

STATE OF NEW MEXICO



ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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## **INTRODUCTORY SECTION**

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ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2017

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STATE OF NEW MEXICO  
 Cloudcroft Municipal Schools  
 For the Fiscal Year Ended June 30, 2017  
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OFFICIAL ROSTER  
June 30, 2017

**Name**

Board of Education

**Title**

Bill Denney

President

Gerald Green

Vice President

Lance Wright

Secretary

Kody Adams

Member

Arlan Ponder

Member

School Officials

Travis Dempsey

Superintendent

Sharlotte Dees

Business Manager

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Cloudcroft Municipal Schools  
Cloudcroft, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of the Cloudcroft Municipal Schools' (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Cloudcroft Municipal Schools' basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain 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 Cloudcroft Municipal Schools' 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 Cloudcroft Municipal Schools' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cloudcroft Municipal Schools', as of June 30, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-18, the Schedule of Proportionate Share of the Net Pension Liability on page 95, the Schedule of Contributions on page 97, and the notes to the required supplementary information on page 99 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on Cloudcroft Municipal Schools' financial statements, that collectively comprise the Cloudcroft Municipal Schools' basic financial statements.

The combining and individual fund financial statements, and other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and Schedules, presented in the supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2017 on our consideration of the Cloudcroft Municipal Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 Cloudcroft Municipal Schools' internal control over financial reporting and compliance.

*Precision Accounting, LLC*

*Precision Accounting, LLC*

Albuquerque, New Mexico

September 28, 2017

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**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

As management of the Cloudcroft Municipal Schools District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government". In June 2001, the GASB approved Statement #37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement #38 "Certain Financial Statement Note Disclosures". Statement #37 clarifies and modifies Statement #34 and should be implemented simultaneously with Statement #34. Statement #38 modifies, establishes and rescinds certain financial statement disclosure requirements.

#### Financial Highlights

Key financial highlights for fiscal year ended June 30, 2017 are as follows:

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$4,725,593 (net position and deferred inflows of resources). Of this amount, \$7,735,405 is invested in capital assets, \$831,870 is restricted for Capital Projects, \$1,887,654 is restricted for Debt Service, \$112,175 for Special Revenue Funds, \$69 is restricted for General Fund, and \$(5,841,580) is unrestricted and may be used to meet the District's ongoing obligations. The deferred inflows of resources related to property taxes and the net pension liability is \$292,388.
- The District's total net position increased by \$138,268 which is reflected in the District's Statement of Activities.
- The District's liabilities decreased by \$115,500 in fiscal year 2017 which was due to the decrease in debt.
- At June 30, 2017, the unreserved and undesignated fund balance for the general fund was \$457,216 which reflects a decrease of \$325,606 from the previous fiscal year as a result of the state budget cuts forcing the District to cover costs from operational funds.
- As part of the implementation of GASB 34, total accumulated depreciation on capital assets as of June 30, 2017 is \$8,366,547. This includes current year depreciation in the amount of \$710,201.
- Capital Outlay expenditures were \$481,328 in the year ending June 30, 2017. The increase in capital outlay expenditures was associated with the district having ongoing construction projects within the district for this school year.
- The District's general obligation bond debt balance is \$5,795,000. The bond issued in the fiscal year 2016 was drawn down by \$312,237 to cover expenditures under the bond.

**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

**Basic Financial Statements**

In general, the purpose of financial reports is to provide external parties reading the financial statements with information that will help them to make decisions or draw conclusions about the reporting entity. There are many external parties that read and use the District's financial statements; however, these parties do not always have the same objectives. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may understand the District's overall financial position. In accordance with required reporting requirements, the District presents (1) government-wide financial statements and (2) fund financial statements.

*Government-wide financial statements*

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. uncollected taxes).

Both the *statement of net position* and the *statement of activities* distinguish functions of the District that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the District include education, pupil transportation, food service and community service. The District does not have any business-type activities.

The *government-wide financial statements* can be found on Exhibits A-1 and A-2 on pages 20 through 23 of the financial statements.

*Fund Financial Statements*

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

*Governmental Funds*

*Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available as the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. A reconciliation to facilitate the comparison of the governmental funds and governmental activities has been provided.

**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

The District has four individual governmental fund groups. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the following funds: General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund

The basic governmental fund financial statements can be found on Exhibits B-1 and B-2 on pages 24 through 31 of the financial statements.

*Fiduciary Funds*

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

The fiduciary fund financial statements can be found in Exhibit D on page 39 of the financial statements.

Overview of the District's Financial Position and Operations the District's overall financial position and operations for the current year as compared to the previous fiscal year are as follows:

**CLOUDCROFT MUNICIPAL SCHOOLS DISTRICT'S NET POSITION  
COMPARATIVE DATA**

	Current Year <b>2017</b>	Prior Year <b>2016</b>
<b>Assets</b>		
Cash and Other Equivalents	\$ 2,274,138	\$ 2,249,840
Current and Other Assets	121,349	277,161
Capital Assets, Net	13,530,405	14,207,697
Deferred Outflows of Resources	944,865	487,664
<b>TOTAL ASSETS</b>	<b>16,870,757</b>	<b>17,222,362</b>
<b>Liabilities</b>		
Current Liabilities	956,895	1,097,852
Noncurrent Liabilities	10,895,881	10,960,620
<b>TOTAL LIABILITIES</b>	<b>11,852,776</b>	<b>12,058,472</b>
Deferred Inflows of Resources	292,388	526,123
<b>Net Position</b>		
Net Investment in Capital Assets	7,735,405	7,572,697
Restricted:		
Debt Services	1,887,654	1,690,982
Capital Projects	831,870	332,761
Special Revenue Funds	112,175	10,095
General Funds	69	(10,800)
Unrestricted	<u>(5,841,580)</u>	<u>(4,957,697)</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>4,725,593</u></b>	<b>\$ <u>4,637,767</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ <u>16,870,757</u></b>	<b>\$ <u>17,222,362</u></b>

**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

Unrestricted funds can be used at the *discretion* of the District and to meet ongoing obligations to creditors and stakeholders. 60% is restricted for the stated purposes. The remaining 1.64% of the District's net position is net investment in capital assets. This indicates that the accumulated depreciation along with the asset values exceed existing debt. The pension liability as required by GASB 68 has significantly impacted the net position on the financials.

Governmental activities increased the District's overall net position by \$138,268.

The major elements of the District's governmental activities contributing to the increase in the change in net position are listed on the next page.

**CLOUDCROFT MUNICIPAL SCHOOLS DISTRICT'S CHANGES IN NET POSITION  
COMPARATIVE DATA**

Revenues:	<b>2017</b>	<b>2016</b>
Program Revenues		
Charges for Services	\$ 64,977	\$ 60,997
Operating Grants & Contributions	660,795	621,959
Capital Grants & Contributions	<u>22,564</u>	<u>128,810</u>
Total Program Revenues	748,336	811,766
General Revenues:		
Property Taxes		
General Purpose	49,785	52,357
Debt Service	1,051,429	956,105
Capital Projects	354,285	326,873
Grants & Contributions, not restricted	3,382,686	3,628,055
Unrestricted Investment Earnings	899	914
Loss on disposal of assets	<u>-</u>	<u>(616,352)</u>
Total General Revenues	<u>4,347,952</u>	<u>4,347,952</u>
<b>TOTAL REVENUES</b>		
Expenditures:		
Direct Instruction	2,233,773	2,128,214
Students	400,297	443,521
Instruction	75,557	70,409
General Administration	319,104	448,388
School Administration	271,364	269,847
Central Services	150,249	140,948
Operation & Maintenance of Plant	1,239,255	1,202,923
Student Transportation	195,963	226,604
Other Support Services	75,715	3,511
Food Services	159,749	154,260
Capital Outlay	168,591	457,940
Interest on Long term debt	<u>159,535</u>	<u>164,068</u>
<b>TOTAL EXPENDITURES</b>	<u>5,449,152</u>	<u>5,803,152</u>
Change in Net Position	138,268	(550,915)
Net Position, Beginning of Year, restated	<u>4,637,767</u>	<u>5,281,201</u>
Restatement	(50,422)	-
Net Position, End of Year	\$ <u>4,725,593</u>	\$ <u>4,730,286</u>

**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

**State of New Mexico Cloudcroft Municipal Schools District**

As noted above, the District is heavily dependent on federal and state aid, which comprises 95% of its total revenues. Correspondingly, the District spends 91% of total revenues on direct instruction and instructional support the two primary functions that indicate direct school spending.

*General Fund Budgetary Highlights*

Budget to actual comparison schedules are presented for all major funds and major special revenue funds individually in Exhibit C-1 through C-3. These schedules are prepared on a cash basis which is the format allowed by the District's oversight agency, the New Mexico Public Education Department.

The original expenditure budget for the District's general fund was \$4,276,399. The final general fund expenditure budget was \$4,204,219 of which \$3,777,766 was expended in the current year. Budgets were not exceeded in any of the functions in the general fund.

Of the \$3,494,103 total District revenue budget, the District received 13% less in actual revenue for an increase of \$49,211 in actual revenue received over budgeted revenue. Conversely, the District expended only \$3,777,766 of its total expenditure budgets of \$4,204,219.

**Capital Assets and Debt Administration**

*Capital Assets*

The District's current year investment in capital assets as of June 30, 2017 is \$7,735,405. The District's assets include land and land improvements, building and building improvements, equipment and furniture, and vehicles.

Depreciation calculated as a result of GASB 34 implementation resulted in an accumulated depreciation balance of \$8,366,547, of which \$710,201, is for depreciation in the current year. Additional information of the District's capital assets is presented in Note 7 on page 52 of the financial statements.

*Long-term obligations*

At the end of the current year, the district had \$5,795,000 in long-term debt related to governmental activities. Of this debt, 100% was related to general obligation bonds still outstanding at the end of the year. The debt position of the District is summarized below and is more fully analyzed in Note 8 on page 53 of the financial statements.

**State of New Mexico Cloudcroft Municipal Schools  
Management's Discussion and Analysis**

June 30, 2017

*CLOUDCROFT MUNICIPAL SCHOOL DISTRICT'S LONG-TERM OBLIGATION*

*Governmental Activities:*

General Obligation Debt

	Balance at 6/30/16	Additions	Deletions	Balance at 6/30/17	Due within One Year
<i>TOTAL</i>	\$ 6,635,000	\$ -	\$ 840,000	\$ 5,795,000	\$ 870,000

During the fiscal year, the District reduced total bond debt principle by \$840,000 in accordance with schedule bond payments.

Relevant Current Economic Factors, Decisions and Conditions

With the passage of the bonds we have the community support needed to keep our buildings, equipment, and technology infrastructure maintained and even surpass the typical adequacy standards. Projects that were planned for in the 5-year facility master plan have now been completed such as technology upgrades, synthetic turf field, new route/ activity buses, new field house, expanded cross country track, upgraded HVAC systems, and upgraded wireless internet all contribute to the overall success of our students.

Currently, our board has been working to establish a two year pattern of bond elections which will stabilize tax rates while also provide the district with the funding source to maintain our current structures and eventually expand them. We are seeing limited turn over in staff with all three of our schools receiving "A" ratings from the most recent school grading report as well as our middle school being recognized as a national "Blue Ribbon" school.

Request for Information

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or require additional information, contact the District's Finance Department as follows:

Sharlotte Dees, Business Manager  
 (575) 601-4416  
 Physical and Mailing Address:  
 10 Swallow Place  
 P.O. Box 198  
 Cloudcroft, NM 88317  
 e-mail: [sharlotte.dees.@cmsbears.org](mailto:sharlotte.dees.@cmsbears.org)

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Exhibit A-1  
(Page 1 of 2)

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,274,138
Taxes Receivable	-
Due from other Governments	114,211
Inventory	7,138
Total current assets	<u>2,395,487</u>
Noncurrent assets:	
Capital assets:	
Other capital assets	21,896,952
Less accumulated depreciation	<u>(8,366,547)</u>
Total Capital assets	<u>13,530,405</u>
Total noncurrent assets	<u>13,530,405</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows related to Net Pension Liability	<u>944,865</u>
Total deferred outflows of resources	944,865
Total assets and deferred outflows of resources	<u><u>\$ 16,870,757</u></u>



**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

Exhibit A-1  
(Page 2 of 2)

	<u><b>Governmental Activities</b></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 34,315
Accrued salaries and benefits	-
Accrued interest	52,580
Current portion of long-term debt	870,000
Total current liabilities	<u>956,895</u>
Noncurrent liabilities:	
Net Pension Liability	5,970,881
Bonds, loans and other payables:	
Due in more than one year	4,925,000
Total noncurrent liabilities	<u>10,895,881</u>
Total liabilities	11,852,776
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable Revenue-Property Taxes	-
Deferred Inflows of Resources related to Net Pension Liability	292,388
Total deferred inflows of resources	<u>292,388</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,735,405
Unrestricted	(5,841,580)
Restricted for General Funds	69
Restricted for Special Revenue Funds	112,175
Restricted for Capital Projects Funds	831,870
Restricted for Debt Service Funds	1,887,654
Total net position	<u>4,725,593</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 16,870,757</u></u>

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Service</u>
Governmental activities:		
Instruction:		
Direct instruction	\$ 2,233,773	\$ -
Support services:		
Students	400,297	-
Instruction	75,557	-
General Administration	319,104	-
School Administration	271,364	-
Central Services	150,249	17,883
Operation & Maintenance of Plant	1,239,255	-
Student Transportation	195,963	-
Other Support Services	75,715	-
Food Services	159,749	47,094
Capital Outlay	168,591	-
Interest on long-term debt	159,535	-
Total governmental activities	<u>\$ 5,449,152</u>	<u>\$ 64,977</u>

<b>Program Revenues</b>		<b>Net</b>
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>(Expenses) Revenues and Changes in Net Position</b>
\$ 296,174	\$ -	\$ (1,937,599)
-	22,564	(377,733)
-	-	(75,557)
-	-	(319,104)
-	-	(271,364)
-	-	(132,366)
-	-	(1,239,255)
279,314	-	83,351
-	-	(75,715)
85,307	-	(27,348)
-	-	(168,591)
-	-	(159,535)
<u>\$ 660,795</u>	<u>\$ 22,564</u>	<u>(4,700,816)</u>

**General Revenues:**

Property taxes:	
Levied for general purposes	49,785
Levied for debt service	1,051,429
Levied for capital projects	354,285
State aid not restricted	3,382,686
Loss on disposal of assets	-
Unrestricted investment earnings	899
	<u>4,839,084</u>
Change in net position	138,268
Net position - beginning	4,637,767
Restatement for adjustment to Capital	(50,422)
Net position- beginning restated	<u>4,587,325</u>
Net position - ending	<u>\$ 4,725,593</u>

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	General Fund		
	Operational	Transportation	Instructional Materials
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 351,731	\$ -	\$ 12,849
Investments	-	-	-
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	-
Other accounts receivable	-	-	-
Interfund receivable	115,211	-	-
Inventory	-	-	-
	-	-	-
<i>Total assets</i>	\$ 466,942	\$ -	\$ 12,849
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ 9,726	\$ -	\$ 12,780
Accrued salaries and benefits	-	-	-
Interfund payable	-	-	-
Unearned revenue	-	-	-
	-	-	-
<i>Total liabilities</i>	9,726	-	12,780
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	-	-	-
	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-
<i>Fund Balances</i>			
Fund Balance			
Non-spendable	-	-	-
Restricted for:			
General Fund	-	-	69
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	457,216	-	-
	457,216	-	69
<i>Total fund balances</i>	457,216	-	69
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ 466,942	\$ -	\$ 12,849

Bond Building	Capital Projects SB-9 Local	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 436,664	\$ 401,140	\$ 1,043,193	\$ 28,561	\$ 2,274,138
-	-	-	-	-
-	-	-	-	-
-	-	-	114,211	114,211
-	-	-	-	-
-	-	-	-	115,211
-	-	-	7,138	7,138
<u>\$ 436,664</u>	<u>\$ 401,140</u>	<u>\$ 1,043,193</u>	<u>\$ 149,910</u>	<u>\$ 2,510,698</u>
\$ -	\$ 5,934	\$ -	\$ 5,875	\$ 34,315
-	-	-	-	-
-	-	-	115,211	115,211
-	-	-	-	-
-	5,934	-	121,086	149,526
-	-	-	-	-
-	-	-	-	-
-	-	-	7,138	7,138
-	-	-	-	69
-	-	-	27,137	27,137
436,664	395,206	-	-	831,870
-	-	1,043,193	-	1,043,193
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	(5,451)	451,765
<u>436,664</u>	<u>395,206</u>	<u>1,043,193</u>	<u>28,824</u>	<u>2,361,172</u>
<u>\$ 436,664</u>	<u>\$ 401,140</u>	<u>\$ 1,043,193</u>	<u>\$ 149,910</u>	<u>\$ 2,510,698</u>

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**GOVERNMENTAL FUNDS**

Exhibit B-1  
(Page 2 of 2)

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2017

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

Fund balances - total governmental funds	\$ 2,361,172
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position	13,530,405
Other liabilities are not due and payable in the current period and therefore are not reported in the funds -	
accrued interest payable	(52,580)
Long-term liabilities, including bonds payable, compensated absences, and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the funds	<u>(11,113,404)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 4,725,593</u>

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	General Fund		
	Operational	Transportation	Instructional Materials
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ 49,785	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment income	899	-	-
Food services	-	-	-
District activities	-	-	-
Other revenue	8,541	-	-
State sources			
Unrestricted Grants	3,382,686	-	-
Restricted Grants	-	195,963	23,167
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	918	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>3,442,829</u>	<u>195,963</u>	<u>23,167</u>
<i>Expenditures:</i>			
Current:			
Instruction	1,847,545	-	12,298
Support Services			
Students	389,376	-	-
Instruction	67,557	-	-
General Administration	304,745	-	-
School Administration	271,364	-	-
Central Services	150,249	-	-
Operation & maintenance of plant	529,054	-	-
Student transportation	-	195,963	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	43,172	-	-
Capital outlay	165,373	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>3,768,435</u>	<u>195,963</u>	<u>12,298</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(325,606)</u>	<u>-</u>	<u>10,869</u>
<i>Other financing sources (uses)</i>			
Transfers (In) Out	-	-	-
Proceeds from the Sale of Assets	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(325,606)	-	10,869
<i>Fund balances - beginning of year</i>	782,822	-	(10,800)
<i>Fund balances - end of year</i>	<u>\$ 457,216</u>	<u>\$ -</u>	<u>\$ 69</u>



Bond Building	SB-9 Capital Projects Local	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 367,643	\$ 1,051,429	\$ (13,358)	\$ 1,455,499
-	-	-	-	-
-	-	-	-	899
-	-	-	47,094	47,094
-	-	-	17,883	17,883
-	-	-	-	8,541
-	-	-	-	-
-	-	-	-	3,382,686
-	-	-	170,232	389,362
-	-	-	-	-
-	-	-	1,505	1,505
-	-	-	-	918
-	-	-	41,023	41,023
-	-	-	228,700	228,700
-	-	-	-	-
-	-	-	13,310	13,310
-	367,643	1,051,429	506,389	5,587,420
-	-	-	259,605	2,119,448
-	-	-	10,921	400,297
-	-	-	8,000	75,557
-	3,676	10,683	-	319,104
-	-	-	-	271,364
-	-	-	-	150,249
-	-	-	-	529,054
-	-	-	83,351	279,314
-	75,715	-	-	75,715
-	-	-	-	-
-	-	-	116,577	159,749
152,085	175,308	-	(11,438)	481,328
-	-	840,507	-	840,507
-	-	163,489	-	163,489
152,085	254,699	1,014,679	467,016	5,865,175
(152,085)	112,944	36,750	39,373	(277,755)
-	282,262	-	282,262	564,524
-	-	-	-	-
312,737	-	-	-	312,737
312,737	282,262	-	282,262	877,261
160,652	395,206	36,750	(242,889)	599,506
276,012	-	1,006,443	271,713	2,326,190
\$ 436,664	\$ 395,206	\$ 1,043,193	\$ 28,824	\$ 2,925,696

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**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

Exhibit B-2  
(Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	599,506
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures:		
Current year capital expenditures		83,351
Depreciation expense		(710,201)
Current year capital adjustments		(142,646)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Change in deferred outflows/inflows		(223,466)
Decrease in accrued interest		4,461
Issuance of Debt		(312,737)
Principal payments on bonds		840,000
		840,000

Changes in Net Position of Governmental Activities	\$	138,268
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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**OPERATIONAL FUND**

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 56,310	\$ 56,310	60,389	\$ 4,079
State sources	3,509,973	3,437,793	3,382,686	(55,107)
Federal sources	-	-	918	918
Interest	-	-	899	899
<i>Total revenues</i>	<u>3,566,283</u>	<u>3,494,103</u>	<u>3,444,892</u>	<u>(49,211)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	1,887,860	1,865,790	1,848,976	16,814
Support Services				
Students	410,716	397,511	389,376	8,135
Instruction	83,930	68,044	67,557	487
General Administration	307,933	321,752	307,219	14,533
School Administration	266,602	271,517	271,364	153
Central Services	151,454	150,249	150,249	-
Operation & maintenance of plant	619,065	599,517	534,480	65,037
Student transportation	-	-	-	-
Other Support Services	8,839	8,839	-	8,839
Operation of Non-instructional Services				
Food services operations	40,000	44,000	43,172	828
Capital outlay	500,000	477,000	165,373	311,627
<i>Debt Service:</i>				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,276,399</u>	<u>4,204,219</u>	<u>3,777,766</u>	<u>426,453</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(710,116)</u>	<u>(710,116)</u>	<u>(332,874)</u>	<u>377,242</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	710,116	710,116	-	(710,116)
<i>Total other financing sources (uses)</i>	<u>710,116</u>	<u>710,116</u>	<u>-</u>	<u>(710,116)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(332,874)</u>	<u>(332,874)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>799,816</u>	<u>799,816</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,942</u>	<u>\$ 466,942</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ (332,874)	
<i>Adjustment to revenue for accruals and other deferrals</i>			(2,063)	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			9,931	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ (325,006)</u>	

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**TRANSPORTATION FUND**

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -		\$ -
State sources	226,263	195,963	195,963	-
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>226,263</u>	<u>195,963</u>	<u>195,963</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	226,263	195,963	195,963	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>226,263</u>	<u>195,963</u>	<u>195,963</u>	<u>-</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	-	-	-	-
Designated Cash	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ -	
<i>Adjustment to revenue for accruals and other deferrals</i>			-	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			-	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ -</u>	

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**INSTRUCTIONAL MATERIALS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	18,364	14,597	23,167	8,570
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>18,364</u>	<u>14,597</u>	<u>23,167</u>	<u>8,570</u>
<i>Expenditures:</i>				
Current:				
Instruction	29,287	25,520	25,520	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,287</u>	<u>25,520</u>	<u>25,520</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(10,923)</u>	<u>(10,923)</u>	<u>(2,353)</u>	<u>8,570</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	10,923	10,923	-	(10,923)
<i>Total other financing sources (uses)</i>	<u>10,923</u>	<u>10,923</u>	<u>-</u>	<u>(10,923)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(2,353)</u>	<u>(2,353)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>15,202</u>	<u>15,202</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,849</u>	<u>\$ 12,849</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ (2,353)	
<i>Adjustment to revenue for accruals and other deferrals</i>			-	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			13,222	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ 10,869</u>	

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
June 30, 2017

Exhibit D

**ASSETS**

*Current Assets*

Cash \$ 97,405

*Total assets* \$ 97,405

**LIABILITIES**

*Current Liabilities*

Deposits held in trust for others \$ 97,405

*Total liabilities* \$ 97,405

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STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
Notes to the Financial Statements  
June 30, 2017

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

Cloudcroft Municipal Schools (the District) provides kindergarten, elementary, middle and secondary educational services to school age residents of the District. The Cloudcroft Municipal Schools' School Board was 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. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

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 Cloudcroft Municipal Schools' management who is responsible for their integrity and objectivity. 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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies 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 Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies** (continued)

**B. *Government-wide and fund financial statements***

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

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.

**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 does the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
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 government reports the following major governmental funds:

The *Operational Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

The *Transportation Fund* is used to account for the State Equalization received from the State Department of Education which is used to pay for the costs associated with transporting school age children.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Bond Building Fund* is used to account for the accumulation of resources for the funds provided from the District's bond issues. Resources are used for the purpose of erecting, remodeling, making additions to, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided by ad valorem taxes as specified by Article 15 of the Finance of Counties, Municipalities, and School Districts Act, and the payment of, general long-term debt principal, interest and related costs.

The *Capital Improvements SB-9 Local Fund* is used to account for expenditures of property taxes levied restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

The *Debt Service Fund* is to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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.

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. There were no such transactions during the fiscal year ended June 30, 2017.

D. *Assets, Liabilities and Net Position or Equity*

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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**NOTE 1. Summary of Significant Accounting Policies** (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

**Receivables and Payables:** Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary 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 Otero County. The funds are collected by the County Treasurers and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements 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.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral 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 New Mexico Public Education Department "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. The districts are allowed to carry forward unused allocations from year to year.

**Inventory:** Inventory is valued at cost utilizing the purchase basis of accounting. Inventory in the Special Revenue Funds 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. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.



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**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Position or Equity (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-50
Building & building improvements	20-50
Furniture, fixtures and equipment	3-15
Vehicles	3-15

**Unearned Revenues:** Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

**Deferred inflows/outflows of resources:** GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

**Compensated Absences:** The District permits eligible employees to accumulate a limited amount of earned but unused personal leave and vacation. Each 12 month or full time employees that have been employed 1-9 years are entitled to 10 working days per year and those who have been employed 10 or more years receive 15 days per year. Vacation time must be taken by December 30<sup>th</sup> following the school year as it is earned, and it is not cumulative. Prior accrued vacation time not taken by December 30 will be cancelled.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

*D. Assets, Liabilities and Net Position or Equity (continued)*

**Fund Equity:** In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

*Net investment in capital assets* consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

*Restricted fund balance* represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

*Assigned fund balance* represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

*Unassigned fund balance* is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Reclassifications:** Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

**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.

**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.

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**NOTE 1. Summary of Significant Accounting Policies (continued)**

E. *Revenues*

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

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 \$3,382,686 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 operational, debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,455,499 in tax revenues in the governmental fund financial statements during the year ended June 30, 2017. 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.

**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 \$195,963 in transportation distributions during the year ended June 30, 2017.

**Instructional Materials:** The District had allocations allowed by the State for the current year of \$23,167. Of the allocation, the District used \$23,167 to purchase textbooks during the year. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

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

*Budgetary Information*

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

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. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as a designated portion of fund balance.

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

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

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

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

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**NOTE 3. Cash and Temporary Investments**

State statutes authorize the investment of the 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 collateral deposited as security or by bond given by the financial institution.

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 collateral pledged is listed on Schedule I of this report. 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.

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. Cloudcroft Municipal Schools' funds were in an interest bearing account and therefore were not subject to the Dodd Frank Act.

**Deposits**

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

<b>Type</b>		<b>First National Bank</b>
Total Deposits	\$	2,465,415
Less: FDIC Coverage		<u>(250,000)</u>
Total uninsured public funds		2,215,415
Collateral requirement (50%)		1,107,707
Pledged Securities		<u>1,328,507</u>
(Over) Under collateralized	\$	<u>(220,800)</u>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$2,215,415 of the District's bank balance of \$2,465,415 was exposed to custodial credit risk as follows:

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 Notes to the Financial Statements  
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**NOTE 3. Cash and Temporary Investments (continued)**

Custodial Credit Risk Deposits	
Account Balance	\$ 2,465,415
FDIC Insurance	250,000
Collateral held by pledging bank's trust department not in the District's name	1,328,507
Uninsured and uncollateralized	<u>886,908</u>
Total	<u>\$ 2,465,415</u>

Reconciliation of Cash and Temporary Investments

Governmental Funds - Balance Sheet

Cash and cash equivalents per Exhibit A-1	\$	2,364,334
Cash per Exhibit D-1		97,405
Add outstanding checks and other reconciling items		<u>93,872</u>
Bank Balance of Deposits	\$	<u>2,465,415</u>

Custodial Credit Risk- Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least on hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

As of June 30, 2017, the District had no investment in the State Treasurer Local Government and therefore no balances were exposed to custodial credit risk.

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**NOTE 4. Accounts Receivable**

Accounts receivable as of June 30, 2017, are as follows:

	Other Governmental Funds	Total
Property taxes	\$ -	\$ -
Due from other governments:		
Title I	10,352	10,352
IDEA B Entitlement	13,129	13,129
IDEA B Autism	5,058	5,058
Rural Education Assist Program	1,505	1,505
Reads to Lead	816	816
School Bus Replacement	83,351	83,351
	\$ 114,211	\$ 114,211

The above receivables are deemed 100% collectible.

**NOTE 5. Accounts Payables**

Accounts payable as of June 30, 2017, are as follows:

Payable to suppliers	\$ 34,315
Accrued interest	52,580
Total accounts payable and accrued expenses	\$ 86,895

**NOTE 6. Interfund receivables, Payables, and Transfers**

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

The composition of interfund balances during the year ended June 30, 2017 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 115,211	\$ -
Nonmajor Funds:		
Title I Entitlement	-	10,352
IDEA B Entitlement	-	13,129
IDEA B Autism	-	6,058
Rural Education Assistance Program	-	1,505
Reads to Lead	-	816
School Bus Replacement	-	83,351
	\$ 115,211	\$ 115,211

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**NOTE 7. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2016	Additions, Adjustments and Transfers In	Deletions, Adjustments and Transfers Out	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in Progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings and improvements	19,632,939	-	251,578	19,381,361
Furniture, Fixtures, & Equipment	1,176,740	1,288,066	-	2,464,806
Vehicles	<u>45,786</u>	<u>-</u>	<u>-</u>	<u>45,786</u>
Total capital assets being depreciated	<u>20,855,465</u>	<u>1,288,066</u>	<u>251,578</u>	<u>21,891,953</u>
Total capital assets	<u>20,860,465</u>	<u>1,288,066</u>	<u>251,578</u>	<u>21,896,953</u>
Less accumulated depreciation:				
Buildings and improvements	(6,073,784)	(988,077)	-	(7,061,861)
Furniture, Fixtures, & Equipment	(574,623)	(719,161)	-	(1,293,784)
Vehicles	<u>(4,361)</u>	<u>(6,541)</u>	<u>-</u>	<u>(10,902)</u>
Total accumulated depreciation	<u>(6,652,768)</u>	<u>(1,713,779)</u>	<u>-</u>	<u>(8,366,548)</u>
Total capital assets, net of depreciation	\$ <u>14,207,696</u>	<u>(425,713)</u>	\$ <u>251,578</u>	\$ <u>13,530,405</u>

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net Position as follows:

Governmental activities	\$ 13,530,405
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Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

Governmental activities:	
Plant Operations and Maintenance	710,201
	<u>\$ 710,201</u>

Adjustments to increase furniture, fixtures, & equipment totaled \$1,204,715, while deletions to buildings and improvements totaled \$251,578 for a net adjustment of \$953,137. Adjustments to accumulated depreciation totaled \$1,003,578 resulting in a prior period adjustment to Net Assets of \$50,441.



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**NOTE 8. Long-term Debt**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities. The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Bonds outstanding at June 30, 2017, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate	Balance
Series 2009	06/16/2009	\$ 1,750,000	4.25%	\$ 780,000
Series 2013	06/05/2013	3,940,000	2.0% -3.0%	1,625,000
Series 2014	05/23/2014	1,875,000	.405% - 3.10%	1,540,000
Series 2015	09/08/2015	1,875,000	.0608% - 3.0%	1,850,000
Total				<u>\$ 5,795,000</u>

The following is a summary of the long-term debt and the activity for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
General obligation bonds					
General Obligation Bonds	\$6,635,000	\$ -	\$840,000	\$5,795,000	\$870,000
	<u>\$6,635,000</u>	<u>\$ -</u>	<u>\$840,000</u>	<u>\$5,795,000</u>	<u>\$870,000</u>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 870,000	\$ 149,869	\$ 1,019,869
2019	910,000	131,211	1,041,211
2020	885,000	109,170	994,170
2021	520,000	91,119	611,119
2022	470,000	80,316	550,316
2023 and thereafter	2,140,000	159,871	2,299,871
Total	<u>\$ 5,795,000</u>	<u>\$ 721,556</u>	<u>\$ 6,516,556</u>

The general fund is typically used to liquidate long-term liabilities other than debt. The debt service fund liquidates general obligation bonds.

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**NOTE 9. Lease Agreements**

The District has an operating lease with Spectrum Imaging Systems for seven copiers that began January 13, 2015, for 53 months at a \$2,204 monthly rate. The amount expensed in 2016-2017 was \$26,448.

**NOTE 10. Risk Management**

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

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

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

**NOTE 11. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.	
Title I	\$ (3,750)
IDEA B Entitlement	\$ (211)
IDEA B Autism	\$ (1,000)
Rural Education Assistance Program	\$ (490)

Deficit Fund Balances will be funded by general fund transfers or additional grant funds.

B. Excess of expenditures over appropriations by fund and function.	
None	

**NOTE 12. Pension Plan – Educational Retirement Board (ERB)**

**Plan description.** The New Mexico Educational Retirement Act (ERA) was enacted in 1957. The act created the Educational Employees Retirement Plan (Plan) and, to administer it, the New Mexico Educational Retirement Board (NMERB). The Plan is included in NMERB's comprehensive annual financial report. The report can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

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

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**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

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

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

**Benefits benefit** – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater.

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

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

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

The member's age and earned service credit add up to the sum of 80 or more,

The member is at least sixty-seven years of age and has five or more years of earned service credit, or

The member has service credit totaling 30 years or more.

Section 2-11-23.2, NMSA 1978 added eligibility requirements for new members who were first employed on or after July 1, 2013, or who were employed before July 1, 2013 but terminated employment and subsequently withdrew all contributions, and returned to work for an ERB employer on or after July 1, 2013. These members must meet one of the following requirements.

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

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**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

The member's age is 67, and has earned 5 or more years of service credit.

**Forms of Payment** – The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary.

**Benefit Options** – The Plan has three benefit options available.

**Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

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

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

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

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

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

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

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

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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 June 30, 2017

**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

**Contributions** – For the fiscal year ended June 30, 2017 and 2016 educational employers contributed to the Plan based on the following rate schedule.

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
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 are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$226,655 and \$308,894, 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** – At June 30, 2017, the District reported a liability of \$5,970,881 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was .08297%, which was an increase of 0.00322% from its proportion measured as of June 30, 2015.

STATE OF NEW MEXICO  
 Cloudcroft Municipal Schools  
 Notes to the Financial Statements  
 June 30, 2017

**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$424,960. 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>
Difference between expected and actual experience	\$ 25,904	\$ 56,791
Changes of assumptions	121,543	-
Net difference between projected and actual earnings on pension plan investments	35,412	-
Changes in proportion and differences between District contributions and proportionate share of contributions	151,505	235,598
District contributions subsequent to the measurement date	<u>308,894</u>	<u>-</u>
Total	<u>\$ 643,258</u>	<u>\$ 292,389</u>

\$308,894 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (17,923)
2019	83,111
2020	210,873
2021	86,915
2022	-

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 June 30, 2017

**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

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

Inflation	3.00%
Salary Increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase 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	<b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. <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. <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. <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.
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.

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

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

STATE OF NEW MEXICO  
 Cloudcroft Municipal Schools  
 Notes to the Financial Statements  
 June 30, 2017

**NOTE 12. Pension Plan - Educational Retirement Board (continued)**

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

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the *District’s* proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the *District’s* proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	\$ 7,908,293	\$ 5,970,881	\$ 4,363,376

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

Payables to the pension plan. At June 30, 2017, the District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.



STATE OF NEW MEXICO  
Cloudfcroft Municipal Schools  
Notes to the Financial Statements  
June 30, 2017

**NOTE 13. Post-Employment Benefits**

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 RCHA 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 RCHA or viewed on their website at [www.nmrhca.stat.nm.us](http://www.nmrhca.stat.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirement for the contributions can be changed by the New Mexico State Legislature. Employers that chose 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 plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, 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, 2014, the statute required each participating employer to contribute 2.0% 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 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 \$44,429, \$47,387 and \$49,590, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. 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 School 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 15. Surety Bond**

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

**NOTE 16. Non-Cash Federal Assistance**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$13,310.

**NOTE 17. Memorandum of Understanding/Joint Powers Agreement**

REC

Purpose: To allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the USDE under the Education of the Handicapped Act, Part B, PL 94-142 among others.

Participants: Regional Education Cooperative (REC) and Cloudcroft Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 2016 – June 30, 2017

Total Estimated Amount of Project and Actual Amount Contributed: The District paid the REC for services and costs totaling \$64,098.

**NOTE 18. Construction Commitments**

At June 30, 2017, the District's Board approved a bid for \$78,030.96 to CES for the School Access Control Upgrade. At June 30, 2017, the District had not made any payments to CES under this contract.

**NOTE 19. Restatement of Net Position**

Net Position was restated to reflect a net adjustment to capital assets of \$50,441. Adjustments to increase furniture, fixtures, & equipment totaled \$1,204,715, while deletions to buildings and improvements totaled \$251,578 for a net adjustment of \$953,137. Adjustments to accumulated depreciation totaled \$1,003,578 resulting in a prior period adjustment to Net Assets of \$50,441.

Beginning Net Position	\$4,637,767
Restatement for Net Pension Liability	50,441
Beginning Net Position, restated	\$4,587,326

STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
Notes to the Financial Statements  
June 30, 2017

**NOTE 20.      Related Party Transactions**

The Cloudcroft Municipal Schools paid Preslar Dirt Works \$4,500 for construction dirt work. Preslar Dirt works is owned by the spouse of a teacher at Cloudcroft Municipal Schools. A Board Member is an employee of Scotty's Propane, a vendor to Cloudcroft Municipal Schools.

**NOTE 21.      Subsequent Events Review**

The Cloudcroft Municipal Schools has evaluated subsequent events through September 28, 2017, which is the date the financial statements were available to be issued. Nothing additional is required to be reported.

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**SUPPLEMENTARY INFORMATION**

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**NONMAJOR GOVERNMENTAL FUNDS**

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**STATE OF NEW MEXICO**  
Cloudcroft Municipal Schools  
NONMAJOR GOVENMENTAL FUNDS  
**SPECIAL REVENUE FUNDS**

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. Grants accounted for in the Special Revenue Funds include:

**Food Services** – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Services Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of the 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. The Non-Federal funds consist of income derived from Snack-Bar facilities located in the District. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

**Athletics** - 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** – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. 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; education 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 the 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** – The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

**IDEA-B Autism** - The objective of this grant is to support the district’s implementation of NMAP and improve the outcomes for students with Autism Spectrum Disorders through professional development, curriculum materials, trainings and travel expenses and supplies related to NMAP. Federal revenues accounted for in this fund are authorized by NMPED. No minimum balance required according to legislation.

**Teacher/Principal Training** – The purpose of this fund is 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. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382. No minimum balance required according to legislation.

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**STATE OF NEW MEXICO**  
Cloudcroft Municipal Schools  
NONMAJOR GOVENMENTAL FUNDS  
**SPECIAL REVENUE FUNDS**

**Title XIX Medicaid** – The objective of this program is to provide federal funds for the implementation of the Medical Assistance Program Medicaid providing payments for medical assistance to low-income persons who are age 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children. Authority for creation of the Title XIX Medical Assistance Program is the Medicaid Title XIX of the Social Security Act, as amended, (42 USC 1396, et seq.) No minimum balance required according to legislation.

**REAP (Rural Educational Achievement Program)** – To account for monies received to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965. (ESEA) , as amended by Public Law 107 – 110. No minimum balance required according to legislation.

**Dual Credit (PED)** – The purpose of this fund is to provide college credit for courses provided by high schools that meet the requirements. Authority is based on Memorandum of Understanding between the District, the schools within the agreements, and LEA. No minimum balance required according to legislation.

**GO Bonds Library Audio & Visual-** The objective of this act is to acquire library books, equipment and library resources for public school libraries and juvenile detention libraries. Funds are acquired from General Obligation Bonds through the Public Education Department. Authority for creation of this fund is the Legislation in Chapter 117, Laws of 2004, Section 10C(3). No minimum balance required according to legislation.

**NM Reads to Lead-** The purpose of this state grant is to provide for the implementation of the K-3 reading initiative activities as specified by the legislation. The fund was created by grant provisions. No minimum balance required according to legislation.

**Bus Replacement** – The objective of this program is to provide funding for new school busses. Funding is provided by the New Mexico Public Education Department. No minimum balance required according to legislation.

**All funds are on a reimbursement basis, therefore there are no reverting fund requirements.**

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**STATE OF NEW MEXICO**  
Cloudcroft Municipal Schools  
NONMAJOR GOVENMENTAL FUNDS

**CAPITAL PROJECTS FUNDS**

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

The District has four separate funds classified as non-major Capital Projects Funds as follows:

**Capital Improvements SB-9** – This fund is used to account for expenditures of property taxes levied and stat matching funds restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

**Capital Outlay State** – This fund is used to account for special appropriation expenditures for HVAC upgrades/repairs Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10.

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Food Service	Athletics	Title I
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 6,717	\$ 11,682	\$ -
Investments	-	-	-
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	10,352
Other accounts receivable	-	-	-
Interfund receivable	-	-	-
Inventory	7,138	-	-
<i>Total assets</i>	\$ 13,855	\$ 11,682	\$ 10,352
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 1,424	\$ 3,750
Accrued salaries and benefits	-	-	-
Interfund payable	-	-	10,352
Unearned Revenue	-	-	-
<i>Total liabilities</i>	-	1,424	14,102
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-
<i>Fund Balances</i>			
Fund Balance			
Non-spendable	7,138	-	-
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	6,717	10,258	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	(3,750)
<i>Total fund balances</i>	13,855	10,258	(3,750)
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ 13,855	\$ 11,682	\$ 10,352

<u>IDEA-B Entitlement</u>	<u>IDEA-B Autism</u>
\$ -	\$ -
-	-
-	-
13,129	5,058
-	-
-	-
-	-
<u>13,129</u>	<u>5,058</u>

\$ 211	\$ -
-	-
13,129	6,058
-	-
<u>13,340</u>	<u>6,058</u>

-	-
-	-

-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

<u>(211)</u>	<u>(1,000)</u>
<u>(211)</u>	<u>(1,000)</u>
<u>13,129</u>	<u>5,058</u>

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Teacher/ Principal Training	Title XIX Medicaid	Rural Education Achievment Program
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ -	\$ 10,162	\$ -
Investments	-	-	-
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	1,505
Other accounts receivable	-	-	-
Interfund receivable	-	-	-
Inventory	-	-	-
<i>Total assets</i>	\$ -	\$ 10,162	\$ 1,505
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ 490
Accrued salaries and benefits	-	-	-
Interfund payable	-	-	1,505
Unearned Revenue	-	-	-
<i>Total liabilities</i>	-	-	1,995
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue-property taxes	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-
<i>Fund Balances</i>			
Fund Balance			
Non-spendable	-	-	-
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	-	10,162	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	-	(490)
<i>Total fund balances</i>	-	10,162	(490)
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ -	\$ 10,162	\$ 1,505



Dual Credit PED	NM Reads to Lead	School Bus Replacement
\$ -	\$ -	-
-	-	-
-	816	83,351
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ 816</u>	<u>\$ 83,351</u>
\$ -	\$ -	-
-	-	-
-	816	83,351
-	-	-
<u>-</u>	<u>816</u>	<u>83,351</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 816</u>	<u>\$ 83,351</u>

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

Statement A-1  
(Page 3 of 3)

#

	Capital Improvements SB-9	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ -	\$ 28,561
Investments	-	-
Accounts receivable		
Taxes	-	-
Due from other governments	-	114,211
Other accounts receivable	-	-
Interfund receivable	-	-
Inventory	-	7,138
	-	7,138
<i>Total assets</i>	\$ -	\$ 149,910
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ -	\$ 5,875
Accrued salaries and benefits	-	-
Interfund payable	-	115,211
Unearned Revenue	-	-
	-	-
<i>Total liabilities</i>	-	121,086
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenue-property taxes	-	-
	-	-
<i>Total deferred inflow of resources</i>	-	-
<i>Fund Balances</i>		
Fund Balance		
Non-spendable	-	7,138
Restricted for:		
General Fund	-	-
Special Revenue Funds	-	27,137
Capital Projects Funds	-	-
Debt Service Funds	-	-
Committed for:		
General Fund	-	-
Special Revenue Funds	-	-
Capital Projects Funds	-	-
Assigned for:		
General Fund	-	-
Special Revenue Funds	-	-
Capital Projects Funds	-	-
Unassigned for:		
General Fund	-	(5,451)
<i>Total fund balances</i>	-	28,824
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ -	\$ 149,910

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	Food Services	Athletics	Title I
<i>Revenues.</i>			
Taxes			
Taxes levied/assessed	\$ -	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment income	-	-	-
Food services	47,094	-	-
District activities	-	17,883	-
Other revenue	-	-	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	-
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	71,997	-	81,363
Department of Interior	-	-	-
Other items	13,310	-	-
<i>Total revenues</i>	<u>132,401</u>	<u>17,883</u>	<u>81,363</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	16,027	85,113
Support Services			
Students	-	-	-
Instruction	-	-	-
General Administration	-	-	-
School Administration	-	-	-
Central Services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	116,577	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>116,577</u>	<u>16,027</u>	<u>85,113</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>15,824</u>	<u>1,856</u>	<u>(3,750)</u>
<i>Other financing sources (uses)</i>			
Transfers (In) Out	-	-	-
Proceeds from the Sale of Assets	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	15,824	1,856	(3,750)
<i>Fund balances - beginning of year</i>	<u>(1,969)</u>	<u>8,402</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 13,855</u>	<u>\$ 10,258</u>	<u>\$ (3,750)</u>

IDEA-B Entitlement	IDEA-B Autism
\$ -	\$ -
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
67,660	7,000
-	-
-	-
<u>67,660</u>	<u>7,000</u>
56,613	-
10,921	-
-	8,000
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
<u>67,534</u>	<u>8,000</u>
<u>126</u>	<u>(1,000)</u>
-	-
-	-
-	-
-	-
126	(1,000)
(337)	-
<u>\$ (211)</u>	<u>\$ (1,000)</u>

**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	Teacher/ Principal Training	Title XIX Medicaid	Rural Education Achievement Program
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ -	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment income	-	-	-
Food services	-	-	-
District activities	-	-	-
Other revenue	-	-	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	-
Federal sources			
Unrestricted Grants	-	-	1,505
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	7,285	33,738
Restricted -state passthrough	680	-	-
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>680</u>	<u>7,285</u>	<u>35,243</u>
<i>Expenditures:</i>			
Current:			
Instruction	680	-	36,855
Support Services			
Students	-	-	-
Instruction	-	-	-
General Administration	-	-	-
School Administration	-	-	-
Central Services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>680</u>	<u>-</u>	<u>36,855</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>7,285</u>	<u>(1,612)</u>
<i>Other financing sources (uses)</i>			
Transfers (In) Out	-	-	-
Proceeds from the Sale of Assets	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	-	7,285	(1,612)
<i>Fund balances - beginning of year</i>	-	2,877	1,122
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 10,162</u>	<u>\$ (490)</u>

Dual Credit PED	NM Reads to Lead	School Bus Replacement
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
3,073	61,244	83,351
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>3,073</u>	<u>61,244</u>	<u>83,351</u>
3,073	61,244	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	83,351
-	-	-
-	-	-
-	-	-
-	-	-
<u>3,073</u>	<u>61,244</u>	<u>83,351</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

Statement A-2  
(Page 3 of 3)

	<u>Capital Improvements SB-9</u>	<u>Total Nonmajor Governmental Funds</u>
<i>Revenues:</i>		
Taxes		
Taxes levied/assessed	\$ (13,358)	\$ (13,358)
Local sources		
Tuition	-	-
Investment income	-	-
Food services	-	47,094
District activities	-	17,883
Other revenue	-	-
State sources		
Unrestricted Grants	-	-
Restricted Grants	22,564	170,232
Federal sources		
Unrestricted Grants	-	1,505
Unrestricted -state passthrough	-	-
Restricted Grants	-	41,023
Restricted -state passthrough	-	228,700
Department of Interior	-	-
Other items	-	13,310
<i>Total revenues</i>	<u>9,206</u>	<u>506,389</u>
<i>Expenditures:</i>		
Current:		
Instruction	-	259,605
Support Services		
Students	-	10,921
Instruction	-	8,000
General Administration	-	-
School Administration	-	-
Central Services	-	-
Operation & maintenance of plant	-	-
Student transportation	-	83,351
Other Support Services	-	-
Operation of Non-instructional Services		
Food services operations	-	116,577
Capital outlay	(11,438)	(11,438)
Debt Service:		
Principal	-	-
Interest	-	-
<i>Total expenditures</i>	<u>(11,438)</u>	<u>467,016</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>20,644</u>	<u>39,373</u>
<i>Other financing sources (uses)</i>		
Transfers (In) Out	282,262	282,262
Proceeds from the Sale of Assets	-	-
Bond Proceeds	-	-
<i>Total other financing sources (uses)</i>	<u>282,262</u>	<u>282,262</u>
<i>Net changes in fund balances</i>	(261,618)	(242,889)
<i>Fund balances - beginning of year</i>	<u>261,618</u>	<u>271,713</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 28,824</u>

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**FIDUCIARY FUNDS**

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**

**FIDUCIARY FUNDS**

Agency Funds

**Agency Funds** – To 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.

Cloudcroft Municipal Schools has the following funds classified as Agency Funds:

**Activity** – To account for assets held by the District until distributed to various organizations at the schools.

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**AGENCY FUNDS**

Schedule B

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS</b>				
ACTIVITY BANK ACCT	\$ 122	\$ 59	\$ -	\$ 181
ADMIN. ACT. BANK ACCT	687	250	907	30
BEAR MEMORIAL ACTIVITY FUND	1,727	-	-	1,727
ACTIVITY BANK ACCOUNT	109	-	-	109
ANNUAL ACTIVITY BANK ACCT	12,710	5,291	16,151	1,850
VOLLEYBALL ACT. BANK ACCT	-	445	-	445
"C" CLUB ACTIVITY BANK ACCT	8,772	-	8,745	27
DISTRICT 3AA ACTIVITY ACCT	-	6,531	4,927	1,604
THINK PINK-VB ACTIVITY	-	225	225	-
KNOWLEDGE BOWL ACTIVITY	970	147	766	351
CAFETERIA ACTIVITY	1,881	-	65	1,815
LIFE SKILLS ACTIVITY	39	-	-	39
GOLDEN APPLE GRANT	232	-	-	232
EL/MID AGENDA ACTIVITY	17	-	-	17
ELEM/MID ACTIVITY BANK ACCT	6,631	5,309	6,713	5,228
BOX TOP ACT. BANK ACCT	2,438	554	906	2,086
FFA ACTIVITY	3,283	3,507	3,325	3,464
BUSINESS AG ACTIVITY	15,481	587	3,190	12,878
HS KEY CLUB	4,641	487	839	4,289
HIGH SCHOOL ATHLETICS	3,940	22,887	20,553	6,275
HIGH SCHOOL ACT. BANK ACCT	1,261	3,364	3,224	1,400
HIGH SCH BP GRANT	1,366	-	-	1,366
ACADEMIC EXCELLENCE	104	-	-	104
HS STUDENT COUNCIL BANK ACCT	3,626	476	847	3,255
HS NATL HONOR BANK ACCT	50	25	-	75
CULINARY ARTS BANK ACCT	7,244	17,323	21,265	3,301
SIDELINERS ACT. BANK ACCOUNT	7,353	8,000	6,916	8,437
JR. CLASS ACTIVITY BANK ACCT	2,152	10,736	8,143	4,745
LIBRARY FUND BANK ACCT	311	3,761	3,682	390
SUMMER YOUTH PROGRAM	42,826	14,342	33,110	24,057
MS STUDENT COUNCIL BANK ACCT	1,378	1,699	1,483	1,593
MUSIC CLUB ACTIVITY BANK ACCT	4,232	49,791	51,752	2,271
TUTOR PROGRAM ACTIVITY	1,803	1,600	3,370	33
BUILDER'S CLUB ACT BANK ACCT	2,287	4,054	4,983	1,358
SCIENCE ACTIVITY BANK ACCT	586	4,420	4,036	970
TECHNOLOGY BANK ACCT	1,412	-	13	1,399
TOTAL ASSETS	<u>\$ 141,670</u>	<u>\$ 165,870</u>	<u>\$ 210,135</u>	<u>\$ 97,405</u>
<b>LIABILITIES</b>				
DEPOSITS HELD FOR OTHERS	<u>141,670</u>	<u>165,870</u>	<u>210,135</u>	<u>97,405</u>
TOTAL LIABILITIES	<u>\$ 141,670</u>	<u>\$ 165,870</u>	<u>\$ 210,135</u>	<u>\$ 97,405</u>

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PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO**  
 Cloudfcroft Municipal Schools  
 Required Supplementary Information  
 June 30, 2017

**SCHEDULE OF PROPORONATE SHARE OF THE NET PENSION LIABILITY**  
 Educational Retirement Board (ERB) Plan  
 Last 10 fiscal years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of net pension liability (asset)	0.08297%	0.07975%	0.99140%
District's proportionate share of the net pension liability (asset)	\$ 5,970,881	\$ 5,165,620	\$ 5,656,655
District's covered-employee payroll	\$ 2,221,409	\$ 2,369,664	\$ 2,732,688
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	268.79%	217.99%	207.00%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

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**STATE OF NEW MEXICO**  
 Cludcroft Municipal Schools  
 Required Supplementary Information  
 June 30, 2017

**SCHEDULE OF CONTRIBUTIONS**  
**EDUCATIONAL RETIREMENT BOARD (ERB) Pension PLAN**  
**LAST 10 FISCAL YEARS\***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 308,894	\$ 329,384	\$ 381,058
Contributions in relation to the contractually required contribution	\$ 308,894	\$ 329,384	\$ 381,058
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Covered-employee payroll	\$ 2,221,409	\$ 2,369,664	\$ 2,532,049
Contributions as a percentage of covered-employee payroll	13.91%	13.90%	15.05%

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

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**STATE OF NEW MEXICO**  
Cloudcroft Municipal Schools  
Required Supplementary Information  
For the Year Ended June 30, 2017

**Notes to Required Supplementary Information**

**For the Year Ended 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.

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**SUPPORTING SCHEDULES**

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY**  
June 30, 2017

Schedule I

Name of Depository	Description of Pledged Collateral	Market Value June 30, 2017	Name and Location of Safekeeper
First National Bank	GNMA II POOL 631831 36291L4Q5, 5.5% 06/20/24	\$ 125,363	Federal Reserve Bank Dallas, TX
First National Bank	FNMA POOL MA0538 31417YS40, 4.5%, 10/1/30	430,482	Federal Reserve Bank Dallas, TX
First National Bank	FNMA POOL MA1338 31418APY8, 3.0%, 2/1/33	<u>772,663</u>	Federal Reserve Bank Dallas, TX
	Total Collateral Pledged	<u>\$ 1,328,507</u>	

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**STATE OF NEW MEXICO**  
**CLOUDCROFT MUNICIPAL SCHOOLS**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
June 30, 2017

Schedule II

Deposit or Investment Account Type	First National Bank	Total
Operational Checking- Interest Bearing	\$ 2,367,551	\$ 2,367,551
Activity Checking- Interest Bearing	97,864	97,864
Total On Deposit	<u>2,465,415</u>	<u>2,465,415</u>
Reconciling Items	<u>(93,872)</u>	<u>(93,872)</u>
Reconciled Balance June 30, 2017	<u><u>\$ 2,371,543</u></u>	<u><u>\$ 2,371,543</u></u>

Reconciliation to financial statements:

Cash and cash equivalents:

Total cash and cash equivalents per Statement of Net Position	\$ 2,274,138
Total cash and cash equivalents per Fiduciary Statement of Assets and	<u>97,405</u>
Total Cash & Cash Equivalents	<u>\$ 2,371,543</u>

**STATE OF NEW MEXICO**  
**Cloudcroft Municipal Schools**  
**Cash Reconciliation**  
**June 30, 2017**

	Operational Account	Transportation Account	Instructional Materials Account	Food Services Account	Athletics Account
Cash per June 30, 2017 audit report	\$ 799,816	\$ -	\$ 15,202	\$ (4,712)	\$ 8,402
Interfund loans	<u>(115,210)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	684,606	-	15,202	(4,712)	8,402
Add:					
2016-17 revenues	<u>3,444,892</u>	<u>195,963</u>	<u>23,167</u>	<u>119,091</u>	<u>17,883</u>
Total cash available	4,129,498	195,963	38,369	114,379	26,284
Less:					
2016-17 expenditures	(3,777,767)	(195,963)	(25,520)	(107,662)	(14,603)
Permanent Cash Transfer	-	-	-	-	-
Reinstate cash for payroll liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash June 30, 2017	<u>\$ 351,732</u>	<u>\$ -</u>	<u>\$ 12,849</u>	<u>\$ 6,717</u>	<u>\$ 11,682</u>
Bank balance end of year	\$ 445,668	\$ -	\$ 12,849	\$ 6,717	\$ 11,682
Adjustments for voided checks		-	-	-	-
Outstanding Checks	<u>(93,938)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash June 30, 2017	<u>\$ 351,730</u>	<u>\$ -</u>	<u>\$ 12,849</u>	<u>\$ 6,717</u>	<u>\$ 11,682</u>

Schedule III  
 (Page 1 of 2)

Federal Flowthrough Fund	Federal Direct Fund	State Flowthrough Fund	Bond Building Fund
\$ (75,180)	\$ 3,999	\$ (18,236)	\$ 419,789
29,538	1,505	84,167	-
<u>(45,642)</u>	<u>5,504</u>	<u>65,931</u>	<u>419,789</u>
203,343	41,023	81,737	312,737
157,702	46,527	147,668	732,526
(157,702)	(36,365)	(147,668)	(295,862)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (0)</u>	<u>\$ 10,162</u>	<u>\$ 0</u>	<u>\$ 436,664</u>
\$ -	\$ 10,162	\$ -	\$ 436,664
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 10,162</u>	<u>\$ -</u>	<u>\$ 436,664</u>

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**STATE OF NEW MEXICO**  
**Cloudcroft Municipal Schools**  
**Cash Reconciliation**  
**June 30, 2017**

Schedule III  
(Page 2 of 2)

	Special Capital Outlay State	Capital Improv SB9	Capital Improv SB9 LOCAL	Debt Service Fund	Total
Cash per June 30, 2016 audit report	\$ (128,810)	\$ 259,698	\$ -	\$ 969,872	\$ 2,249,840
Interfund loans	-	-	-	-	-
	<u>(128,810)</u>	<u>259,698</u>	<u>-</u>	<u>969,872</u>	<u>2,249,840</u>
Add:					
2016-17 revenues	<u>128,810</u>	<u>22,564</u>	<u>367,643</u>	<u>1,088,000</u>	<u>6,046,854</u>
Total cash available	-	282,262	367,643	2,057,872	8,296,694
Less:					
2016-17 expenditures	-	(282,262)	(248,764)	(1,014,679)	(6,304,817)
Permanent Cash Transfer	-	-	282,262	-	282,262
Reinstate cash for payroll liability	-	-	-	-	-
Cash June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,140</u>	<u>\$ 1,043,193</u>	<u>\$ 2,274,139</u>
Bank balance end of year	\$ -	\$ -	\$ 401,140	\$ 1,043,193	\$ 2,368,076
Adjustments for voided checks	-	-	-	-	-
Outstanding Checks	-	-	-	-	(93,938)
Cash June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 401,140</u>	<u>\$ 1,043,193</u>	<u>\$ 2,274,138</u>

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**COMPLIANCE SECTION**

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

Timothy M. Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Governing Board  
Cloudcroft Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, of the Cloudcroft Municipal Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cloudcroft Municipal Schools' basic financial statements, and the combining and individual and related budgetary comparisons of the Cloudcroft Municipal Schools, presented as supplemental information, and have issued our report thereon dated September 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cloudcroft Municipal Schools' internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cloudcroft Municipal Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Cloudcroft Municipal Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned function, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. The significant deficiencies are described as 2016-002, and 2017-001. Given these limitations, we did not identify any deficiencies in internal control that we consider to be a material weakness.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cloudcroft Municipal Schools' 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 two instances of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and response as item 2016-002 and 2017-001.

### **Cloudcroft Municipal Schools' Response to Findings**

The Cloudcroft Municipal Schools' responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Cloudcroft Municipal Schools' response was not subjected to 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 result of that testing, and not to provide an opinion on the effectiveness of the Cloudcroft Municipal Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Cloudcroft Municipal Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Precision Accounting LLC  
Albuquerque, New Mexico  
September 28, 2017

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STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

***2017-002 [2016-002] Agency Funds Disbursements (Non-compliance) (Significant Deficiency) repeated and revised***

CONDITION: During the course of our test work over activity fund expenditures we noted seven (7) expenditures out of the sample population of forty (40) expenditures. Four (4) exceptions did not have adequate supporting documentation, two (2) exceptions were due to purchases occurring prior to the purchase order authorization and one (1) exception was due to incorrect coding. These exceptions result in an error rate of 18% and when projected to the entire population could result in as many as forty-four (44) exceptions. Although there was a lack of progress in the current fiscal year the entity is implementing a plan to address this matter.

CRITERIA: PSAB 18 and NMAC 6.20.2.17. NMAC 6.20.2.17 states that school districts implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code 13-1-21. NM Procurement Code (13-1-28 to 13-1-199 NMSA 1978) require that 1) all invoicing must be performed in a timely manner and 2) supporting documentation must accompany all expenses, be reviewed, and signed off by management prior to payment.

CAUSE: It appears that NMAC 6.20.2.17 may not have been properly followed.

EFFECT: The District maybe in noncompliance of NMAC 6.20.2.17 and the NM Procurement Code 13-1-28 to 13-1-199 which could result in deficit balances for individual activity funds.

RECOMMENDATION: The District should consider additional training of employees regarding the procedures for purchasing and the purpose and need of purchase orders and the revision of purchase orders.

CLIENT RESPONSE: The District and the Business Office will review procedures to ensure all supporting Purchase Orders and Payment documentation is accurate. The Business Manager will re-educate staff members concerning Purchase Orders Procedures to ensure that Purchase Requisitions and approvals are completed prior to purchases being made. The Business manager will review Purchase Requisition coding to verify the proper budget accounting code has been used. These procedures are expected to be implemented immediately with final resolution by December 31, 2017.

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STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017

**2017-001 Travel and Per Diem (Non-compliance)(Significant Deficiency)**

CONDITION: During our test work over travel and per diem disbursements, we noted sixteen (16) payment vouchers with multiple exceptions. The exceptions contained the following:

- We noted eleven (11) exceptions related to purchases being made prior to the Purchase Order authorization.
- We noted seven (7) exceptions related to a hotel room cost exceeding allowable limits.
- We noted two (2) exceptions related to inadequate supporting documentation.

Please note that there were twenty (20) exceptions in the sixteen (16) transactions noted above. These exceptions resulted in an error rate of 40% percent. When projected to the population of seventy (70) travel and per diem transactions, it is estimated that there could be as many as twenty-eight (28) errors.

CRITERIA:

NMAC 2.20.2 Section 2.42.2.8 (B)(2) states: Overnight Travel: Regardless of the number of hours traveled, travel for public officers and employees where overnight lodging is required shall be reimbursed as follows:

- A. In state areas \$85.00
- B. In state special areas \$135.00
- C. Out of state areas \$115.00
- D. Or actual lodging and meals expenses under 2.42.2.9 NMAC

Additionally, NMSA 1978 section 6-5-2 the NM Procurement Code (13-1-28 to 13-1-199 NMSA 1978) require that 1) all invoicing must be performed in a timely manner and 2) support documents must accompany all expenses, be reviewed, and signed off by management prior to payment.

CAUSE: It appears that this may be due to an oversight in the review and approval of expenditures.

EFFECT: Without adequate supporting documentation and approval for purchases, there can be risks for unsupported or improper purchases with public funding and the potential to negatively affect fund budgets.

RECOMMENDATION: The District is encouraged to have all personnel in charge of preparing, reviewing, and approving disbursements perform a review of all supporting documents to ensure accuracy and appropriate payments for purchases and reimbursements are following NMAC 2.20.2 and NMSA 1978.

CLIENT RESPONSE: The District and the Business Office will require that all Staff Members, who personally need to make a school purchase, prepare a Purchase Requisition and follow the District's P.O procedures before making their purchase. This will ensure that budget is available and we are meeting State Procurement Code. The Business Manager will require a Purchase Requisition for all Employee Travel. This will ensure that there is adequate budget for the travel, as well as adherence to the State Procurement Code for reimbursements. The Business Office will revisit procedures to ensure all supporting Purchase Order and payment documentation is accurate. These procedures are expected to be implemented immediately with final resolution by December 31, 2017.

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STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017

**C. PRIOR YEAR AUDIT FINDINGS**

2016-001 Capital Asset Listing (Material Weakness) Cleared  
2016-002 Agency Funds (Noncompliance) Repeated and revised  
2016-003 Controls over Cash Disbursements (Significant Deficiency) Cleared

STATE OF NEW MEXICO  
Cloudcroft Municipal Schools  
OTHER DISCLOSURES  
Year Ended June 30, 2017

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Sharlotte Dees, the Business Manager, is capable of preparing, understanding and accepting responsibility for the GAAP basic financial statements. Although the District is responsible for the content of the financial statements, they have contracted with the auditor to prepare the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

**B. EXIT CONFERENCE**

The contents of this report were discussed on September 27, 2017. The following individuals were in attendance.

Cloudcroft Municipal Schools  
Travis Dempsey, Superintendent  
Sharlotte Dees, Business Manager  
Lenora Barr, Accounts Payable  
Gerald Green, Vice President

Precision Accounting LLC  
Melissa R. Santistevan, CPA, CFE, CGMA