for which information is available.

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

**STATE OF NEW MEXICO**  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN  
JUNE 30, 2017

*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.

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure *General Information on the Pension Plan - Educational Retirement Board, General Information on the Pension Plan*

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

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**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

Statement A-1

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 179,078	\$ 1,216	\$ 1,010,670	\$ 1,190,964
Accounts receivable				
Taxes	-	30,545	197,025	227,570
Due from other governments	72,744	-	8,917	81,661
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	1,330	-	-	1,330
	<u>1,330</u>	<u>-</u>	<u>-</u>	<u>1,330</u>
<i>Total assets</i>	<u>\$ 253,152</u>	<u>\$ 31,761</u>	<u>\$ 1,216,612</u>	<u>\$ 1,501,525</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	63,056	-	-	63,056
Unearned revenue	54,718	-	-	54,718
	<u>117,774</u>	<u>-</u>	<u>-</u>	<u>117,774</u>
<i>Total liabilities</i>	<u>117,774</u>	<u>-</u>	<u>-</u>	<u>117,774</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	30,545	122,567	153,112
	<u>-</u>	<u>30,545</u>	<u>122,567</u>	<u>153,112</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>30,545</u>	<u>122,567</u>	<u>153,112</u>
<b>FUND BALANCES</b>				
Nonspendable	1,330	-	-	1,330
Restricted for:				
Grant mandates	41,754	-	-	41,754
Capital projects	-	1,189	-	1,189
Debt service	-	-	164,299	164,299
Assigned	92,294	27	929,746	1,022,067
Unassigned	-	-	-	-
	<u>135,378</u>	<u>1,216</u>	<u>1,094,045</u>	<u>1,230,639</u>
<i>Total fund balances</i>	<u>135,378</u>	<u>1,216</u>	<u>1,094,045</u>	<u>1,230,639</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 253,152</u>	<u>\$ 31,761</u>	<u>\$ 1,216,612</u>	<u>\$ 1,501,525</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

Statement A-2

	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL
<i>Revenues:</i>				
Property taxes	\$ -	\$ 1,034	\$ 1,006,078	\$ 1,007,112
Oil and gas taxes	-	-	66,364	66,364
State grants	58,263	-	-	58,263
Federal grants	506,214	-	-	506,214
Miscellaneous	20,000	-	-	20,000
Charges for services	49,346	-	-	49,346
Investment income	136	11	3,190	3,337
<i>Total revenues</i>	<u>633,959</u>	<u>1,045</u>	<u>1,075,632</u>	<u>1,710,636</u>
<i>Expenditures:</i>				
Current:				
Instruction	196,767	-	-	196,767
Support services				
Students	42,281	-	-	42,281
Instruction	64,863	-	-	64,863
General administration	-	10	9,593	9,603
School administration	35,901	-	-	35,901
Central services	21,242	-	-	21,242
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	266,115	-	-	266,115
Community services	-	-	-	-
Capital outlay	-	20,571	402	20,973
Debt service				
Principal	-	-	935,000	935,000
Interest	-	-	84,575	84,575
<i>Total expenditures</i>	<u>627,169</u>	<u>20,581</u>	<u>1,029,570</u>	<u>1,677,320</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>6,790</u>	<u>(19,536)</u>	<u>46,062</u>	<u>33,316</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	42,240	42,240
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>42,240</u>	<u>42,240</u>
<i>Net changes in fund balances</i>	6,790	(19,536)	88,302	75,556
<i>Fund balances - beginning of year</i>	<u>128,588</u>	<u>20,752</u>	<u>1,005,743</u>	<u>1,155,083</u>
<i>Fund balances - end of year</i>	<u>\$ 135,378</u>	<u>\$ 1,216</u>	<u>\$ 1,094,045</u>	<u>\$ 1,230,639</u>

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



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**SPECIAL REVENUE FUNDS**

**SPECIAL REVENUE FUNDS  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**

**Primary Government**

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

**Food Services (21000)** - This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

**Athletics (22000)** – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

**Title I IASA (24101)** This fund is used to account for the major objectives of the Title I programs are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

**IDEA-B Entitlement (24106)** – To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420. No minimum balance required according to legislation.

**IDEA-B Preschool (24109)** – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

**Fresh Fruits and Vegetables (24118)** – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769. No minimum balance required according to legislation.

**IDEA-B “Risk Pool” (24120)** – Funding for students with disabilities who are parentally placed in private elementary and secondary schools (“equitable participation services”) located in the school district. No minimum balance required according to legislation.

**IDEA-B Results Plan (24132)** – This account is to support the individual school site’s Education Plan for Student Success, or areas in need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is the NMPED. No minimum balance required according to legislation.

**Teacher/Principal Training & Recruiting (24154)** – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. No minimum balance required according to legislation.

**Title XIX Medicaid 3/21 Years (25153)** – To provide 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. (P.L. 105-33) No minimum balance required according to legislation.

**Rural Education Achievement Program (25233)** – To account for funds received under the Small Rural School Achievement Program to enhance education. No minimum balance required according to legislation.

**Turner Foundation (26156)** – The purpose of this grant is to enhance the curriculum by utilizing nontraditional teaching methods (real life learning). No minimum balance required.

**A Plus for Energy (26179)** – To assist high school lab based science courses in the study of energy resources. No minimum balance required.

**Dual Credit Instructional Materials (27103)** – To purchase college textbooks for students who dual enroll in college credited courses while still attending high school. No minimum balance required according to legislation.

**2012 GO Bonds Student Library Fund (SB66) (27107)** – Funds used to purchase library books and library supplies for all school sites. Program is authorized by state statute. No minimum balance required according to legislation.

**PreK Initiative (27149)** – The Pre-K Initiative program provides high-quality early childhood services (in accordance with the NM Pre-K standards) to four year old children in need. Authorized through 32A-23-1 NMSA 1978. No minimum balance required according to legislation.

**Private Direct Grants (29102)** – To account for local grants awarded to provide additional funding for specific projects. No minimum balance required according to legislation.

**SPECIAL REVENUE FUNDS  
MORENO VALLEY HIGH SCHOOL**

**Component Unit**

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to Moreno Valley High School with the purpose of accomplishing specific educational tasks. Special Revenue Funds include:

**IDEA-B Entitlement (24106)** – To account for a program funded by a Federal grant to assist MVHS in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420. No minimum balance required according to legislation.

**Library GO Bonds 2010 (27106)** – To account for funds to be used to fund each library facility for improvement or acquisition and to acquire library books and library resources to support the library program. Funds generated by GO Bonds may not be used to supplant existing or prior library material funding within school districts receiving these monies. This funding will supplement and be in addition to current and existing funds. Authorized through Senate Bill 2010 SB333. No minimum balance required according to legislation.

**Beginning Teacher Mentoring Program (27154)** – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority from creation of this fund is NMSA 22-2-8-10. No minimum balance required according to legislation.

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	Food Services 21000	Athletics 22000	Title I IASA 24101	IDEA-B Entitlement 24106
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 50,885	\$ 17,488	\$ 39,413	\$ 439
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	9,351	30,190
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	1,330	-	-	-
<i>Total assets</i>	<u>\$ 52,215</u>	<u>\$ 17,488</u>	<u>\$ 48,764</u>	<u>\$ 30,629</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	28,000
Unearned revenue	-	-	48,764	2,629
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>48,764</u>	<u>30,629</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	1,330	-	-	-
Restricted for:				
Grant mandates	20,681	10,351	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	30,204	7,137	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>52,215</u>	<u>17,488</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 52,215</u>	<u>\$ 17,488</u>	<u>\$ 48,764</u>	<u>\$ 30,629</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	IDEA-B Preschool 24109	Fresh Fruits and Vegetables 24118	IDEA-B "Risk Pool" 24120	IDEA-B Results Plan 24132
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 19	\$ -	\$ -	\$ 1,790
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	2,631	-	706	15,210
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 2,650</u>	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 17,000</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	2,650	-	706	17,000
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>2,650</u>	<u>-</u>	<u>706</u>	<u>17,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,650</u>	<u>\$ -</u>	<u>\$ 706</u>	<u>\$ 17,000</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Turner Foundation 26156
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ -	\$ 26	\$ 3,325	\$ 16,565
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	4,574	-	-
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 3,325</u>	<u>\$ 16,565</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	4,600	-	-
Unearned revenue	-	-	3,325	-
<i>Total liabilities</i>	<u>-</u>	<u>4,600</u>	<u>3,325</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	2,188
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	-	-	-	14,377
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,565</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 4,600</u>	<u>\$ 3,325</u>	<u>\$ 16,565</u>

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



STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	A Plus for Energy 26179	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library Fund (SB66) 27107	PreK Initiative 27149
<b>ASSETS</b>				
<i>Current assets:</i>				
Cash and temporary investments	\$ 870	\$ -	\$ -	\$ 18
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	10,082
Interfund receivables	-	-	-	-
Other	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,100</u>
<b>LIABILITIES</b>				
<i>Current liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-	-
Interfund payables	-	-	-	10,100
Unearned revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Grant mandates	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Assigned	870	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>870</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,100</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2017

	Private Direct Grants 29102	Total
<b>ASSETS</b>		
<i>Current assets:</i>		
Cash and temporary investments	\$ 48,240	\$ 179,078
Accounts receivable	-	-
Taxes	-	-
Due from other governments	-	72,744
Interfund receivables	-	-
Other	-	-
Inventory	-	1,330
<i>Total assets</i>	<u>\$ 48,240</u>	<u>\$ 253,152</u>
<b>LIABILITIES</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ -	\$ -
Accrued payroll liabilities	-	-
Interfund payables	-	63,056
Unearned revenue	-	54,718
<i>Total liabilities</i>	<u>-</u>	<u>117,774</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues - property taxes	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>		
Nonspendable	-	1,330
Restricted for:		
Grant mandates	8,534	41,754
Capital projects	-	-
Debt service	-	-
Assigned	39,706	92,294
Unassigned	-	-
<i>Total fund balances</i>	<u>48,240</u>	<u>135,378</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 48,240</u>	<u>\$ 253,152</u>

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

STATE OF NEW MEXICO

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Food Services 21000	Athletics 22000	Title I IASA 24101	IDEA-B Entitlement 24106
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	825	-	-	-
Federal grants	227,964	-	64,798	119,656
Miscellaneous	-	-	-	-
Charges for services	36,687	12,659	-	-
Investment income	136	-	-	-
<i>Total revenues</i>	<u>265,612</u>	<u>12,659</u>	<u>64,798</u>	<u>119,656</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	6,676	8,702	48,287
Support services				
Students	-	-	-	27,149
Instruction	-	-	52,995	-
General administration	-	-	-	-
School administration	-	-	3,101	22,978
Central services	-	-	-	21,242
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	258,677	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>258,677</u>	<u>6,676</u>	<u>64,798</u>	<u>119,656</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>6,935</u>	<u>5,983</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	6,935	5,983	-	-
<i>Fund balances - beginning of year</i>	<u>45,280</u>	<u>11,505</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 52,215</u>	<u>\$ 17,488</u>	<u>\$ -</u>	<u>\$ -</u>

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

## STATE OF NEW MEXICO

Statement B-2

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	IDEA-B Preschool 24109	Fresh Fruits and Vegetables 24118	IDEA-B "Risk Pool" 24120	IDEA-B Results Plan 24132
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	-	-	-	-
Federal grants	12,885	7,438	706	27,053
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>12,885</u>	<u>7,438</u>	<u>706</u>	<u>27,053</u>
<i>Expenditures:</i>				
Current:				
Instruction	12,885	-	706	27,053
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	7,438	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>12,885</u>	<u>7,438</u>	<u>706</u>	<u>27,053</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Teacher/Principal Training & Recruiting 24154	Title XIX Medicaid 3/21 Years 25153	Rural Education Achievement Program 25233	Turner Foundation 26156
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	-	-	-	-
Federal grants	8,583	21,878	15,253	-
Miscellaneous	-	-	-	20,000
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>8,583</u>	<u>21,878</u>	<u>15,253</u>	<u>20,000</u>
<i>Expenditures:</i>				
Current:				
Instruction	8,583	-	12,177	7,812
Support services				
Students	-	12,056	3,076	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	9,822	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>8,583</u>	<u>21,878</u>	<u>15,253</u>	<u>7,812</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,188</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,188</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,377</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,565</u>

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

STATE OF NEW MEXICO

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	A Plus for Energy 26179	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library Fund (SB66) 27107	PreK Initiative 27149
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
State grants	-	898	11,868	44,672
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>898</u>	<u>11,868</u>	<u>44,672</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	898	-	44,672
Support services				
Students	-	-	-	-
Instruction	-	-	11,868	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>898</u>	<u>11,868</u>	<u>44,672</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
Bond underwriter premium	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	<u>870</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Private Direct Grants 29102	Total
<i>Revenues:</i>		
Property taxes	\$ -	\$ -
Oil and gas taxes	-	-
State grants	-	58,263
Federal grants	-	506,214
Miscellaneous	-	20,000
Charges for services	-	49,346
Investment income	-	136
<i>Total revenues</i>	<u>-</u>	<u>633,959</u>
<i>Expenditures:</i>		
Current:		
Instruction	18,316	196,767
Support services		
Students	-	42,281
Instruction	-	64,863
General administration	-	-
School administration	-	35,901
Central services	-	21,242
Operation & maintenance of plant	-	-
Student transportation	-	-
Other support services	-	-
Food services operations	-	266,115
Community services	-	-
Capital outlay	-	-
Debt service		
Principal	-	-
Interest	-	-
<i>Total expenditures</i>	<u>18,316</u>	<u>627,169</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(18,316)</u>	<u>6,790</u>
<i>Other financing sources (uses):</i>		
Operating transfers	-	-
Proceeds from bond issues	-	-
Bond underwriter premium	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(18,316)	6,790
<i>Fund balances - beginning of year</i>	<u>66,556</u>	<u>128,588</u>
<i>Fund balances - end of year</i>	<u>\$ 48,240</u>	<u>\$ 135,378</u>

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

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**CAPITAL PROJECTS FUNDS**

**CAPITAL PROJECTS FUNDS DESCRIPTIONS  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**

**Primary Government**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Capital Improvements HB-33 (31600)** – The fund provides financing for the purchase of equipment and capital improvements to School District property. Funding received from a 5 mill property tax levy and interest earned on investments, per House Bill 33. No minimum balance required according to legislation.

**MORENO VALLEY HIGH SCHOOL**

**Component Unit**

**Public School Capital Outlay Capital Projects Fund (31200)** is used to account for funding provided to the District by the State of New Mexico for capital improvement projects approved by the Public School Capital Outlay Council. Funding is authorized by NMAC 6.20.2 through the New Mexico Public Education Department. No minimum balance required according to legislation.

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2017**

	Capital Improvements HB-33 31600
<b>ASSETS</b>	
<i>Current assets:</i>	
Cash and temporary investments	\$ 1,216
Accounts receivable	
Taxes	30,545
Due from other governments	-
Interfund receivables	-
Other	-
Inventory	-
	<hr/>
<i>Total assets</i>	<u>\$ 31,761</u>
<b>LIABILITIES</b>	
<i>Current liabilities:</i>	
Accounts payable	\$ -
Accrued payroll liabilities	-
Interfund payables	-
Unearned revenue	-
	<hr/>
<i>Total liabilities</i>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues - property taxes	30,545
<i>Total deferred inflows of resources</i>	<u>30,545</u>
<b>FUND BALANCES</b>	
Nonspendable	-
Restricted for:	
Grant mandates	-
Capital projects	1,189
Debt service	-
Assigned	27
Unassigned	-
	<hr/>
<i>Total fund balances</i>	<u>1,216</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 31,761</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

Statement C-2

	Capital Improvements HB-33 31600
	<hr/>
<i>Revenues:</i>	
Property taxes	\$ 1,034
Oil and gas taxes	-
State grants	-
Federal grants	-
Miscellaneous	-
Charges for services	-
Investment income	11
<i>Total revenues</i>	<hr/> <u>1,045</u>
 <i>Expenditures:</i>	
Current:	
Instruction	-
Support services	
Students	-
Instruction	-
General administration	10
School administration	-
Central services	-
Operation & maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community services	-
Capital outlay	20,571
Debt service	
Principal	-
Interest	-
<i>Total expenditures</i>	<hr/> <u>20,581</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<hr/> <u>(19,536)</u>
 <i>Other financing sources (uses):</i>	
Operating transfers	-
Proceeds from bond issues	-
Bond underwriter premium	-
<i>Total other financing sources (uses)</i>	<hr/> <u>-</u>
 <i>Net changes in fund balances</i>	 <u>(19,536)</u>
 <i>Fund balances - beginning of year</i>	 <u>20,752</u>
 <i>Fund balances - end of year</i>	 <u>\$ 1,216</u>

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

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**DEBT SERVICE FUNDS**

**DEBT SERVICE FUNDS DESCRIPTIONS  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**

**Primary Government**

Debt Service Funds account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

**Debt Service Fund (41000)** – The fund is used to account for the accumulation of resources for the payment of general long-term debt principal and interest.

**Education Technology Debt Service Fund (43000)** – The fund is to account for the debt repayments of the debt incurred through the Education Technology Equipment Act (Capital Projects Fund) (Section 6-15A-1 to 6-15A-16 NMSA 1978). No minimum balance required according to legislation.

**MORENO VALLEY HIGH SCHOOL**

**Component Unit**

None

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2017

	Debt Service 41000	Education Technology Debt Service 43000	Total
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ 309,715	\$ 700,955	\$ 1,010,670
Accounts receivable			
Taxes	74,331	122,694	197,025
Due from other governments	2,765	6,152	8,917
Interfund receivables	-	-	-
Other	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 386,811</u>	<u>\$ 829,801</u>	<u>\$ 1,216,612</u>
<b>LIABILITIES</b>			
<i>Current Liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-
Interfund payables	-	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	49,121	73,446	122,567
<i>Total deferred inflows of resources</i>	<u>49,121</u>	<u>73,446</u>	<u>122,567</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for:			
Grant mandates	-	-	-
Capital projects	-	-	-
Debt service	-	164,299	164,299
Assigned	337,690	592,056	929,746
Unassigned	-	-	-
<i>Total fund balances</i>	<u>337,690</u>	<u>756,355</u>	<u>1,094,045</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 386,811</u>	<u>\$ 829,801</u>	<u>\$ 1,216,612</u>

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



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Statement D-2

	Debt Service 41000	Education Technology Debt Service 43000	Total
<i>Revenues:</i>			
Property taxes	\$ 329,164	\$ 676,914	\$ 1,006,078
Oil and gas taxes	26,356	40,008	66,364
State grants	-	-	-
Federal grants	-	-	-
Miscellaneous	-	-	-
Charges for services	-	-	-
Investment income	1,249	1,941	3,190
<i>Total revenues</i>	<u>356,769</u>	<u>718,863</u>	<u>1,075,632</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	-	-
Support services			
Students	-	-	-
Instruction	-	-	-
General administration	3,223	6,370	9,593
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services operations	-	-	-
Community services	-	-	-
Capital outlay	268	134	402
Debt service			
Principal	585,000	350,000	935,000
Interest	64,625	19,950	84,575
<i>Total expenditures</i>	<u>653,116</u>	<u>376,454</u>	<u>1,029,570</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(296,347)</u>	<u>342,409</u>	<u>46,062</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	-	-
Proceeds from bond issues	-	-	-
Bond underwriter premium	-	42,240	42,240
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>42,240</u>	<u>42,240</u>
<i>Net changes in fund balances</i>	(296,347)	384,649	88,302
<i>Fund balances - beginning of year</i>	<u>634,037</u>	<u>371,706</u>	<u>1,005,743</u>
<i>Fund balances - end of year</i>	<u>\$ 337,690</u>	<u>\$ 756,355</u>	<u>\$ 1,094,045</u>

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

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## **COMPONENT UNITS**

**MORENO VALLEY HIGH SCHOOL**

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 STATEMENT OF NET POSITION  
 JUNE 30, 2017

Statement E-1

	<u>Primary Government</u>	<u>Component Unit</u>	
	Governmental Activities	Moreno Valley Education Foundation	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 293,470	\$ 112,501	\$ 405,971
Receivables (net of allowance for uncollectibles)	16,098	-	16,098
<i>Total current assets</i>	<u>309,568</u>	<u>112,501</u>	<u>422,069</u>
<i>Noncurrent assets</i>			
Capital assets (net of accumulated depreciation):			
Land and land improvements	-	151,920	151,920
Buildings and building improvements	1,775,624	-	1,775,624
Furniture, fixtures and equipment	103,951	41,696	145,647
Less: accumulated depreciation	(414,711)	(41,696)	(456,407)
<i>Total noncurrent assets</i>	<u>1,464,864</u>	<u>151,920</u>	<u>1,616,784</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension - change in proportion	15,942	-	15,942
Pension - change in assumptions	25,797	-	25,797
Pension - change in investment experience	75,647	-	75,647
Pension - change in actuarial experiences	5,498	-	5,498
Pension - employer contributions after measurement date	63,857	-	63,857
<i>Total deferred outflows</i>	<u>186,741</u>	<u>-</u>	<u>186,741</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 1,961,173</u>	<u>\$ 264,421</u>	<u>\$ 2,225,594</u>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable	\$ 3,626	\$ -	\$ 3,626
Accrued payroll liabilities	8,586	-	8,586
<i>Total current liabilities</i>	<u>12,212</u>	<u>-</u>	<u>12,212</u>
<i>Noncurrent liabilities:</i>			
Net pension liability	1,267,292	-	1,267,292
<i>Total noncurrent liabilities</i>	<u>1,267,292</u>	<u>-</u>	<u>1,267,292</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension - change in actuarial experiences	12,054	-	12,054
Pension - change in proportion	112,503	-	112,503
<i>Total deferred inflows</i>	<u>124,557</u>	<u>-</u>	<u>124,557</u>
<b>NET POSITION</b>			
Invested in capital assets	1,464,864	151,920	1,616,784
Restricted for:			
Capital projects	241,748	-	241,748
Unrestricted	(1,149,500)	112,501	(1,036,999)
<i>Total net position</i>	<u>557,112</u>	<u>264,421</u>	<u>821,533</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 1,961,173</u>	<u>\$ 264,421</u>	<u>\$ 2,225,594</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

Statement E-2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
<b>Primary Government</b>						
Governmental activities:						
Instruction	\$ 575,237	\$ -	\$ 3,409	\$ -	\$ (571,828)	
Support services:						
Students	41,329	-	-	-	(41,329)	
Instruction	3,101	-	2,757	-	(344)	
General administration	74,316	-	-	-	(74,316)	
School administration	86,681	-	-	-	(86,681)	
Central services	49,590	-	-	-	(49,590)	
Operation & maintenance of plant	80,802	-	-	59,451	(21,351)	
Facilities materials, supplies, & other services	207,425	-	-	-	(207,425)	
Depreciation - unallocated	-	-	-	-	-	
Total Primary Government	<u>\$ 1,118,481</u>	<u>\$ -</u>	<u>\$ 6,166</u>	<u>\$ 59,451</u>	<u>(1,052,864)</u>	
<b>Component Unit:</b>						
Moreno Valley Education Foundation	\$ 87,572	-	-	-		\$ (87,572)
		<b>General Revenues:</b>				
		Property taxes:				
			Levied for capital projects		131,952	-
			State Equalization Guarantee		746,008	-
			Miscellaneous		1,397	-
			Reversion to the State		(1,881)	-
			Unrestricted donations		-	37,700
			Loss on disposal of fixed assets		-	(2,787)
			Transfer from Cimarron Municipal Schools		187,904	-
			Total general revenues		<u>1,065,380</u>	<u>34,913</u>
			Change in net position		<u>12,516</u>	<u>(52,659)</u>
			Net position - beginning of year		544,596	393,731
			Prior period adjustment		-	(76,651)
			Net position - beginning of year, restated		<u>544,596</u>	<u>317,080</u>
			Net position - end of year		<u>\$ 557,112</u>	<u>\$ 264,421</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<b>Major Funds</b>		
	General Fund		Special Revenue
	Operational	Instructional	2012 GO Bonds
	11000	Materials 14000	Student Library Fund (SB66) 27107
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ 57,094	\$ 7,969	\$ -
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	2,757
Interfund receivables	2,757	-	-
<i>Total assets</i>	<u>\$ 59,851</u>	<u>\$ 7,969</u>	<u>\$ 2,757</u>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ 3,626	\$ -	\$ -
Accrued payroll liabilities	8,586	-	-
Interfund payables	-	-	2,757
<i>Total liabilities</i>	<u>12,212</u>	<u>-</u>	<u>2,757</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for:			
Transportation	-	-	-
Instructional materials	-	5,344	-
Grant mandates	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Assigned	40,005	2,625	-
Unassigned	7,634	-	-
<i>Total fund balances</i>	<u>47,639</u>	<u>7,969</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 59,851</u>	<u>\$ 7,969</u>	<u>\$ 2,757</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<b>Major Funds</b>		
	Capital Projects		Total Major Funds
	Capital Improvements SB-9 31700	Educational Technology Equipment Act 31900	
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ 100,737	\$ 127,670	\$ 293,470
Accounts receivable			
Taxes	13,341	-	13,341
Due from other governments	-	-	2,757
Interfund receivables	-	-	2,757
<i>Total assets</i>	<u>\$ 114,078</u>	<u>\$ 127,670</u>	<u>\$ 312,325</u>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ 3,626
Accrued payroll liabilities	-	-	8,586
Interfund payables	-	-	2,757
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>14,969</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	4,150	-	4,150
<i>Total deferred inflows of resources</i>	<u>4,150</u>	<u>-</u>	<u>4,150</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for:			
Transportation	-	-	-
Instructional materials	-	-	5,344
Grant mandates	-	-	-
Capital projects	-	14,266	14,266
Debt service	-	-	-
Assigned	109,928	113,404	265,962
Unassigned	-	-	7,634
<i>Total fund balances</i>	<u>109,928</u>	<u>127,670</u>	<u>293,206</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 114,078</u>	<u>\$ 127,670</u>	<u>\$ 312,325</u>

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



STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<b>Non-major Funds</b>		
	<u>Special Revenue</u>	<u>Special Revenue</u>	<u>Special Revenue</u>
	IDEA-B Entitlement 24106	Library GO Bonds 2010 27106	Beginning Teacher Mentoring 27154
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ -	\$ -	\$ -
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	-
Interfund receivables	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll liabilities	-	-	-
Interfund payables	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for:			
Transportation	-	-	-
Instructional materials	-	-	-
Grant mandates	-	-	-
Capital projects	-	-	-
Debt service	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	<u>Non-major Funds</u>		
	<u>Capital Projects</u>		
	Educational Technology Equipment Grant 31200	Total Non-major Funds	Total Governmental Activities
<b>ASSETS</b>			
<i>Current assets:</i>			
Cash and temporary investments	\$ -	\$ -	\$ 293,470
Accounts receivable			
Taxes	-	-	13,341
Due from other governments	-	-	2,757
Interfund receivables	-	-	2,757
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,325</u>
<b>LIABILITIES</b>			
<i>Current liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ 3,626
Accrued payroll liabilities	-	-	8,586
Interfund payables	-	-	2,757
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>14,969</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - property taxes	-	-	4,150
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>4,150</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted for:			
Transportation	-	-	-
Instructional materials	-	-	5,344
Grant mandates	-	-	-
Capital projects	-	-	14,266
Debt service	-	-	-
Assigned	-	-	265,962
Unassigned	-	-	7,634
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>293,206</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,325</u>

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

**STATE OF NEW MEXICO**

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3

MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

Exhibit E-4

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balances - governmental funds	\$ 293,206
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
The cost of capital assets is	1,879,575
Accumulated depreciation is	(414,711)
Contributions to the pension plan are expensed in the governmental funds but are deferred outflows for government-wide statements.	63,857
Revenues not collected within sixty days after year-end are considered "available" revenues and are shown as deferred revenues on the balance sheet.	
Delinquent property taxes	4,150
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds.	
Deferred outflows of resources related to change in proportion	15,942
Deferred outflows of resources related to change in assumptions	25,797
Deferred outflows of resources related to investment experience	75,647
Deferred outflows of resources related to change in proportion	5,498
Deferred inflows of resources related to actuarial experience	(12,054)
Deferred inflows of resources related to change in proportion	(112,503)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term and other liabilities at year-end consist of:	
Net pension liability	<u>(1,267,292)</u>
Total net position - governmental activities	<u>\$ 557,112</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>Major Funds</b>		
	General Fund		Special Revenue
	Operational 11000	Instructional Materials 14000	2012 GO Bonds Student Library Fund (SB66) 27107
<i>Revenues:</i>			
Taxes:			
Property	\$ -	\$ -	\$ -
State grants	746,008	3,409	2,757
Miscellaneous	1,397	-	-
<i>Total revenues</i>	<u>747,405</u>	<u>3,409</u>	<u>2,757</u>
<i>Expenditures:</i>			
Current:			
Instruction	515,640	3,400	-
Support services			
Students	40,609	-	-
Instruction	132	-	2,757
General administration	68,479	-	-
School administration	75,042	-	-
Central services	43,835	-	-
Operation & maintenance of plant	71,710	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>815,447</u>	<u>3,400</u>	<u>2,757</u>
<i>Excess (deficiency) of revenues</i>			
<i>  over (under) expenditures</i>	<u>(68,042)</u>	<u>9</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Operating transfers	(23,177)	-	-
<i>Total other financing sources (uses)</i>	<u>(23,177)</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(91,219)	9	-
<i>Fund balances - beginning of year</i>	<u>138,858</u>	<u>7,960</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 47,639</u>	<u>\$ 7,969</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>Major Funds</b>		
	<b>Capital Projects</b>		<b>Total Major Funds</b>
	<b>Capital Improvements SB-9 31700</b>	<b>Educational Technology Equipment Act 31900</b>	
<i>Revenues:</i>			
Taxes:			
Property	\$ 127,802	\$ -	\$ 127,802
State grants	9,018	-	761,192
Miscellaneous	-	-	1,397
<i>Total revenues</i>	<u>136,820</u>	<u>-</u>	<u>890,391</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	-	519,040
Support services			
Students	-	-	40,609
Instruction	-	-	2,889
General administration	1,176	-	69,655
School administration	-	-	75,042
Central services	-	-	43,835
Operation & maintenance of plant	-	-	71,710
Capital outlay	96,758	60,234	156,992
<i>Total expenditures</i>	<u>97,934</u>	<u>60,234</u>	<u>979,772</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>38,886</u>	<u>(60,234)</u>	<u>(89,381)</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	187,904	164,727
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>187,904</u>	<u>164,727</u>
<i>Net changes in fund balances</i>	38,886	127,670	75,346
<i>Fund balances - beginning of year</i>	<u>71,042</u>	<u>-</u>	<u>217,860</u>
<i>Fund balances - end of year</i>	<u>\$ 109,928</u>	<u>\$ 127,670</u>	<u>\$ 293,206</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>Non-major Funds</b>		
	Special Revenue		
	IDEA-B Entitlement 24106	Library GO Bonds 2010 27106	Beginning Teacher Mentoring 27154
<i>Revenues:</i>			
Taxes:			
Property	\$ -	\$ -	\$ -
State grants	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>			
Current:			
Instruction	22,159	1,018	-
Support services			
Students	-	-	-
Instruction	-	-	-
General administration	-	-	-
School administration	-	-	-
Central services	-	-	-
Operation & maintenance of plant	-	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	<u>22,159</u>	<u>1,018</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(22,159)</u>	<u>(1,018)</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Operating transfers	22,159	1,018	(1,881)
<i>Total other financing sources (uses)</i>	<u>22,159</u>	<u>1,018</u>	<u>(1,881)</u>
<i>Net changes in fund balances</i>	-	-	(1,881)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,881</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<b>Non-major Funds</b>		
	<b>Capital Projects</b>		<b>Total Governmental Activities</b>
	<b>Public School Capital Outlay 31200</b>	<b>Total Non-major Funds</b>	
<i>Revenues:</i>			
Taxes:			
Property	\$ -	\$ -	\$ 127,802
State grants	50,433	50,433	811,625
Miscellaneous	-	-	1,397
<i>Total revenues</i>	<u>50,433</u>	<u>50,433</u>	<u>940,824</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	23,177	542,217
Support services			
Students	-	-	40,609
Instruction	-	-	2,889
General administration	-	-	69,655
School administration	-	-	75,042
Central services	-	-	43,835
Operation & maintenance of plant	-	-	71,710
Capital outlay	50,433	50,433	207,425
<i>Total expenditures</i>	<u>50,433</u>	<u>73,610</u>	<u>1,053,382</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(23,177)</u>	<u>(112,558)</u>
<i>Other financing sources (uses):</i>			
Operating transfers	-	21,296	186,023
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>21,296</u>	<u>186,023</u>
<i>Net changes in fund balances</i>	-	(1,881)	73,465
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>1,881</u>	<u>219,741</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,206</u>

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

**STATE OF NEW MEXICO**

Exhibit E-6

CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3

MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 73,465
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. This is the amount by which depreciation exceeds capital outlays for the period.	
Depreciation expense	(45,030)
Revenues not collected within 60 days after the fiscal year-end are not considered available revenues in the governmental funds. They are considered revenues in the Statement of Activities. The increase (decrease) in revenues receivable for the year end were:	
Unavailable revenue related to the property taxes receivable	4,150
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the pension benefits earned net of employee contributions is reported as pension expense.	
Pension contributions - current year	63,857
Pension expense	<u>(83,926)</u>
Change in net position - total governmental activities	<u>\$ 12,516</u>

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



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**OPERATIONAL FUND (11000)**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	774,422	745,664	746,008	344
Federal grants	-	-	-	-
Miscellaneous	-	-	1,397	1,397
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>774,422</u>	<u>745,664</u>	<u>747,405</u>	<u>1,741</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	549,361	529,128	521,727	7,401
Support services				
Students	56,500	41,636	40,609	1,027
Instruction	700	200	132	68
General administration	61,989	70,620	68,479	2,141
School administration	101,353	78,888	75,042	3,846
Central services	43,831	43,961	43,835	126
Operation & maintenance of plant	57,057	77,600	69,947	7,653
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>870,791</u>	<u>842,033</u>	<u>819,771</u>	<u>22,262</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(96,369)</u>	<u>(96,369)</u>	<u>(72,366)</u>	<u>24,003</u>
<i>Other financing sources (uses):</i>				
Designated cash	96,369	96,369	-	(96,369)
Operating transfers	-	-	(23,177)	(23,177)
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>96,369</u>	<u>96,369</u>	<u>(23,177)</u>	<u>(119,546)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(95,543)</u>	<u>(95,543)</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>155,394</u>	<u>155,394</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>155,394</u>	<u>155,394</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,851</u>	<u>\$ 59,851</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ (95,543)	
Adjustments to revenues			-	
Adjustments to expenditures			4,324	
Net change in fund balance (GAAP basis)			<u>\$ (91,219)</u>	

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**  
**INSTRUCTIONAL MATERIALS FUND (14000)**  
**FOR THE YEAR ENDING JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	3,860	2,564	3,409	845
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,860</u>	<u>2,564</u>	<u>3,409</u>	<u>845</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	6,815	5,519	3,400	2,119
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,815</u>	<u>5,519</u>	<u>3,400</u>	<u>2,119</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,955)</u>	<u>(2,955)</u>	<u>9</u>	<u>2,964</u>
<i>Other financing sources (uses):</i>				
Designated cash	2,955	2,955	-	(2,955)
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,955</u>	<u>2,955</u>	<u>-</u>	<u>(2,955)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
<i>Cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,960</u>	<u>7,960</u>
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,960</u>	<u>7,960</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,969</u>	<u>\$ 7,969</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 9	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ 9</u>	

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

STATE OF NEW MEXICO  
 CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
 MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
 BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
 2012 GO BONDS STUDENT LIBRARY FUND (SB66) SPECIAL REVENUE FUND (27107)  
 FOR THE YEAR ENDING JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
State grants	3,202	3,202	3,105	(97)
Federal grants	-	-	-	-
Miscellaneous	-	-	-	-
Charges for services	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>3,202</u>	<u>3,202</u>	<u>3,105</u>	<u>(97)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	3,202	3,202	2,757	445
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,202</u>	<u>3,202</u>	<u>2,757</u>	<u>445</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>348</u>	<u>348</u>
<i>Other financing sources (uses):</i>				
Designated cash	-	-	-	-
Operating transfers	-	-	-	-
Proceeds from bond issues	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>348</u>	<u>348</u>
<i>Cash or fund balance - beginning of year</i>	-	-	(3,105)	(3,105)
Prior period adjustments	-	-	-	-
<i>Adjusted cash or fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(3,105)</u>	<u>(3,105)</u>
<i>Cash or fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,757)</u>	<u>\$ (2,757)</u>
<i>Reconciliation to GAAP basis:</i>				
Net change in fund balance (cash basis)			\$ 348	
Adjustments to revenues			(348)	
Adjustments to expenditures			-	
Net change in fund balance (GAAP basis)			<u>\$ -</u>	

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

**STATE OF NEW MEXICO**  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
MORENO VALLEY HIGH SCHOOL (COMPONENT UNIT)  
AGENCY FUNDS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2017

Statement E-10

	<u>Agency Funds</u>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash	\$ 15,138
<i>Total assets</i>	<u>\$ 15,138</u>
 <b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Deposits held in trust for others	15,138
<i>Total liabilities</i>	<u>\$ 15,138</u>

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

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**MORENO VALLEY EDUCATION FOUNDATION**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY EDUCATION FOUNDATION (COMPONENT UNIT)**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Statement F-1

	2017
<b>Assets</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 112,501
<i>Total current assets</i>	112,501
<i>Noncurrent assets</i>	
Land	151,920
Equipment	41,696
Less: accumulated depreciation	(41,696)
<i>Total noncurrent assets</i>	151,920
<i>Total assets</i>	\$ 264,421
 <b>Net Position</b>	
Net investment in capital assets	\$ 151,920
Unrestricted	112,501
<i>Total net position</i>	264,421
<i>Total liabilities and net position</i>	\$ 264,421

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY EDUCATION FOUNDATION (COMPONENT UNIT)**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Statement F-2

	2017
<b>Operating Revenues</b>	
Donations	\$ 37,700
<i>Total operating revenues</i>	37,700
<b>Operating Expenses</b>	
Insurance	980
Miscellaneous	97
Athletic and Music Equipment	5,420
Legal and professional	12,089
Professional Development	4,915
Girl Scout Observatory	1,700
School Landscaping	62,371
<i>Total operating expenses</i>	87,572
<b>Operating Income (Loss)</b>	(49,872)
<b>Non-operating Income (Loss)</b>	
Loss on disposal of assets	(2,787)
<i>Total non-operating income (loss)</i>	(2,787)
Change in net position	(52,659)
Net position - beginning of year	393,731
Prior period adjustment	(76,651)
Net position - beginning of year, restated	317,080
<b>Net position, end of year</b>	<b>\$ 264,421</b>

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



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**MORENO VALLEY EDUCATION FOUNDATION (COMPONENT UNIT)**  
**PROPRIETARY FUND**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Statement F-3

2017

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 37,700
Cash payments to vendors for goods and services	<u>(87,572)</u>
Net cash provided by (used in) operating activities	<u>(49,872)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from land sale	<u>30,000</u>
Net cash provided by (used in) capital and related financing activities	<u>30,000</u>

**Net increase (decrease) in cash and cash equivalents** (19,872)

**Cash and cash equivalents, beginning of period** 132,373

**Cash and cash equivalents, end of period** \$ 112,501

Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (49,872)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Net cash provided by (used in) operating activities	<u><u>\$ (49,872)</u></u>

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

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**OTHER SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**AGENCY FUNDS**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDING JUNE 30, 2017**

Schedule III

**Primary Government**

Activity Fund	Description	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
100	Pay Pal E-Store	\$ 555	\$ 3	\$ -	\$ -	\$ 558
400	Annual Yearbook	1,162	1,098	1,547	-	713
401	Administration	43	(43)	-	-	-
402	High School Art	1,643	9	-	-	1,652
403	Booster Club	24,280	28,335	25,538	-	27,077
404	Cardwell Scholarship Fund	-	29,626	1,500	-	28,126
405	Juan Martinez Scholarship	20,984	105	1,000	-	20,089
406	CHS Cheerleaders	1,533	3	996	-	540
407	High School Photography	310	3,898	3,716	-	492
408	Elementary MOP	1,578	1,239	649	-	2,168
409	Elementary Yearbook	70	1,100	546	-	624
410	Elementary Principal	1,402	1,962	1,869	-	1,495
411	Elementary Art	404	502	603	-	303
412	PeeWee Basketball	845	4	232	-	617
413	Elementary Athletics	65	1	-	-	66
415	Class of 2012	53	6,102	6,154	-	1
416	District Nurse	1,117	507	235	-	1,389
419	Class of 2011	2,183	11	99	-	2,095
420	Class of 2013	2,591	3,085	3,019	-	2,657
421	Activities Bank Acct	-	5,559	4,783	-	776
424	CMS Student Council	732	53	354	-	431
425	CMS 8th Grade Dance	200	444	565	-	79
426	ENEMS Principal	5,304	4,141	3,040	-	6,405
427	MS Admin	621	1	479	-	143
428	MS Barn Fund	12,560	4,907	7,140	-	10,327
429	Universal Classroom	35	-	-	-	35
430	MS Art	13	-	-	-	13
431	MS Yearbook	1,429	2,930	2,000	-	2,359
434	MS Student Council	526	818	460	-	884
440	HS Principal	3,354	2,126	3,566	-	1,914
442	HS Student Council	108	290	150	-	248
445	HS Teachers	69	503	-	-	572
446	Band-Music	836	17,243	15,094	-	2,985
449	HS Exploratory	64	7,139	6,932	-	271
450	HS National Honor Society	143	80	-	-	223
451	Ram's Horn	1	-	-	-	1
452	RHOR	471	2	-	-	473
454	CHS Shop	5,086	9,474	5,205	-	9,355
455	HS Laser Shop/Business	2,406	8	916	-	1,498
458	Elementary VIP's	1,803	3,667	3,621	-	1,849
460	Zane Scholarship	12,564	567	500	-	12,631
461	100 Years of Excellence	252	1	-	-	253
463	ENEMS Library	752	4	-	-	756
464	ENEMS K-2 Teachers	2,299	3,450	2,956	-	2,793
465	ENEMS 3-4 Teachers	5,717	13,492	15,849	-	3,360
470	MS FCA	2,119	11	-	-	2,130
479	HS Graphic Art	293	6	-	-	299
481	CHS Rams E-Store	1,251	-	-	-	1,251
482	CHS Broadcast	2,207	31	193	-	2,045
483	Culinary Arts	3,848	2,236	347	-	5,737
485	ENEMS Beta Club	1,257	669	130	-	1,796
486	District Sams Rewards	250	2	150	-	102
487	WERC Environmental Design	231	-	-	-	231
488	District Athletics	1,826	-	1,826	-	-
		<u>\$ 131,445</u>	<u>\$ 157,401</u>	<u>\$ 123,959</u>	<u>\$ -</u>	<u>\$ 164,887</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**AGENCY FUNDS**  
**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**FOR THE YEAR ENDING JUNE 30, 2017**

Schedule III

**Component Unit: MVHS**

Activity Fund	Description	Balance June 30, 2016	Additions	Deletions	Adjustments	Balance June 30, 2017
411	Art	\$ 691	\$ -	\$ 384	\$ -	\$ 307
403	Band	281	3,767	2,545	-	1,503
402	Booster Club	-	-	-	-	-
413	BVEF	12,732	4,027	12,281	-	4,478
417	Class of 2017	-	4,693	4,526	-	167
400	Drama	124	4,310	4,080	-	354
404	Fundraiser	41	-	-	-	41
409	Grants	435	3,696	2,769	-	1,362
416	Greenhouse	64	-	-	-	64
421	Interact Club	1,445	400	200	-	1,645
425	Interact Club - Food Bank	-	2,925	1,300	-	1,625
422	Kitchen	12	-	-	-	12
412	Math	239	-	-	-	239
424	National Honor Society	236	-	236	-	-
415	PE	7	1,326	-	-	1,333
405	Recycling/Green	29	-	-	-	29
419	Scholarships	180	-	-	-	180
408	Ski/Snowboard	65	-	-	-	65
420	Student Council	34	-	-	-	34
423	Technology	416	-	-	-	416
401	UAV	1	-	-	-	1
407	Yearbook	1,643	690	1,050	-	1,283
		<u>\$ 18,675</u>	<u>\$ 25,834</u>	<u>\$ 29,371</u>	<u>\$ -</u>	<u>\$ 15,138</u>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule IV

**Primary Government**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2017</u>
<b>International Bank</b>				
	FNMA	11/27/2018	3135GOYT4	\$ 2,007,688
	FNMA	12/20/2018	3136G12K4	99,670
	FHLB	11/8/2021	3130A9TV3	197,850
	FHLB	11/8/2021	3130A9TV3	296,774
Total Wells Fargo Bank				<u>\$ 2,601,982</u>

The securities are held, not in the District's name, at:  
FIMAC Solutions, LLC  
7000 East Belleview Ave. Suite 310  
Greenwood Village, CO 80111

**Component Unit: MVHS**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity Date</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2017</u>
<b>International Bank</b>				
	FNMA	12/20/2018	3136G12K4	\$ 149,505
Total International Bank				<u>\$ 149,505</u>

The securities are held, not in the School's name, at:  
FIMAC Solutions, LLC  
7000 East Belleview Ave. Suite 310  
Greenwood Village, CO 80111

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**JUNE 30, 2017**

Schedule V

**Primary Government**

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks/Wires	Other Adjustments	Book Balance
<b>International Bank</b>						
Operational/Capital Projects	Checking	\$ 72,123	\$ 1,191	\$ (82,729)	\$ -	\$ (9,415)
Cafeteria Fund	Checking	50,885	-	-	-	50,885
SB-9 Account	Checking	1,951,182	12,938	(4,362)	-	1,959,758
Debt Service Account	Checking	968,430	-	-	-	968,430
Education Technology Bonds	Checking	30,749	-	(5,091)	-	25,658
Payroll Clearing	Checking	-	-	(299,002)	208,745	(90,258)
Special Investment Account	Checking	587,218	-	-	-	587,218
Certificate of Deposit	CD	301,340	-	-	-	301,340
Certificate of Deposit	CD	301,197	-	-	-	301,197
Certificate of Deposit	CD	301,277	-	-	-	301,277
Certificate of Deposit	CD	301,357	-	-	-	301,357
CHS E Store	Checking	558	-	-	-	558
Activity Fund	Checking	127,378	-	(3,199)	-	124,179
<b>Total International Bank</b>		<b>\$ 5,005,719</b>	<b>\$ 14,129</b>	<b>\$ (394,383)</b>	<b>\$ 208,745</b>	<b>\$ 4,834,210</b>
<b>Bank of Albuquerque</b>						
Capital Project Fund	Trust	\$ 2,968,563	\$ -	\$ -	\$ -	\$ 2,968,563
<b>Manhattan Life Insurance Company</b>						
Scholarship Fund	Annuity	\$ 19,341	\$ -	\$ -	\$ -	\$ 19,341
Scholarship Fund	Annuity	8,784	-	-	-	8,784
<b>Total Manhattan Life Insurance Company</b>		<b>\$ 28,125</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 28,125</b>
<b>Total</b>		<b>\$ 8,002,407</b>	<b>\$ 14,129</b>	<b>\$ (394,383)</b>	<b>\$ 208,745</b>	<b>\$ 7,830,898</b>
<b>Cash per financial statements</b>						
Cash and cash equivalents - Government Activities Exhibit A-1						\$ 7,666,011
Fiduciary funds - Exhibit D-1						164,887
						<b>\$ 7,830,898</b>

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

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS**  
**JUNE 30, 2017**

Schedule V

**Component Unit: MVHS**

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
<b>International Bank</b>						
Operational	Checking	\$ 333,515	\$ -	\$ (46,848)	\$ 6,753	\$ 293,420
Activity	Checking	1,625	-	-	-	1,625
Total International Bank		<u>\$ 335,140</u>	<u>\$ -</u>	<u>\$ (46,848)</u>	<u>\$ 6,753</u>	<u>\$ 295,045</u>
<b>Washington Federal</b>						
Activity	Checking	\$ 14,074	\$ -	\$ (561)	\$ -	\$ 13,513
Plus cash on hand						\$ 50
Total		<u>\$ 349,214</u>	<u>\$ -</u>	<u>\$ (47,409)</u>	<u>\$ 6,753</u>	<u>\$ 308,608</u>
Cash per financial statements						
Cash and cash equivalents - Government Activities Statement E-1						\$ 293,470
Fiduciary funds - Statement E-10						15,138
						<u>\$ 308,608</u>

**Component Unit: MVEF**

Bank Name/Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Other Adjustments	Book Balance
<b>International Bank</b>						
Operating Account	Checking	\$ 115,097	\$ -	\$ (2,596)	\$ -	\$ 112,501
Total International Bank		<u>\$ 115,097</u>	<u>\$ -</u>	<u>\$ (2,596)</u>	<u>\$ -</u>	<u>\$ 112,501</u>
Cash per financial statements						
Cash and cash equivalents - Statement of Net Position Statement F-1						<u>\$ 112,501</u>

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



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2017**

Schedule VI

**Primary Government**

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Cash, June 30, 2016	\$ 484,058	\$ 2	\$ 19,889	\$ 47,186
Add:				
Current year revenues	4,056,868	403,609	22,933	250,631
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	-
Total cash available	4,540,926	403,611	42,822	297,817
Less:				
Current year expenditures	(4,155,238)	(403,607)	(6,105)	(246,932)
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	(63,056)	-	-	-
Cash, June 30, 2017	<u>\$ 322,632</u>	<u>\$ 4</u>	<u>\$ 36,717</u>	<u>\$ 50,885</u>

**Component Unit - MVHS**

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Cash, June 30, 2016	\$ 155,394	\$ -	\$ 7,960	\$ -
Add:				
Current year revenues	747,405	-	3,409	-
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	-
Total cash available	902,799	-	11,369	-
Less:				
Current year expenditures	(819,771)	-	(3,400)	-
Permanent cash transfers	(23,177)	-	-	-
Prior period adjustment	-	-	-	-
Loans to other funds	(2,757)	-	-	-
Cash, June 30, 2017	<u>\$ 57,094</u>	<u>\$ -</u>	<u>\$ 7,969</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2017**

Schedule VI

**Primary Government**

	Athletics 22000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
Cash, June 30, 2016	\$ 11,704	\$ 16,300	\$ (957)	\$ 5,247	\$ (23,660)
Add:					
Current year revenues	12,659	222,719	37,344	20,000	74,801
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	48,356	4,600	-	10,100
Total cash available	24,363	287,375	40,987	25,247	61,241
Less:					
Current year expenditures	(6,875)	(245,714)	(37,636)	(7,812)	(61,223)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2017	<u>\$ 17,488</u>	<u>\$ 41,661</u>	<u>\$ 3,351</u>	<u>\$ 17,435</u>	<u>\$ 18</u>

**Component Unit - MVHS**

	Athletics 22000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
Cash, June 30, 2016	\$ -	\$ (22,159)	\$ -	\$ -	\$ (2,242)
Add:					
Current year revenues	-	21,242	-	-	3,105
Permanent cash transfers	-	22,159	-	-	1,018
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	2,757
Total cash available	-	21,242	-	-	4,638
Less:					
Current year expenditures	-	(21,242)	-	-	(2,757)
Permanent cash transfers	-	-	-	-	(1,881)
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2017**

Schedule VI

**Primary Government**

	Local / State 29000	Bond Building 31100	Public School Capital Outlay 31200	Capital Improvements HB-33 31600	Capital Improvements SB-9 31700
Cash, June 30, 2016	\$ 67,906	\$ 1,048,636	\$ -	\$ 20,752	\$ 1,865,789
Add:					
Current year revenues	-	3,001,835	-	1,045	762,640
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	67,906	4,050,471	-	21,797	2,628,429
Less:					
Current year expenditures	(19,666)	(1,064,836)	-	(20,581)	(686,959)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2017	<u>\$ 48,240</u>	<u>\$ 2,985,635</u>	<u>\$ -</u>	<u>\$ 1,216</u>	<u>\$ 1,941,470</u>

**Component Unit - MVHS**

	Local / State 29000	Bond Building 31100	Public School Capital Outlay 31200	Capital Improvements HB-33 31600	Capital Improvements SB-9 31700
Cash, June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ 75,590
Add:					
Current year revenues	-	-	50,433	-	128,613
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans from other funds	-	-	-	-	-
Total cash available	-	-	50,433	-	204,203
Less:					
Current year expenditures	-	-	(50,433)	-	(103,466)
Permanent cash transfers	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Loans to other funds	-	-	-	-	-
Cash, June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,737</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF CASH RECONCILIATIONS**  
**JUNE 30, 2017**

Schedule VI

**Primary Government**

	Educational Tech Equip 31900	Debt Service 41000	Education Technology Debt Service 43000	Total
Cash, June 30, 2016	\$ 51,427	\$ 612,322	\$ 360,755	\$ 4,587,356
Add:				
Current year revenues	1,722,211	350,509	716,654	11,656,458
Permanent cash transfers	-	-	-	-
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	63,056
Total cash available	1,773,638	962,831	1,077,409	16,306,870
Less:				
Current year expenditures	(397,145)	(653,116)	(376,454)	(8,389,899)
Permanent cash transfers	(187,904)	-	-	(187,904)
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	(63,056)
Cash, June 30, 2017	<u>\$ 1,188,589</u>	<u>\$ 309,715</u>	<u>\$ 700,955</u>	<u>\$ 7,666,011</u>

**Component Unit - MVHS**

	Educational Tech Equip 31900	Debt Service 41000	Education Technology Debt Service 43000	Total
Cash, June 30, 2016	\$ -	\$ -	\$ -	\$ 214,543
Add:				
Current year revenues	-	-	-	954,207
Permanent cash transfers	187,904	-	-	211,081
Prior period adjustment	-	-	-	-
Loans from other funds	-	-	-	2,757
Total cash available	187,904	-	-	1,382,588
Less:				
Current year expenditures	(60,234)	-	-	(1,061,303)
Permanent cash transfers	-	-	-	(25,058)
Prior period adjustment	-	-	-	-
Loans to other funds	-	-	-	(2,757)
Cash, June 30, 2017	<u>\$ 127,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,470</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF JOINT POWERS AGREEMENTS**  
**JUNE 30, 2017**

Schedule VI

Participants: Cimarron Municipal School District No. 3  
Village of Cimarron

Operation Responsibility: Both parties.

Description: For the purposes of constructing, maintaining, and operating a heliport for the public in Cimarron. Cimarron Municipal School District No. 3 is responsible for providing electricity, maintaining lighting, and mowing the grass. The Village of Cimarron will be the fiscal agent of the facility and will construct the facility and maintain the surrounding roads.

Period: January 1, 2010 through December 31, 2039

Projected Cost: Cimarron Municipal School District No. 3 agrees to provide the location and pay for electricity and maintenance of the grounds.

Association Contributions: Annually: Undetermined.

Audit Responsibility: Village of Cimarron

Reporting Agency: Revenues are collected and recorded by the Village and are shared and recorded by both parties. Expenses are incurred and recorded by both parties.

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

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**COMPLIANCE SECTION**



# Manning Accounting and Consulting Services, LLC

## 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

Wayne Johnson  
New Mexico State Auditor  
The Office of Management and Budget  
And the Board of Education of  
Cimarron Municipal School District No. 3  
Cimarron, NM

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, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Cimarron Municipal School District No. 3 (the "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 have issued our report thereon dated October 18, 2017.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (FS 2017-001, FS 2017-003, MVHS FS 2017-001, MVHS FS 2017-002, and MVHS FS 2017-004)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be significant deficiencies. (FS 2017-002, MVHS FS 2016-002, and MVHS FS 2017-003)



## **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 are described in the accompanying Schedule of findings and responses as items NM 2017-001, NM 2017-002, NM 2017-003, NM 2017-004, NM 2017-005, NM 2017-006, NM 2017-007, MVHS NM 2017-001, MVHS NM 2017-002, MVHS NM 2017-003, MVHS NM 2017-004, and MVHS NM 2017-005.

### **Response to Findings**

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

### **Purpose of this Report**

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

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

October 18, 2017

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section I – Summary of Audit Results**

*Financial Statements:*

- |   |            |
|---|------------|
| 1. Type of auditor's report issued  | Unmodified |
| 2. Internal control over financial reporting:                                     |            |
| a. Material weakness identified?  | Yes        |
| b. Significant deficiencies identified not considered to be material weaknesses?  | Yes        |
| c. Control deficiencies identified not considered to be significant deficiencies? | Yes        |

## Section II – Financial Statement Findings

### **FS 2017-001– Improper Recording of Journal Entries (Material Weakness)**

*Criteria:* According to [6-5-2 NMSA 1978](#) **Financial control division; central system of state accounts; accounting systems; processing documents; model accounting practices; internal accounting controls:**

**C. State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.** In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

*Condition:* During our review of manual journal entries, we noted the following instances where proper procedures were not followed:

- In 20 of 25 journal entries reviewed there is no supporting documentation to support the reason for the journal entry in any of the entries reviewed
- There is no secondary review of any journal entry

*Cause:* The District did not previously consider the need for supporting documentation of journal entries and was unaware that a secondary signature is needed.

*Effect:* District personnel have not followed state guidelines or internal procedures in the recording of journal entries. Good accounting procedures require appropriate documentation to support journal entries.

*Auditor’s Recommendation:* We recommend that management record all journal entries properly, include proper supporting documentation, and ensure that all transfers are reviewed and signed by a second individual.

*Responsible Official’s View:*

- Specific corrective action plan for finding: **All JE's will be printed out, documentation attached, and Superintendent will sign off on each one.**
- Timeline for completion of corrective action plan: **Beginning of 2017-2018 Fiscal Year**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

STATE OF NEW MEXICO  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VIII

**Section II – Financial Statement Findings (Continued)**

**FS 2017–002 – Failure to Follow Proper Internal Controls Related to Payroll (Significant Deficiency)**

***Criteria:* 6.20.2.11 NMAC 1978: INTERNAL CONTROL STRUCTURE STANDARDS:**

A. Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. **Each school district shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.**

(1) School district management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the school district.

(2) Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with school district authorization.

(3) Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.

(4) School districts shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.

(5) Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, school districts shall establish any other criteria applicable to such statements to maintain accountability for assets.

**(6) School districts shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.**

***Condition:*** During our review of payroll we identified the following instances in which proper procedures were not followed:

- The payroll department has the authority to set up a new employee in the system, generate a contract, and process a payroll for them without any oversight.
- The Superintendent is signing off on the total dollar amount produced in the payroll but not on a detail report with individual employee amounts

***Cause:*** There is not a proper segregation of duties or another control procedure in place which allows for proper review when payroll personnel have the ability to do all payroll functions.

***Effect:*** The payroll department has the ability to input new employee information and create payroll checks and contracts without oversight or involvement of other individuals. This could lead to an incidence of fraud as there is no internal control to prevent the creation of a non-existent employee or the modification of payroll for an individual.

***Auditor's Recommendation:*** We recommend that the District change the report on which the Superintendent is signing-off. The Superintendent should review the individual employee report with actual pay amounts to ensure there are no instances of fraudulent employees or improper amounts included on the payroll.

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section II – Financial Statement Findings (Continued)**

**FS 2017-002 – Failure to Follow Proper Internal Controls Related to Payroll (Significant Deficiency)**  
**(Continued)**

*Responsible Official's View:*

- Specific corrective action plan for finding: **Superintendent will sign off on voucher and direct deposit listing to ensure proper payroll is complete.**
- Timeline for completion of corrective action plan: **Beginning of 2017-2018 Fiscal year**
- Employee position(s) responsible for meeting the timeline: **Personnel, Payroll, and STARS Coordinator**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section II – Financial Statement Findings (Continued)**

**FS 2017-003 – Improper Recording and Maintenance of Fixed Assets (Material Weakness)**

***Criteria: 2.20.1.8 NMAC 1978 FIXED ASSET ACCOUNTING SYSTEM:***

- A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.
- B. The information to be recorded and maintained on its fixed assets, must include at a minimum the following:
  1. agency name or commonly used initials used to identify the agency;
  2. fixed asset number or fixed asset number plus component number;
  3. a description using words meaningful for identification;
  4. location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
  5. manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
  6. model number or model name;
  7. serial number, or vehicle identification number (VIN) for vehicles in agency's use & possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
  8. estimated useful life or units expected to be produced;
  9. date acquired (month and year)
  10. cost (according to the valuation methods described in section 10 [now 2.20.1.10 NMAC];
  11. fund and organization that purchased the asset, or to which it was transferred.
- C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

***Condition:*** During our review of fixed asset detail we noted the following instances in which proper procedures were not followed:

- The District has not been capitalizing professional service costs, such as architectural fees, for construction projects. For the current construction project which had been ongoing for two years prior to this year, those professional costs which weren't capitalized totaled \$238,272 which have been added to the capital assets in the current year.
- With the addition of the fixed assets to prior years, an adjusted to depreciation costs was calculated by the financial software of the District which resulted in an additional prior year amount of \$59,894 being recorded. This additional amount also includes adjusting the financial statements to match the detail records of the District.

***Cause:*** The District was unaware that professional fees needed to be capitalized with construction costs.

***Effect:*** Fixed assets are materially misstated in previous financial statements and not all assets have been properly recorded and tracked in the fixed asset inventory system. The District has spent significant time in the current year remedying these issues. The addition of the previously missed capital assets of \$238,272 plus the addition of prior depreciation of \$59,894 resulted in a prior year adjustment increase of \$178,378 to capital projects.

***Auditors' Recommendation:*** We recommend that the District continue to capitalize all professional fees in construction projects so that capital assets are properly stated in the records of the District and in the annual financial reports.

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section II – Financial Statement Findings (Continued)**

**FS 2017-003 – Improper Recording and Maintenance of Fixed Assets (Material Weakness) (Continued)**

*Responsible official's view:*

- Specific corrective action plan for finding: **All inventory has been added to fixed assets.**
  
- Timeline for completion of corrective action plan: **Immediately**
  
- Employee position(s) responsible for meeting the timeline: **Business Manager**

STATE OF NEW MEXICO  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VIII

**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2016-002 – Employment Records and Improper Employee Pay (Significant Deficiency) Repeated and Revised**

***Criteria: Immigration Reform and Control Act of 1986:***

Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. **All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States.** This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form. On the form, an employee must attest to his or her employment authorization. The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization. The employer must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and to relate to the employee and record the document information on the Form I-9. Employers must retain Form I-9 for a designated period and make it available for inspection by authorized government officers. NOTE: State agencies may use Form I-9.

**6.20.2.18 NMAC 1978 PAYROLL:**

The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, **employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates**, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

**Condition:** During our review of payroll we noted the following instances in which proper procedures were not followed:

- 3 of 6 employee's I-9's were not completed properly
  - 2 of the employee's identification documents were not verified and the employer did not sign the document
  - 1 employee did not have an I-9 on file
- 1 employee did not have a W-4 on file
- 1 employee was paid New Mexico gross receipts tax (NMGRT) as part of her contract. An employee cannot receive NMGRT, NMGRT can only be paid to vendors and independent contractors. This employee was paid through standard payroll methods with normal amounts for Federal and State withholdings being contributed with the School contributing the normal employer amounts.
- 1 employee did not have a valid educational assistant license on file. The application had been made but had never been received though a valid substitute license was on file.
- 1 employee was underpaid \$89 because the contract amount was mistyped when entering it into the financial system.

During the previous year, the School had employees who didn't have an I-9 form and four employees who had incomplete I-9 forms.

**Cause:** District, State, and Federal policies are not being followed or reviewed to ensure proper execution.

**Effect:** The School is in a violation of NMAC 6.20.2.18 and the Immigration Reform and Control Act of 1986.



STATE OF NEW MEXICO  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VIII

**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2016-002 – Employment Records and Improper Employee Pay (Significant Deficiency) Repeated and Revised (Continued)**

***Auditor’s Recommendation:*** We recommend that the School follow the corrective action plan set forth in the Immigration Reform and control Act of 1986 and request that the employer sign the I-9 forms and initial by the signature as recommended by the IRS. The new form should be dated when completed, never postdated. All other employee records should be reviewed for completeness. Additionally, the School should not pay NMGRT in the future to employees of the District.

***Responsible Official’s Plan:***

- Specific corrective action plan for finding:
  - **I-9: An employee file/packet checklist has already been created and placed on the inside front cover of each employee folder. Within this checklist are the verifications for I-9 & W-4.**
  - **W-4: A vendor file has been created for each staff member with their W-4 form attached to inside cover of folder.**
  - **NMGRT: Going forward this person is now an employee and is no longer being paid NMGRT.**
  - **An employee file/packet checklist has been created and placed on the inside front cover of each employee folder. One of the check points in order for file to be complete is verification of licensure information. This employee’s license is on its way and file will be complete within the next few weeks.**
  - **A verification process is in place to check between actual contractual amounts and what is entered in financial system.**
  
- Timeline for completion of corrective action plan: **All completed at time of the report.**
  
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

STATE OF NEW MEXICO  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-001 – Improper Cash Control Measures (Material Weakness)**

***Criteria: 6.20.2.13 FINANCIAL STANDARDS NMAC 1978:***

A. General ledger: All school districts shall establish and maintain a general ledger in accordance with GAAP. The general ledger will be comprised of individual funds and account groups using the department's uniform chart of accounts and shall be reconciled every fiscal year with department records

**6.20.2.14 CASH CONTROL STANDARDS NMAC 1978:**

A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

B. The school district shall issue a factory pre-numbered receipt for all money received. Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.

C. Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.

D. A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

K. All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

J. The school district shall maintain a cash control ledger for each fund/subfund where all transactions affecting cash are recorded. Cash balances reported to the department shall be the same as the district's cash control ledger and annual audit.

***Condition:*** During our review of activity receipts we identified the following instances in which proper procedures were not followed:

- The School did not issue any receipts and did not have any documentation for any of their activity receipts.

During our review of receipts we identified the following instances in which proper procedures were not followed:

- In 1 of 9 receipts reviewed the School recorded a revenue as a negative expense. The amount of this recording error was \$2,127.60

During our review of accounts receivable we identified the following instances in which proper procedures were not followed:

- A bank bag was found in an office with \$616 dollars in cash and \$608 in checks. The checks were over 6 months old and were not deposited.
- Receivables for July of 2017 had not all been recorded in the School's financial system as of September 20, 2017.

We were unable to review any voided checks as the School was not able to locate any of the physical checks.

During our review of accounts payable we identified the following instances in which proper procedures were not followed:

- Invoices paid for July of 2017 had not been recorded in the Schools financial system as of September 20, 2017. Manual checks had been written but all checks had not been subsequently entered into the financial system.

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-001 – Improper Cash Control Measures (Material Weakness) (Continued)**

**Cause:** The School is not receipting or recording revenues and expenses in a timely manner. The School has also failed to keep proper controls over cash received. The School was going through a transition at year-end as the previous business manager had left and a replacement had not yet been identified to fill the position. Additionally, no staff is on contract for a period of this time.

**Effect:** School funds are very susceptible to theft, misappropriation, or fraud. The School may have lost more than \$600 in funds for its activity accounts because the checks are stale dated that hadn't been deposited back in December 2016. Records of the School may be inaccurate or incomplete do to the failure to record transactions or record transactions timely.

**Auditors' Recommendations:** We recommend that the District emphasize the importance of timely deposits of receipts. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible. All transactions should be tracked and recorded timely. Receipts for all transactions should be recorded and maintained in a pre-numbered book.

***Responsible Official's Plan:***

- Specific corrective action plan for finding:
  - **All monies received are receipted immediately and deposited within 24 hours of receipt. There are receipt books for each account and are pre-numbered. When entering deposits in computer financial system receipt number is referenced.**
  - **All voided checks now going in a voided checks folder.**
  - **Proper recording of receivables and payables in computer financial system is now properly documented.**
  
- Timeline for completion of corrective action plan: **Corrective action plan has already been implemented at time of the report.**
  
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-002 – Purchase Orders, Payment Authorization, Documentation, and Receiving (Material Weakness)**

*Criteria:* Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “**the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.....For each individual purchase contract, a receiving document or other recording instrument (i.e., electronic) shall be present at the delivery site to record the delivery of items or service. Upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment according to procedures established by school district or charter school boards’ of education local procedures.**”

**13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.**

The using agency is responsible for inspecting and accepting or rejecting deliveries. **The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery.** In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

A. **No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications** or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [13-1-28 through 13-1-199 NMSA 1978].

B. Unless otherwise agreed upon by the parties or unless otherwise specified in the invitation for bids, request for proposals or other solicitation, within fifteen days from the date the central purchasing office or using agency receives written notice from the contractor that payment is requested for services or construction completed or items of tangible personal property delivered on site and received, the central purchasing office or using agency shall issue a written certification of complete or partial acceptance or rejection of the services, construction or items of tangible personal property.

C. **Except as provided in Subsection D of this section, upon certification by the central purchasing office or the using agency that the services, construction or items of tangible personal property have been received and accepted, payment shall be tendered to the contractor within thirty days of the date of certification.** If payment is made by mail, the payment shall be deemed tendered on the date it is postmarked. After the thirtieth day from the date that written certification of acceptance is issued, late payment charges shall be paid on the unpaid balance due on the contract to the contractor at the rate of one and one-half percent per month. For purchases funded by state or federal grants to local public bodies, if the local public body has not received the funds from the federal or state funding agency, payments shall be tendered to the contractor within five working days of receipt of funds from that funding agency.

*Condition:* The School did not have any documentation to review for regular disbursements, as such we were unable to test any selections to verify compliance with state guidelines.

During our review of individually significant items we noted the following instances in which proper procedures were not followed:

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-002 – Purchase Orders, Payment Authorization, Documentation, and Receiving (Material Weakness) (Continued)**

- In 4 of 37 items there was no vendor invoice in the file to confirm proper payment. The value of these purchases ranged from \$4,241 to \$11,133.33
- In 12 of 37 items tested there was no purchase order in the file. The value of these purchases ranged from \$3,076.39 to \$10,988.51. In 3 of 37 items tested the purchase order was created after the goods and or services were received.
- In 1 of 37 items tested the invoice and the payment did not agree. Invoice was for \$4,000 but payment was \$4,971.20
- In 4 of 37 items tested there was no receiving documentation to verify goods and services were received. The value of these purchases ranged from \$3,261.20 to \$9125.71
- In 4 of 37 items tested payment was made more than 30 day after receipt of invoice. The Charter was assessed late payment fees in excess of \$100. The value of these purchases ranged from \$4,421.10 to \$5,670.37.
- In 7 of the 37 items selected for testing the Charter did not have any supporting documentation to review.

The School did not have any documentation for their activity disbursements; as such we were unable to test any selections to verify compliance with state guidelines.

The School did not have any documentation for their travel reimbursements; as such we were unable to test any selections to verify compliance with state guidelines.

**Cause:** District personnel have not followed state guidelines or internal procedures in the payment of services. Policy clearly states that the School must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received. The former business manager was no longer with the School when the auditors came to review and the school's director and new business manager were unable to find most of the documentation for the year.

**Effect:** Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. The ability to identify if the School has properly received all items it has paid for is compromised. Not being in compliance with these requirements places the School and the Council at risk for fraud or misuse of public funds

**Auditor's Recommendation:** We recommend that all personnel be reminded of, or trained in, School and state policy in regards to payment of goods, services, or construction. All School personnel need to be aware that a purchase order must be approved prior to the purchase of goods and services and that all goods and services should be signed for indicating when items were received and by whom. Proper receipts must be maintained for all purchases and should be signed by an individual other than the one who has procured the goods or services.

**Responsible official's view:**

- Specific corrective action plan for finding:
  - **Vendor files have been created where all information can be found.**
  - **All steps are from obtaining quotes, requisitions, PO, orders, invoice and payment for particular PO are attached where PO, Invoice and Payment all match,**
  - **Prior to payment of invoice confirmation is made that all products have been received.**
  - **Invoices are paid within 30 days of receipt**
- Timeline for completion of corrective action plan: **Corrective action plan has already been implemented at time of the report.**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager.**

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-003 – Improper Education Retirement Contributions (Significant Deficiency)**

**Criteria: 2.82.2.8 NMAC 1978 EMPLOYEES AND EMPLOYERS COVERED BY THE EDUCATIONAL RETIREMENT ACT:**

**A.** Employers who are designated by statute as "local administrative units" shall be the following schools, institutions, and agencies:

- (1)** all public school districts in New Mexico;

**2.82.2.9 NMAC 1978 REGULAR MEMBERS:**

**B.** In the public school districts and state operated schools other than those listed in Subsection A above, "regular members" shall be all regularly employed teachers, administrators, and nurses who are holders of appropriate certificates issued by the public education department, regardless of whether employed full-time or part-time, (except retired members participating in the return to work program and exclusions under Section 11 of this rule).

**2.82.3.8 NMAC 1978 SALARY COVERED; SALARY EXCLUDED:**

**A.** Except as otherwise set forth herein and subject to the limitations set forth in Section 22-11-21.2 NMSA 1978, a member's annual salary for the purpose of contributions to the fund and computation of the member's benefit shall consist of total compensation or wages paid to the member for services rendered during each of the four calendar quarters of a fiscal year, beginning July 1 and ending June 30, excluding any salary earned while employed under the return to work program of the Educational Retirement Act. For purposes of determining contribution rates, a member's expected annual salary at the beginning of the fiscal year shall be considered. **When relevant, a member's annual salary shall take into consideration the FTE of the position and the aggregation of salaries if the member will have multiple positions with the same or other local administrative units during the fiscal year.** If a member's total annual salary is more than \$20,000, the member shall be subject to the contribution rate set forth in Subsection A of Section 22-11-21 NMSA 1978. If a member's total annual salary is \$20,000 or less the member shall be subject to the lower contribution rate set forth in Subsection B of Section 22-11-21 NMSA 1978. When a member whose salary is \$20,000 or less earns in excess of the \$20,000 limit during the fiscal year, the member shall be subject to the higher contribution rate in Subsection A of Section 22-11-21 NMSA 1978 effective the first day of the month in which the member earns in excess of the \$20,000 limit. However, if a member whose salary is \$20,000 or less changes positions with a local administrative unit during the fiscal year or engages in additional employment with the same or other local administrative unit during the fiscal year, and that change in employment creates the expectation that the member's total annual salary shall be more than \$20,000, then the member's contribution rate shall be adjusted in accordance with the change in employment beginning the first day of the month of the change in employment.

**2.82.3.12 NMAC 1978 PURCHASE OF NON-REPORTED SERVICE; FAILURE TO DEDUCT MEMBER CONTRIBUTIONS:**

**A.** Non-reported service must be purchased at the time it is discovered. **Payment for non-reported service shall be at the contribution rate in effect at the time the non-reported service is discovered.** The full fiscal year salary for the position for which the member was hired shall determine whether a member pays the contribution rate applicable to members who earn \$20,000 or less per year in accordance with Section 22-11-21 NMSA 1978.

**B.** **If the local administrative unit fails to deduct the applicable contribution from the salary paid to a member for each payroll period, the local administrative unit shall be responsible to remit to the fund the total amount due for both the member and the local administrative unit plus interest at a rate set by the board.**

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-003 – Improper Education Retirement Contributions (Significant Deficiency) (Continued)**

**22-11-21 NMSA 1978 Contributions; members; local administrative units:**

A. Except as provided in Subsection D of this section, **for a member whose annual salary is greater than twenty thousand dollars (\$20,000), the member shall make contributions to the fund according to the following schedule:**

(1) from July 1, 2013 through June 30, 2014, the member contribution rate shall be ten and one-tenth percent of the member's annual salary; and

(2) **on and after July 1, 2014, the member contribution rate shall be ten and seven-tenths percent of the member's annual salary.**

B. On and after July 1, 2008, for a member whose annual salary is twenty thousand dollars (\$20,000) or less, the member contribution rate shall be seven and nine-tenths percent of the member's annual salary.

C. Except as provided in Subsection D of this section, each local administrative unit shall make an annual contribution to the fund according to the following schedule:

(1) from July 1, 2013 through June 30, 2014, a sum equal to thirteen and fifteen-hundredths percent of the annual salary of each member employed by the local administrative unit; and

(2) on and after July 1, 2014, a sum equal to thirteen and nine-tenths percent of the annual salary of each member employed by the local administrative unit.

D. If, in a calendar year, the salary of a member, initially employed by a local administrative unit on or after July 1, 1996, equals the annual compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, then:

(1) for the remainder of that calendar year, no additional member contributions or local administrative unit contributions for that member shall be made pursuant to this section; provided that no member shall be denied service credit solely because contributions are not made by the member or on behalf of the member pursuant to the provisions of this subsection; and

(2) the amount of the annual compensation limit shall be divided into four equal portions, and, for purposes of attributing contributory employment and crediting service credit, each portion shall be attributable to one of the four quarters of the calendar year.

**10-7C-15-D NMSA 1978 Retiree Health Care Fund Contributions:**

D. Except for contributions made pursuant to Subsection C of this section, a participating employer that fails to remit before the tenth day after the last day of the month all employer and employee deposits required by the Retiree Health Care Act to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year compounded monthly.

**Condition:** During our review of personnel files we noted the following instances in which proper procedures were not followed:

- 2 employees who worked less than full time were not having any ERB or RHC contributions being deducted. The employees had an FTE of .28 and .39 FTE. The employees had originally been hired as teachers and then had moved to substitutes during the year. The employees had been designated at .24 FTE but then served as substitutes for additional services which services are required to be added to the original .24 FTE time.
- In 1 of 4 months reviewed the Schools RHC payment was not sent on time. December's payment was made 20 days late.

**Cause:** The School has not followed State guidelines in regards to retirement contributions. The School was unaware that all hours of service must be included for an employee's time. In fact, if an employee works at two locations covered under these acts, their total time must be considered to identify if they exceed the .25 FTE requirement for contributions.

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**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-003 – Improper Education Retirement Contributions (Significant Deficiency) (Continued)**

***Effect:*** The School's failure to withhold retirement contributions harms the employee's ability to participate in the State's retirement plan. Additionally, the School is liable for all contributions that should have been made for those service hours, the employer and employee portions.

***Auditor's Recommendation:*** We recommend that the School review its personnel files to ensure that the proper deductions are being made on behalf of the employee in all State administered plans the employee has elected to or is required to participate in and that payments are made on time. We also recommend that the School notify payroll personnel when an individual's time exceeds the FTE requirements of these acts.

***Responsible Official's View:***

- Specific corrective action plan for finding:
  - **Employees working over .25 FTE are having ERB & RHC taken out.**
  - **RHC payments are made within 10 days.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented at time of report.**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**



**Section II – Financial Statement Findings – Moreno Valley High School (Continued)**

**MVHS FS 2017-004 – Improper Recording of Journal Entries (Material Weakness)**

**Criteria:** According to **6-5-2 NMSA 1978:**

C. State agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, state agencies shall implement controls to prevent the submission of processing documents to the division that contain errors or that are for a purpose not authorized by law.

**6-5-2.1 NMSA 1978:**

A. coordinate all procedures for financial administration and financial control and integrate them into an adequate and unified system, including the devising, prescribing and installing of processing documents, records and procedures for state agencies;

B. collect and maintain the necessary information to produce ledgers, journals, registers and other supporting records and analyses;

Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least two individuals who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

**Condition:** During our review of manual journal entries, we noted the following instances where proper procedures were not followed:

- There is no supporting documentation to support the reason for the journal entry in any of the entries reviewed
- There is no secondary review of any journal entry

**Cause:** The School did not previously consider the need for supporting documentation of journal entries and was unaware that a secondary signature is needed.

**Effect:** School personnel have not followed state guidelines or internal procedures in the recording of journal entries. The accounting records may be modified, changed, or deleted through journal entries. The modification of the records may circumvent all internal control procedures and produce incorrect financial records and reports and may allow personnel to hide illegal or improper acts.

**Auditor's Recommendation:** We recommend that management record all journal entries properly and ensure that all journal entries are reviewed, signed, and dated by a second individual indicating the review has taken place and when that review was performed.

**Responsible Official's View:**

- Specific corrective action plan for finding: **New systems in place and Journal entries verified by the director.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented at time of report.**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

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**Section III – Federal Award Findings**

There were no findings required to be reported relating to federal awards.

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Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings**

**NM 2017-001 – Purchase Orders Payment Authorization and Receiving (Compliance and Other Matters)**

*Criteria:* Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13 – Purchasing, “**the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.....For each individual purchase contract, a receiving document or other recording instrument (i.e., electronic) shall be present at the delivery site to record the delivery of items or service. Upon verifying and recording the receipt of all the items or services ordered, the receiving document or recording instrument shall be manually or electronically signed by authorized receiving personnel and processed for payment according to procedures established by school district or charter school boards’ of education local procedures.**”

**13-1-157 NMSA 1978 Receipt; inspection; acceptance or rejection of deliveries.**

The using agency is responsible for inspecting and accepting or rejecting deliveries. The using agency shall determine whether the quantity is as specified in the purchase order or contract and whether the quality conforms to the specifications referred to or included in the purchase order or contract. If inspection reveals that the delivery does not conform to the quantity or quality specified in the purchase order or contract, the using agency shall immediately notify the central purchasing office. The central purchasing office shall notify the vendor that the delivery has been rejected and shall order the vendor to promptly make a satisfactory replacement or supplementary delivery. In case the vendor fails to comply, the central purchasing office shall have no obligation to pay for the nonconforming items of tangible personal property. If the delivery does conform to the quantity and quality specified in the purchase order or contract, the using agency shall certify to the central purchasing office that delivery has been completed and is satisfactory.

Additionally, [13-1-158 NMSA 1978](#) states:

“**No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under [Section 13-1-98](#) NMSA 1978 by exclusion of the purchase from the Procurement Code [ [13-1-28](#) NMSA 1978].**”

*Condition:* During our review of disbursements we noted the following instances in which proper procedures were not followed:

- In 12 of 25 items tested goods and or services were purchased prior to the approval of a valid purchase order. The value of these purchases ranged from \$54.00 to \$27,432.00.
- In 1 of 25 items tested there was no invoice in the file, only a reservation confirmation which did not match the payment amount. The amount of this purchase was \$812.40.

During our review of individually significant items we noted the following instances in which proper procedures were not followed:

- In 6 of 37 items tested goods and or services were purchased prior to the approval of a valid purchase order. The value of these purchases ranged from \$14,211.88 to \$73,604.18
- In 3 of 37 items tested there was no purchase order in the file. The value of these purchases ranged from \$17,634.14 to \$352,450.
- In 15 of 37 items tested there was no receiving documentation in the file. The value of these purchases ranged from \$14,274.82 to \$37,809.57.
- In 1 of 37 items tested the invoice amount and check amount do not agree. The invoice amount was for \$22,182.08 but check was for \$20,000.00.

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-001 – Purchase Orders Payment Authorization and Receiving (Compliance and Other Matters)**  
**(Continued)**

During our review of activity disbursements we noted the following instances in which proper procedures were not followed:

- In 7 of 25 items tested goods and or services were purchased prior to the approval of a purchase order. The value of these purchases ranged from \$32.99 to \$625.00.
- In 1 of 25 items tested the invoice and check amount did not match. The invoice amount was \$178.50 the check amount was \$192.84.

***Cause:*** District personnel have not followed state guidelines or internal procedures in the payment of services. Policy clearly states that the District must have a signed purchase order in place prior to receiving goods and or services and that there is a receiving document to verify goods and services are received.

***Effect:*** Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised. Not being in compliance with these requirements places the District and the Board at risk for fraud or misuse of public funds

***Auditor's Recommendation:*** We recommend that all personnel be reminded of, or trained in, District and state policy in regards to payment of goods, services, or construction. All District personnel need to be aware that a purchase order must be approved prior to the purchase of goods and services and that all goods and services should be signed for indicating when items were received and by whom.

***Responsible official's view:***

- Specific corrective action plan for finding: **Train administrative staff in all school sites to ensure that all purchase orders are in place before goods, services or construction is ordered.**
- Timeline for completion of corrective action plan: **A meeting was held shortly after school secretaries came back from summer break to provide training in this area.**
- Employee position(s) responsible for meeting the timeline: **Superintendent and Administrative Assistant**

**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-002 – Background Checks (Compliance and Other Matters)**

**Criteria:** 22-10A-5 NMSA 1978: Background checks; known convictions; alleged ethical misconduct; reporting required; limited immunity; penalty for failure to report.

A. As used in this section, "ethical misconduct" means unacceptable behavior or conduct engaged in by a licensed school employee and includes inappropriate touching, sexual harassment, discrimination and behavior intended to induce a child into engaging in illegal, immoral or other prohibited behavior.

B. An applicant for initial licensure shall be fingerprinted and shall provide two fingerprint cards or the equivalent electronic fingerprints to the department **to obtain the applicant's federal bureau of investigation record**. Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act [28-2-1 through 28-2-6 NMSA 1978]. Other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the denial, suspension or revocation of a license for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the licensure or employment decisions affecting the specific applicant. The applicant for initial licensure shall pay for the cost of obtaining the federal bureau of investigation record.

C. **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.**

D. **An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check if the department has copies of the applicant's federal bureau of investigation records on file.** An applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school shall provide two fingerprint cards or the equivalent electronic fingerprints to the local school board, regional education cooperative or charter school to obtain the applicant's federal bureau of investigation record. The applicant, contractor or contractor's employee who has been offered employment by a regional education cooperative or at a public school may be required to pay for the cost of obtaining a background check. At the request of a local school board, regional education cooperative or charter school, the department is authorized to release copies of federal bureau of investigation records that are on file with the department and that are not more than twenty-four months old. Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act; provided that other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the employment decisions for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the employment decision affecting the specific applicant who has been offered employment, contractor or contractor's employee with unsupervised access to students at a public school.

**Condition:** During our review of personnel files we noted the following instances in which there was insufficient documentation:

- 1 of 13 personnel files reviewed did not have a copy of the FBI background check in the file.

**Cause:** The District has not followed State guidelines in regards to documentation of background checks.

**Effect:** The District's failure to maintain a background check report in the employee file is a violation of state statute and puts the District and school at additional risk of liability for any actions that may arise regarding employee conduct and does not comply with state regulations.

**Auditor's Recommendation:** We recommend that the District establish a policy regarding background checks and ensuring they are properly maintained within the employee personnel file. If a valid background check does not exist in the file then a new background check should be completed.

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-002 – Background Checks (Compliance and Other Matters) (Continued)**

***Responsible Official's View:***

- Specific corrective action plan for finding:
  - **Have requested that this employee have her background check done again.**
  - **Employees will not be hired until background checks are cleared.**
  
- Timeline for completion of corrective action plan: **Beginning of 2017-2018 Fiscal Year**
  
- Employee position(s) responsible for meeting the timeline: **Superintendent**

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Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-003 – Improper Retiree Health Care Contributions (Compliance and Other Matters)**

***Criteria:*** 22-11-21 NMSA 1978 Contributions; members; local administrative units:

A. Except as provided in Subsection D of this section, **for a member whose annual salary is greater than twenty thousand dollars (\$20,000), the member shall make contributions to the fund according to the following schedule:**

(1) from July 1, 2013 through June 30, 2014, the member contribution rate shall be ten and one-tenth percent of the member's annual salary; and

(2) **on and after July 1, 2014, the member contribution rate shall be ten and seven-tenths percent of the member's annual salary.**

B. On and after July 1, 2008, for a member whose annual salary is twenty thousand dollars (\$20,000) or less, the member contribution rate shall be seven and nine-tenths percent of the member's annual salary.

C. Except as provided in Subsection D of this section, each local administrative unit shall make an annual contribution to the fund according to the following schedule:

(1) from July 1, 2013 through June 30, 2014, a sum equal to thirteen and fifteen-hundredths percent of the annual salary of each member employed by the local administrative unit; and

(2) on and after July 1, 2014, a sum equal to thirteen and nine-tenths percent of the annual salary of each member employed by the local administrative unit.

D. If, in a calendar year, the salary of a member, initially employed by a local administrative unit on or after July 1, 1996, equals the annual compensation limit set pursuant to Section 401(a)(17) of the Internal Revenue Code of 1986, as amended, then:

(1) for the remainder of that calendar year, no additional member contributions or local administrative unit contributions for that member shall be made pursuant to this section; provided that no member shall be denied service credit solely because contributions are not made by the member or on behalf of the member pursuant to the provisions of this subsection; and

(2) the amount of the annual compensation limit shall be divided into four equal portions, and, for purposes of attributing contributory employment and crediting service credit, each portion shall be attributable to one of the four quarters of the calendar year.

***Condition:*** During our review of personnel files we noted the following instances in which there was insufficient documentation:

- In 1 of 13 personnel files reviewed showed that an employee was not having their retirement contribution deducted from their paycheck.

***Cause:*** The District has not followed State guidelines in regards to retirement contributions.

***Effect:*** The District's failure to withhold retirement contributions harms the employee's ability to participate in the State's retirement plan.

***Auditor's Recommendation:*** We recommend that the District review its personnel files to ensure that the proper deductions are being made on behalf of the employee in all State administered plans the employee has elected to or is required to participate in.

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Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-003 – Improper Retiree Health Care Contributions (Compliance and Other Matters) (Continued)**

*Responsible Official's View:*

- Specific corrective action plan for finding: **When employee is moved from Substitute to Employee, will double check to insure proper steps have been made in visions to make sure benefits are included.**
- Timeline for completion of corrective action plan: **Beginning of 2017-2018 Fiscal year**
- Employee position(s) responsible for meeting the timeline: **Personnel, Payroll, and STARS Coordinator**



Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)

**NM 2017-004 – Improper Approval of Budget Adjustment (Compliance and Other Matters)**

*Criteria:* [6.20.2.10 NMAC 1978](#) BUDGET MAINTENANCE STANDARDS:

A. Budget adjustment requests shall be submitted on the most current form prescribed by the department. The school district shall maintain a log of all budget adjustment requests to account for status, numerical sequence, and timely approval at each level. The log is to be retained for audit purposes.

B. School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. The department must take action on budget adjustment requests within 30 calendar days from the date of receipt by the department or such requests will otherwise be considered approved. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. **Budget adjustments shall not be incorporated into the school district's accounting system until approval is received by the department.**

*Condition:* During our testing of budget adjustment requests, we discovered 2 instances in which the District entered the budget adjustment into their accounting program prior to approval from the School Board or the PED.

*Cause:* The District recorded the adjustment on 10/17/2016 and 12/8/2016 but the Board did not approve until 10/19/2016 and 12/14/16, respectively, and the PED did not approve the adjustments until 10/20/2016 and 1/6/2017, respectively.

*Effect:* The budget adjustment has not been properly authorized according to statute.

*Auditor's Recommendation:* We recommend that the District ensure that all budget adjustments are not recorded in the ledger until after approval from the Board and PED has been completed.

***Responsible Official's Plan:***

- Specific corrective action plan for finding: **Bar will not be posted until approved.**
- Timeline for completion of corrective action plan: **Beginning of 2017-2018 Fiscal Year**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

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Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-005 – Failure to Assign Statutory Preferences and Bids and RFPs (Compliance and Other Matters)**

***Criteria:* 1.4.1.15 NMAC 1978: COMPETITIVE SEALED BIDS REQUIRED:**

All procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

- A. competitive sealed proposals;
- B. small purchases;
- C. sole source procurement;
- D. emergency procurement;
- E. procurement under existing contracts; and
- F. purchases from anti-poverty program businesses.

**1.4.1.17 NMAC 1978: PUBLIC NOTICE INVITATION FOR BID:**

Publication. The IFB or notice thereof shall be published not less than ten calendar days prior to the date set for the opening of bids. The IFB or notice must be published once in at least three newspapers of general circulation in this state.

- A. These requirements of publication are in addition to any other procedures that may be adopted by the state purchasing agent to notify prospective bidders that bids will be received, including but not limited to publication in trade journals, if available.
- B. Bidder lists. The state purchasing agent shall send copies of the notice or IFB involving the expenditure of more than sixty thousand dollars (\$60,000) to those businesses which have signified in writing an interest in submitting bids for particular categories of items of tangible personal property, construction and services and which have paid any required fees. (13-1-104 NMSA 1978). Reference is also given to 1.4.1.48 NMAC of this rule.
- C. Public availability. A copy of the IFB shall be made available for public inspection at the office of the state purchasing agent.

**1.4.1.25 NMAC 1978: STATUTORY PREFERENCES:**

Statutory preferences to be applied in determining low bidder or low offeror. **New Mexico law provides certain statutory preferences to resident businesses, resident veteran businesses, resident contractors and resident veteran contractors as well as for recycled content goods** (13-1-21 and 13-1-22 NMSA 1978). These preferences must be applied in regard to invitations for bids and requests for proposals in accordance with statute in determining the lowest bidder or offeror.

Finally, **1.4.1.67 NMAC 1978: COPIES OF CONTRACTS AND PRICE AGREEMENTS:**

A central purchasing office shall retain for public inspection and for the use of auditors a copy of each state purchasing agent contract or current price agreement relied upon to make purchases without seeking competitive bids.

**6.43.2.10 NMAC 1978 FLEET SERVICE CONTRACT:**

- A. The local board may contract with a person who owns one or more buses and who hires drivers to drive the bus. Such a person is considered self-employed and shall be contracted as a fleet operator.
- B. The local board shall negotiate fleet service contracts consistent with the provisions of state law and public education department rules.

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-005 – Failure to Assign Statutory Preferences and Bids and RFPs (Compliance and Other Matters) (Continued)**

**Condition:** During our testing of bids and requests for proposals we identified the following instances in which proper procedures were not followed:

- In all six of the bids/RFPs we reviewed the bid/RFP documents did not contain statutory preferences as part of the scoring.
- The District has been using the same contractor to handle its school bus routes for more than 10 years without ever going out for bid. Management was unsure how long the current contractor had been providing the service as they had been doing it longer than any of the staff have been employed. The District ended the contract with the vendor at the conclusion of the 16/17 school year and has purchased its own busses and hired employees to drive the route.

**Cause:** The District has not followed proper state statutes in including statutory preferences required by the statutes. The District was also unaware that their student transportation services required bidding on regular cycle as indicated in the statute.

**Effect:** The District is not in compliance with State Purchasing Guidelines. This opens the District up to possible incidences of fraud and possible occurrences of disputed awards which could cause additional legal and monetary consequences.

**Auditor's Recommendation:** We recommend that all District personnel responsible in the bid/RFP process be trained in the proper procedures and requirements for performing the bid/RFP process. We also recommend that all bids and RFPs include the mandated statutory preferences in the future.

**Responsible official's view:**

- Specific corrective action plan for finding: **In the future bus contractors will go out for bid and all bids/RFPs will include statutory preferences. At this time Cimarron Schools has taken over transportation.**
- Timeline for completion of corrective action plan: **December 1, 2017**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-006 – Improper Cash Receiving and Depositing (Compliance and Other Matters)**

*Criteria:* NMAC 6.20.2.14 1978:

A. School districts shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the office of management and budget (OMB) Circular A-102, and applicable state and federal laws and regulations.

B. **The school district shall issue a factory pre-numbered receipt for all money received.** Pre-numbered receipts are to be controlled and secured. If a receipt is voided, all copies shall be marked "VOID" and retained in the receipt book.

C. **Money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day.** If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the twenty-four hour/one banking day requirement, the local board may request approval from the department for an alternative plan. The bank deposit slip shall have the numbers from applicable receipts entered on it or attached as a reference.

D. A cash receipts journal is to be used for each fiscal year beginning July 1 and ending June 30, and is to be presented to the school district's auditor during the annual audit.

*Condition:* During our review of activity cash receipts we noted the following instances where proper procedures were not followed.

- In at least 5 of 25 items reviewed there was not sufficient evidence to indicate whether the District is depositing activity funds within 24 hour of original receipt.
- In at least 5 of 25 items reviewed there was no evidence that receipts are being written when cash is being originally collected in the District. Discussions with District personnel indicate that when fees are collected by a teacher or a fund raiser is occurring in the District where a teacher is collecting the funds, receipts are not written when students deliver money to the teacher. Receipts are not written until the teacher takes the funds to the secretary.

*Cause:* The staff of the District did not deposit the funds within 24 hours after receipt. Proper procedures relating to cash receipts were not followed. The District was unaware that receipts should be written when funds are originally delivered to teachers, secretaries, or other staff. The understanding of the District was that receipts are not required until funds are delivered to a secretary.

*Effect:* Non-adherence to state statutes places the District in noncompliance and lack of timeliness of deposits and proper receipt documentation could subject the District to a possible occurrence of fraud.

*Auditors' Recommendations:* We recommend that the District emphasize the importance of timely deposits of receipts and monitor receipts more closely in order to be compliant with state statutes. The District should cross-train employees so that more than one individual is able to make deposits to ensure timely deposits are possible. Additionally, those individuals who supervise fundraising activities for the students should be trained in the procedures which are required to follow state and District policies. Discussions with some District personnel responsible for these activities at the schools indicated that there is still confusion and misunderstanding of what is required. Proper oversight of these procedures by site personnel will be required to improve these procedures in the District.

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-006 – Improper Cash Receiving and Depositing (Compliance and Other Matters)**

*Responsible Official's View:*

- Specific corrective action plan for finding: **District Personnel has been given proper procedures, and receipt books have been ordered for each Teacher who has fund raisers to check out, Deposits will be deposited on a daily basis.**
- Timeline for completion of corrective action plan: **Immediately**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-007 – Budgetary Controls and Cash Appropriations (Significant Deficiency)**

***Criteria: 2.2.2.10 NMAC 1978 GENERAL CRITERIA:***

**Q. Budgetary presentation:**

(2) The differences between the budgetary basis and GAAP basis revenues and expenditures shall be reconciled. If the required budgetary comparison information is included in the basic financial statements, the reconciliation shall be included on the statement itself or in the notes to the financial statements. If the required budgetary comparison is presented as RSI, the reconciliation to GAAP basis shall appear in either a separate schedule or in the notes to the RSI (AAG-SLV 11.14). **The notes to the financial statements shall disclose the legal level of budgetary control for the entity and any excess of expenditures over appropriations at the legal level of budgetary control. The legal level of budgetary control for local governments is at the fund level. The legal level of budgetary control for school districts is at the function level.**

**R. Appropriations:**

(1) Budget related findings:

(a) If actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

(b) If budgeted expenditures exceed budgeted revenues (after prior-year cash balance and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding. This type of finding shall be confirmed with the agency’s budget oversight entity (if applicable).

All District funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the Public Education Department for approval. Cash balances re-budgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures cannot exceed the actual cash balance available at the end of the prior year.

**Additionally 22-8-11 NMSA 1978 BUDGETS; APPROVAL OF OPERATING BUDGET:**

**B. No School district or state-chartered school or officer or employee of a school district or state-chartered school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department’s rules and procedures.**

**Condition:** The District re-budgeted “cash balance” in excess of available cash balances in the following funds:

<b>Fund #</b>	<b>Name</b>	<b>Original Cash Budget</b>	<b>Actual Cash</b>	<b>Difference</b>
14000	Instructional Materials	\$ 20,002	\$ 19,889	\$ (113)
25233	Rural Education Achievement	10,000	2,667	(7,333)
29102	Private Direct Grant	68,493	67,906	(587)
31600	Capital Improvements HB-33	28,394	20,752	(7,642)
31700	Capital Improvements SB-9	2,068,164	1,865,789	(202,375)
31900	Education Technology Equipment	1,673,115	51,427	(1,621,688)
43000	Education Technology Debt Service	366,315	360,755	(5,560)
	<b>Total</b>	<b>\$ 4,234,483</b>	<b>\$ 2,389,185</b>	<b>\$ (1,845,298)</b>

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**Section IV – Section 12-6-5 NMSA 1978 Findings (Continued)**

**NM 2017-007 – Budgetary Controls and Cash Appropriations (Significant Deficiency)**

The District had expenditures in excess of budget in the following funds:

<b>Fund #</b>	<b>Fund and Function</b>	<b>Amount</b>
<b>Major Funds:</b>		
31100	Bond Building - Capital Outlay	\$ 16,201
<b>Non-Major Funds:</b>		
21000	Food Services - Food Services Operations	1,912
25153	Title XIX Medicaid 3/21 Years - Support Services	447
27149	PreK Initiative - Instruction	<u>1,376</u>
	Total	<u><u>\$ 19,936</u></u>

**Effect:** The District has budgeted a cash balance that does not exist. If the District expends all budgeted expenditures it will overdraw its existing funds. The District has also expended funds in excess of its budget authority

**Cause:** Modifying the cash balance of the funds and improper internal controls regarding expenditures was missed by District personnel.

**Auditor’s Recommendation:** Budget for future years should be reviewed to ensure all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates. Adjustments should be made to cash balances after actual amounts are determined.

**Responsible Official’s Plan:**

- Specific corrective action plan for finding: **Budget will be brought to the balance of the cash balance after audit has been completed.**
- Timeline for completion of corrective action plan: **As soon is audit is completed action will be taken**
- Employee position(s) responsible for meeting the timeline: **Business Manager**

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Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-001 – Late Payment of Employer Contributions (Compliance and Other Matters)**

**Criteria: [10-7C-15 NMSA 1978](#) Retiree health care fund contributions:**

A. Following completion of the preliminary contribution period, each participating employer shall make contributions to the fund pursuant to the following provisions:

(1) for participating employees who are not members of an enhanced retirement plan, the employer's contribution shall equal:

(d) two percent of each participating employee's salary beginning July 1, 2012;

(2) for participating employees who are members of an enhanced retirement plan, the employer's contribution shall equal:

(d) two and one-half percent of each participating employee's salary beginning July 1, 2012; and

(3) each employer that chooses to become a participating employer after January 1, 1998 shall make contributions to the fund in the amount determined to be appropriate by the board.

B. Following completion of the preliminary contribution period, each participating employee, as a condition of employment, shall contribute to the fund pursuant to the following provisions:

(1) for a participating employee who is not a member of an enhanced retirement plan, the employee's contribution shall equal:

(d) one percent of the employee's salary beginning July 1, 2012;

(2) for a participating employee who is a member of an enhanced retirement plan, the employee's contribution shall equal:

(d) one and one-fourth percent of the employee's salary beginning July 1, 2012; and

(3) as a condition of employment, each participating employee of an employer that chooses to become a participating employer after January 1, 1998 shall contribute to the fund an amount that is determined to be appropriate by the board. Each month, participating employers shall deduct the contribution from the participating employee's salary and shall remit it to the board as provided by any procedures that the board may require.

C. On or after July 1, 2009, no person who has obtained service credit pursuant to Subsection B of Section [10-11-6 NMSA 1978](#), Section [10-11-7 NMSA 1978](#) or Paragraph (3) or (4) of Subsection A of Section [22-11-34 NMSA 1978](#) may enroll with the authority unless the person makes a contribution to the fund equal to the full actuarial present value of the amount of the increase in the person's health care benefit, as determined by the authority.

**D. Except for contributions made pursuant to Subsection C of this section, a participating employer that fails to remit before the tenth day after the last day of the month all employer and employee deposits required by the Retiree Health Care Act to be remitted by the employer for the month shall pay to the fund, in addition to the deposits, interest on the unpaid amounts at the rate of six percent per year compounded monthly.**

E. Except for contributions made pursuant to Subsection C of this section, the employer and employee contributions shall be paid in monthly installments based on the percent of payroll certified by the employer.

**Condition:** During our review of RHC contributions we noted in 1 of the months tested the school failed to submit its contribution before the 10<sup>th</sup> of the month. December's contribution was made on January 30<sup>th</sup>.

**Cause:** The school has not followed state guidelines in regards to contribution timelines.

**Effect:** The school's late payment subjects the school to possible late fees and puts them in non-compliance with state guidelines.

**Auditor's Recommendation:** We recommend that the school ensure that RHC contributions are sent prior to the 10<sup>th</sup> of the month in which the payment is due.



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**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-001 – Late Payment of Employer Contributions (Compliance and Other Matters)**  
**(Continued)**

*Responsible Official's View:*

- Specific corrective action plan for finding: **Payments are wired prior to the eighth day to insure it is paid on time with no late penalties. This is verified by the Director.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented at time of report.**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

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**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-002 – Improper Disposition of Fixed Assets (Non-Compliance or Other Matter)**

***Criteria:*** 13-6-2 NMSA 1978 Sale of property by state agencies or local public bodies; authority to sell or dispose of property; approval of appropriate approval authority:

A. Providing a written determination has been made, a state agency, local public body, school district or state educational institution may sell or otherwise dispose of real or tangible personal property belonging to the state agency, local public body, school district or state educational institution.

B. A state agency, local public body, school district or state educational institution may sell or otherwise dispose of real property:

(1) by negotiated sale or donation to an Indian nation, tribe or pueblo located wholly or partially in New Mexico, or to a governmental unit of an Indian nation, tribe or pueblo in New Mexico, that is authorized to purchase land and control activities on its land by an act of congress or to purchase land on behalf of the Indian nation, tribe or pueblo;

(2) by negotiated sale or donation to other state agencies, local public bodies, school districts or state educational institutions;

(3) through the central purchasing office of the state agency, local public body, school district or state educational institution by means of competitive sealed bid, public auction or negotiated sale to a private person or to an Indian nation, tribe or pueblo in New Mexico; or

(4) if a state agency, through the surplus property bureau of the transportation services division of the general services department.

C. A state agency shall give the surplus property bureau of the transportation services division of the general services department the right of first refusal to dispose of tangible personal property of the state agency. A school district may give the surplus property bureau the right of first refusal to dispose of tangible personal property of the school district.

D. Except as provided in Section [13-6-2.1](#) NMSA 1978 requiring state board of finance approval for certain transactions, sale or disposition of real or tangible personal property having a current resale value of more than five thousand dollars (\$5,000) may be made by a state agency, local public body, school district or state educational institution if the sale or disposition has been approved by the state budget division of the department of finance and administration for state agencies, the local government division of the department of finance and administration for local public bodies, the public education department for school districts and the higher education department for state educational institutions.

E. Prior approval of the appropriate approval authority is not required if the tangible personal property is to be used as a trade-in or exchange pursuant to the provisions of the Procurement Code [Sections [13-1-28](#) through [13-1-199](#) NMSA 1978].

F. The appropriate approval authority may condition the approval of the sale or other disposition of real or tangible personal property upon the property being offered for sale or donation to a state agency, local public body, school district or state educational institution.

G. The appropriate approval authority may credit a payment received from the sale of such real or tangible personal property to the governmental body making the sale. The state agency, local public body, school district or state educational institution may convey all or any interest in the real or tangible personal property without warranty.

***Condition:*** The School disposed of two mobile homes in exchange for a vendor reducing the cost of a security system which it had installed earlier. There was no valuation given for the 2 mobile homes. The outstanding balance owed to the vendor for the security system was reduced by about 50%.

***Cause:*** School personnel did not follow proper disposition of assets procedures established by the State. School personnel were unaware of the requirements for disposal of assets.

***Effect:*** The School was not in compliance the guidelines of the State for disposition of assets. The disposal of assets without proper controls can lead to the misappropriation of assets in the extreme and can lead to maintaining improper asset records at a minimum.

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**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-002 – Improper Disposition of Fixed Assets (Non-Compliance or Other Matter)**

*Auditors' Recommendations:* We recommend that the School emphasize the importance of adherence to State guidelines in regards to asset dispositions and ensure that assets are not disposed without proper documentation and approval. Additionally, School personnel who dispose of assets should be trained in the importance of following State and District procedures for the proper disposal of assets.

*Responsible Official's View:*

- Specific corrective action plan for finding: **Moving forward we will review disposition of assets and comply with state for disposition of assets.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented.**
- Employee position(s) responsible for meeting the timeline: **Director and Business Manager**

**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-003 – Background Checks (Compliance and Other Matters)**

**Criteria: 22-10A-5 NMSA 1978: Background checks; known convictions; alleged ethical misconduct; reporting required; limited immunity; penalty for failure to report.**

A. As used in this section, "ethical misconduct" means unacceptable behavior or conduct engaged in by a licensed school employee and includes inappropriate touching, sexual harassment, discrimination and behavior intended to induce a child into engaging in illegal, immoral or other prohibited behavior.

B. An applicant for initial licensure shall be fingerprinted and shall provide two fingerprint cards or the equivalent electronic fingerprints to the department **to obtain the applicant's federal bureau of investigation record**. Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act [28-2-1 through 28-2-6 NMSA 1978]. Other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the denial, suspension or revocation of a license for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the licensure or employment decisions affecting the specific applicant. The applicant for initial licensure shall pay for the cost of obtaining the federal bureau of investigation record.

**C. 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.**

**D. An applicant for employment who has been initially licensed within twenty-four months of applying for employment with a local school board, regional education cooperative or a charter school shall not be required to submit to another background check if the department has copies of the applicant's federal bureau of investigation records on file.** An applicant who has been offered employment, a contractor or a contractor's employee with unsupervised access to students at a public school shall provide two fingerprint cards or the equivalent electronic fingerprints to the local school board, regional education cooperative or charter school to obtain the applicant's federal bureau of investigation record. The applicant, contractor or contractor's employee who has been offered employment by a regional education cooperative or at a public school may be required to pay for the cost of obtaining a background check. At the request of a local school board, regional education cooperative or charter school, the department is authorized to release copies of federal bureau of investigation records that are on file with the department and that are not more than twenty-four months old. Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with the Criminal Offender Employment Act; provided that other information contained in the federal bureau of investigation record, if supported by independent evidence, may form the basis for the employment decisions for good and just cause. Records and related information shall be privileged and shall not be disclosed to a person not directly involved in the employment decision affecting the specific applicant who has been offered employment, contractor or contractor's employee with unsupervised access to students at a public school.

**22-10A-3 NMSA 1978: License or certificate required; application fee; general duties.**

A. Except as otherwise provided in this subsection, any person teaching, supervising an instructional program or providing instructional support services in a public school or state agency; any person administering in a public school; and any person providing health care and administering medications or performing medical procedures in a public school shall hold a valid license or certificate from the department authorizing the person to perform that function. This subsection does not apply to a person performing the functions of a practice teacher as defined by the state board [department].

B. The state board [department] shall charge a reasonable fee for each application for or the renewal of a license or certificate. The application fee may be waived if the applicant meets a standard of indigency established by the department.

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-003 – Background Checks (Compliance and Other Matters) (Continued)**

C. A person performing the duties of a licensed school employee who does not hold a valid license or certificate or has not submitted a complete application for licensure or certification within the first three months from beginning employment duties shall not be compensated thereafter for services rendered until he demonstrates that he holds a valid license or certificate. This section does not apply to practice teachers as defined by rules of the state board [department].

D. Each licensed school employee shall:

- (1) enforce all laws and rules applicable to his public school and school district or to the educational program of the state agency;
- (2) if teaching, teach the prescribed courses of instruction;
- (3) exercise supervision over students on property belonging to the public school or state agency and while the students are under the control of the public school or state agency; and
- (4) furnish reports as required.

**Condition:** During our review of personnel files we noted the following instances in which there was insufficient documentation:

- 3 of 6 personnel files reviewed did not have a copy of the FBI background check in the file.
- 2 of 6 personnel files reviewed did not have proper licensure for their current position.

**Cause:** The School has not followed State guidelines in regards to documentation of background checks and licensure.

**Effect:** The School's failure to maintain a background check report and applicable licenses in the employee file is a violation of state statute and puts the School and Council at additional risk of liability for any actions that may arise regarding employee conduct and does not comply with state regulations.

**Auditor's Recommendation:** We recommend that the School establish a policy regarding background checks and licensing and ensuring they are properly maintained within the employee personnel file. If a valid background check does not exist in the file then a new background check should be completed.

**Responsible Official's View:**

- Specific corrective action plan for finding:
  - **FBI Finger Print background check verification is part of the Employee File/Package Checklist for each employee file folder that has been placed inside each file.**
  - **Proper licensure check is verified by the Director and is also part of the Employee File/Package Checklist for each employee file folder.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented.**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017-004 – Budgetary Controls (Compliance and Other Matters)**

*Criteria:* According to 22-8-11 B. NMSA 1978:

B. No School district or state-chartered school or officer or employee of a school district or state-chartered school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department's rules and procedures.

*Condition:* The school over expended its budget in the instruction function of its Operational Fund by \$1,185. All other funds and functions were within the School's legally adopted budget

*Cause:* The School business manager failed to identify that the function was over budget. The School didn't prepare a budget adjustment to move budget from the 2000 function to the 1000 function to cover this deficit as the fund had sufficient funds in total.

*Effect:* The internal controls established by adherence to budgets have been compromised, and excess spending could, and did, result. In addition, New Mexico statutes have been violated.

*Auditor's Recommendation:* We recommend that the School continue to monitor its budgets, particularly as the School approaches year-end. All necessary budget adjustments should then be prepared, taken to the Council for approval, and then forwarded to the Public Education Department for final approval.

***Responsible Official's Plan:***

- Specific corrective action plan for finding: **BARS will be generated and approved by the governing council prior to expenditures.**
- Timeline for completion of corrective action plan: **Corrective action plan has been implemented.**
- Employee position(s) responsible for meeting the timeline: **Director and Business Manager**

STATE OF NEW MEXICO  
CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule VIII

**Section IV – Section 12-6-5 NMSA 1978 Findings – Moreno Valley High School (Continued)**

**MVHS NM 2017- 005 – Annual Physical Inventory Certification by the Council (Compliance and Other Matters)**

**Criteria:** In accordance with proper accounting procedures and 2.20.1.16 NMAC, Moreno Valley High School (School) should complete an annual “physical inventory ... recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.” Per 2.20.1.9 NMAC, it is recommended that fixed assets be classified in various categories, i.e., land, land improvements, buildings and structures, etc.

**Condition:** The School did not do a physical inventory which was detailed and certified by the Council for the year ended June 30, 2017.

**Cause:** The School was unaware of the requirement to perform an annual physical inventory that is certified by its Council.

**Effect:** The School is not in compliance with state statutes with regards to completing an annual physical inventory that is certified by the Council.

**Auditor’s Recommendation:** We recommend that the School record its assets in a detail register and complete an annual physical inventory which will be certified by the Council at a regularly scheduled council meeting to be in compliance with state statutes.

***Responsible Official’s Plan:***

- Specific corrective action plan for finding: **Physical detailed inventory will be conducted annually every spring and certified by the governing council.**
- Timeline for completion of corrective action plan: **May 2018**
- Employee position(s) responsible for meeting the timeline: **Director and Office Manager**

**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

Schedule VIII

**Section V – Prior Year Audit Findings**

**Financial Section Findings**

**Cimarron Municipal School District No. 3**

2016-001 – Improperly Completed Form I-9 – Resolved

**Moreno Valley High School**

2016-002 – Improperly Completed Form I-9 – Repeated and Revised

**Moreno Valley Education Foundation**

There were no findings required to be reported relating to financial section..

**Federal Award Findings**

There were no findings required to be reported relating to federal awards.

**Section 12-6-5 NMSA 1978 Findings**

There were no findings required to be reported relating to 12-6-5 NMSA 1978 findings.



**STATE OF NEW MEXICO**  
**CIMARRON MUNICIPAL SCHOOL DISTRICT NO. 3**  
**OTHER DISCLOSURES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Section V – Other Disclosures**

Auditor Prepared Financials

Manning Accounting and Consulting Services, LLC assisted in the preparation of the financial statements presented in this report. The District's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on October 18, 2017. The following individuals were in attendance.

**Cimarron Municipal School District No. 3**

Ronald L. Anderson, Board President  
Adán Estrada, Superintendent  
Nancy Hooker, Audit Committee Member  
Lawana Whitten, Business Manager

**Manning Accounting and Consulting Services, LLC**

Byron Manning, CPA, Managing Partner  
Chris Manning, Staff Accountant

**Moreno Valley High School**

Rogers Lanon, Council President  
Tammy DeVine, Council Vice-President  
Tammy Dunn, Director

**Moreno Valley Education Foundation**

Henry Garland, Board Treasurer  
Linda Wier, Board Member