

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

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

BOARD OF EDUCATION

Bill Denney	President
Gerold Green	Vice President
Lance Wright	Secretary
Arlan Ponder	Member
Kody Adams	Member

SCHOOL OFFICIALS

Tana Daugherty	Superintendent
Larry Marshall	Business Manager



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require 10 year schedules on pages 61 - 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, the combining and individual fund financial statements and any other schedules as listed in the Table of Contents that collectively comprise the District's basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018 on our consideration of 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 in internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cloudcroft Municipal Schools internal control over financial reporting and compliance.


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

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 4,556,260
Property taxes receivable	100,147
Due from other governments	71,517
Inventory	<u>3,065</u>
Total current assets	4,730,989
Non-current assets	
Capital assets	22,047,427
Less accumulated depreciation	<u>(9,042,696)</u>
Total non-current assets	<u>13,004,731</u>
Total assets	17,735,720
Deferred outflows - OPEB	
Contributions - subsequent contributions	45,177
Deferred outflows - ERB	
Contributions - subsequent contributions	313,904
Change in assumption	2,530,831
Change in proportion	96,810
Net difference between projected and actual investments earnings on pension plan investments	<u>15,563</u>
Total deferred outflows	<u>3,002,285</u>
Total assets and deferred outflows	<u>\$ 20,738,005</u>

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

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

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accounts payable	\$ 1,281
Accrued interest	58,457
Current portion of bonds payable	<u>910,000</u>
Total current liabilities	969,738
Long-term obligations	
Net pension liability	8,669,617
OPEB liability	2,345,141
Bonds payable	<u>6,015,000</u>
Total long-term liabilities	<u>17,029,758</u>
Total liabilities	17,999,496
Deferred inflows - OPEB	
Deferred inflows	533,748
Deferred inflows - ERB	
Net difference between experience and actual	133,564
Change in proportion	316,003
Net difference between projected and actual investments earnings on pension plan investments	<u>1,189</u>
Total deferred inflows	<u>984,504</u>
Total liabilities and deferred inflows	18,984,000
NET POSITION	
Net investment in capital assets	6,021,274
Restricted for	
Cafeteria fund (inventory)	3,065
Special revenue	89,194
Capital projects	2,695,962
Debt service	1,130,956
Unrestricted	<u>(8,186,446)</u>
Total net position	<u>1,754,005</u>
Total liabilities, deferred inflows, and net position	<u>\$ 20,738,005</u>

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

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

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
	Expenses	Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
Expenses - Governmental Activities:					
Instruction	\$ 2,906,977	\$ -	\$ 293,092	\$ -	\$ (2,613,885)
Support services	1,016,317	16,954	17,698	-	(981,665)
Central services	163,718	-	-	-	(163,718)
Operation and maintenance of plant	803,767	-	-	-	(803,767)
General administration	265,034	-	-	-	(265,034)
Student transportation	195,782	-	190,214	-	(5,568)
Food services	192,225	52,604	94,758	-	(44,863)
Interest on long-term debt	148,388	-	-	-	(148,388)
Depreciation	676,149	-	-	-	(676,149)
Total governmental activities	<u>\$ 6,368,357</u>	<u>\$ 69,558</u>	<u>\$ 595,762</u>	<u>\$ -</u>	(5,703,037)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					128,137
Property taxes, levied for debt services					1,117,145
Property taxes, levied for capital projects					374,808
State equalization guarantee					3,957,993
Interest and investment earnings					2,414
Miscellaneous					<u>57,304</u>
Subtotal, general revenue					<u>5,637,801</u>
Change in net position					(65,236)
Net position - beginning of year as previously stated					4,725,593
Restatement					<u>(2,906,352)</u>
Net position - beginning of year					<u>1,819,241</u>
Net position - end of year					<u>\$ 1,754,005</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

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

	General Fund	Title I IASA	IDEA B Entitlement	Bond Building	SB-9 Capital Improvements
ASSETS					
Cash and cash equivalents	\$ 663,992	\$ -	\$ -	\$ 2,141,075	\$ 548,819
Property taxes receivable	4,060	-	-	-	24,453
Due from other funds	71,517	-	-	-	-
Due from grantors	-	21,118	19,715	-	-
Total assets	<u>\$ 739,569</u>	<u>\$ 21,118</u>	<u>\$ 19,715</u>	<u>\$ 2,141,075</u>	<u>\$ 573,272</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,281	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	21,118	19,715	-	-
Total liabilities	1,281	21,118	19,715	-	-
Deferred inflows:					
Deferred inflows - property tax	3,052	-	-	-	18,385
Total deferred inflows	3,052	-	-	-	18,385
Total liabilities and deferred inflows	4,333	21,118	19,715	-	18,385
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	-	-	-
Capital projects funds	-	-	-	2,141,075	554,887
Unassigned, reported in:					
General fund	735,236	-	-	-	-
Total fund balances	<u>735,236</u>	<u>-</u>	<u>-</u>	<u>2,141,075</u>	<u>554,887</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 739,569</u>	<u>\$ 21,118</u>	<u>\$ 19,715</u>	<u>\$ 2,141,075</u>	<u>\$ 573,272</u>

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

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

	Debt Service	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,113,180	\$ 89,194	\$ 4,556,260
Property taxes receivable	71,634	-	100,147
Due from other funds	-	-	71,517
Inventory, at cost	-	3,065	3,065
Due from grantors	-	30,684	71,517
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,184,814</u>	<u>\$ 122,943</u>	<u>\$ 4,802,506</u>
 LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 1,281
Due to other funds	-	30,684	71,517
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	30,684	72,798
Deferred inflows:			
Deferred inflows - property tax	53,858	-	75,295
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows	53,858	-	75,295
Total liabilities and deferred inflows	53,858	30,684	148,093
Fund balances:			
Nonspendable - Inventory	-	3,065	3,065
Restricted, reported in:			
Special revenue fund	-	89,194	89,194
Debt service funds	1,130,956	-	1,130,956
Capital projects funds	-	-	2,695,962
Unassigned, reported in:			
General fund	-	-	735,236
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,130,956	92,259	4,654,413
Total liabilities, deferred inflows and fund balances	<u>\$ 1,184,814</u>	<u>\$ 122,943</u>	<u>\$ 4,802,506</u>

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

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

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

Fund balances - total governmental funds	\$ 4,654,413
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,004,731
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds - ERB	2,957,108
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds - OPEB	45,177
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds - ERB	(450,756)
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds - OPEB	(533,748)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	75,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(8,669,617)
OPEB liability	(2,345,141)
Accrued interest	(58,457)
General obligation bonds	<u>(6,925,000)</u>
Total net position - governmental funds	<u>\$ 1,754,005</u>

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

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

	<u>General Fund</u>	<u>Title I IASA</u>	<u>IDEA B Entitlement</u>	<u>Bond Building</u>	<u>SB-9 Capital Improvements</u>
REVENUES					
Taxes	\$ 52,842	\$ -	\$ -	\$ -	\$ 374,808
State sources	3,982,546	-	-	-	-
Federal sources	-	96,934	69,030	-	-
Transportation distribution	190,214	-	-	-	-
Earnings from investments	2,414	-	-	-	-
Miscellaneous	57,304	-	-	-	-
Total revenues	4,285,320	96,934	69,030	-	374,808
EXPENDITURES					
Current:					
Direct instruction	2,008,184	-	-	-	-
Instructional support	682,929	93,184	68,819	-	65,664
Central services	163,718	-	-	-	-
Operation and maint.	574,916	-	-	96,863	109,973
General administration	265,034	-	-	-	-
Transportation	195,782	-	-	-	-
Food services	83,852	-	-	-	-
Capital outlay	32,954	-	-	78,031	39,490
Total expenditures	4,007,369	93,184	68,819	174,894	215,127
Excess (deficiency) of revenues over expenditures	277,951	3,750	211	(174,894)	159,681
Other financing sources (uses)					
Bond proceeds	-	-	-	2,000,000	-
Net change in fund balance	277,951	3,750	211	1,825,106	159,681
Fund balance - beginning of year as previously stated	457,285	(3,750)	(211)	436,664	395,206
Restatement	-	-	-	(120,695)	-
Fund balance - beginning of year as restated	457,285	(3,750)	(211)	315,969	395,206
Fund balance - end of year	<u>\$ 735,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,141,075</u>	<u>\$ 554,887</u>

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

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

	Debt Service	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 1,117,145	\$ -	\$ 1,544,795
Charges for services	-	69,558	69,558
State sources	-	72,172	4,054,718
Federal sources	-	142,859	308,823
Transportation distribution	-	-	190,214
Earnings from investments	-	-	2,414
Miscellaneous	-	-	57,304
	<hr/>	<hr/>	<hr/>
Total revenues	1,117,145	284,589	6,227,826
EXPENDITURES			
Current:			
Direct instruction	-	-	2,008,184
Instructional support	-	105,721	1,016,317
Central services	-	-	163,718
Operation and maint.	10,994	11,021	803,767
General administration	-	-	265,034
Transportation	-	-	195,782
Food services	-	108,373	192,225
Capital outlay	-	-	150,475
Debt services:			
Principal payments	870,000	-	870,000
Interest	148,388	-	148,388
	<hr/>	<hr/>	<hr/>
Total expenditures	1,029,382	225,115	5,813,890
Excess (deficiency) of revenues over expenditures	87,763	59,474	413,936
Other financing sources (uses)			
Bond proceeds	-	-	2,000,000
	<hr/>	<hr/>	<hr/>
Net change in fund balance	87,763	59,474	2,413,936
Fund balance - beginning of year as previously stated	1,043,193	32,785	2,361,172
Restatement	-	-	(120,695)
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year - as restated	1,043,193	32,785	2,240,477
	<hr/>	<hr/>	<hr/>
Fund balance - end of year	<u>\$ 1,130,956</u>	<u>\$ 92,259</u>	<u>\$ 4,654,413</u>

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

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

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

Change in fund balances - total governmental funds	\$	2,413,936
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Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense		(676,149)
Capital outlay		150,475

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

Deferred outflow - ERB		2,012,243
Deferred outflow - OPEB		748
Deferred inflow - ERB		(158,368)
Deferred inflow - OPEB		(533,748)
Net pension liability		(2,698,736)
OPEB liability		484,945

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.

75,295

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.

Issuance of bond		(2,000,000)
Change in accrued interest		(5,877)
Principal payment on bond		870,000
		870,000

Change in net position of governmental activities	\$	(65,236)
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See independent auditors' report and accompanying notes to financial statements.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 51,053	\$ 51,053	\$ 48,782	\$ (2,271)
State sources	3,490,240	3,970,759	3,970,931	172
Earnings from investments	828	828	2,414	1,586
Miscellaneous	7,500	7,500	9,519	2,019
	<u>3,549,621</u>	<u>4,030,140</u>	<u>4,031,646</u>	<u>1,506</u>
Expenditures:				
Current:				
Direct instruction	1,891,748	2,150,353	2,003,892	146,461
Instructional support	840,694	838,444	682,929	155,515
Central services	153,696	164,875	163,718	1,157
Operation and maintenance	574,254	607,432	574,916	32,516
General administration	277,494	281,683	265,034	16,649
Transportation	-	-	-	-
Food services	25,000	100,000	83,852	16,148
	<u>3,762,886</u>	<u>4,142,787</u>	<u>3,774,341</u>	<u>368,446</u>
Excess (deficiency) of revenues over expenditures	<u>(213,265)</u>	<u>(112,647)</u>	<u>257,305</u>	<u>369,952</u>
Net change in fund balance	(213,265)	(112,647)	257,305	369,952
Fund balance - beginning of year	<u>457,285</u>	<u>457,285</u>	<u>457,285</u>	<u>-</u>
Fund balance - end of year	<u>\$ 244,020</u>	<u>\$ 344,638</u>	<u>\$ 714,590</u>	<u>\$ 369,952</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 257,305	
Net revenue accruals			4,060	
Net expenditure accruals			<u>(1,281)</u>	
Net changes in fund balance GAAP basis			<u>\$ 260,084</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Transportation distribution	\$ 190,214	\$ 190,214	\$ 190,214	\$ -
Miscellaneous	-	47,785	47,785	-
	<u>190,214</u>	<u>237,999</u>	<u>237,999</u>	<u>-</u>
Total revenues				
Expenditures:				
Current:				
Transportation	\$ 190,214	\$ 237,999	\$ 195,782	\$ 42,217
Capital outlay	33,674	33,674	32,954	720
	<u>223,888</u>	<u>271,673</u>	<u>228,736</u>	<u>42,937</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(33,674)</u>	<u>(33,674)</u>	<u>9,263</u>	<u>42,937</u>
Net change in fund balance	(33,674)	(33,674)	9,263	42,937
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ (33,674)</u>	<u>\$ (33,674)</u>	<u>\$ 9,263</u>	<u>\$ 42,937</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 9,263	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 9,263</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 8,737	\$ 8,737	\$ 11,615	\$ 2,878
Total revenues	8,737	8,737	11,615	2,878
Expenditures:				
Current:				
Direct instruction	16,783	16,783	3,011	13,772
Total expenditures	16,783	16,783	3,011	13,772
Excess (deficiency) of revenues over expenditures	(8,046)	(8,046)	8,604	16,650
Net change in fund balance	(8,046)	(8,046)	8,604	16,650
Fund balance - beginning of year	69	69	69	-
Fund balance - end of year	<u>\$ (7,977)</u>	<u>\$ (7,977)</u>	<u>\$ 8,673</u>	<u>\$ 16,650</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 8,604	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 8,604</u>	

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	114,786	114,786	75,816	(38,970)
Total revenues	114,786	114,786	75,816	(38,970)
Expenditures:				
Current:				
Direct instruction	94,786	101,596	93,184	8,412
Transportation	20,000	13,190	-	13,190
Total expenditures	114,786	114,786	93,184	21,602
Excess (deficiency) of revenues over expenditures	-	-	(17,368)	(17,368)
Net change in fund balance	-	-	(17,368)	(17,368)
Fund balance - beginning of year	(3,750)	(3,750)	(3,750)	-
Fund balance - end of year	<u>\$ (3,750)</u>	<u>\$ (3,750)</u>	<u>\$ (21,118)</u>	<u>\$ (17,368)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (17,368)	
Net revenue accruals			-	
Net expenditure accruals			<u>21,118</u>	
Net changes in fund balance GAAP basis			<u>\$ 3,750</u>	

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

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

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Federal sources	91,951	91,951	49,315	(42,636)
Total revenues	91,951	91,951	49,315	(42,636)
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instructional support	180,187	180,187	68,819	111,368
Total expenditures	180,187	180,187	68,819	111,368
Excess (deficiency) of revenues over expenditures	(88,236)	(88,236)	(19,504)	68,732
Net change in fund balance	(88,236)	(88,236)	(19,504)	68,732
Fund balance - beginning of year	(211)	(211)	(211)	-
Fund balance - end of year	\$ (88,447)	\$ (88,447)	\$ (19,715)	\$ 68,732
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (19,504)	
Net revenue accruals			19,715	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 211	

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

ASSETS

Current Assets

Cash \$ 92,103

Total assets \$ 92,103

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 92,103

Total liabilities \$ 92,103

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

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

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 Cloudcroft Municipal Schools management who is responsible for their integrity and objectivity. The financial statements and disclosures 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.

A. Reporting Entity

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

C. Measurement Focus, Basis of Accounting

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

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

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

C. Measurement Focus, Basis of Accounting (Continued)

TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS) - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

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

Bond Building fund is used to accounts for the revenue received from bonds sold by the District to be used for improvements and additions to school owned property.

Capital Improvements SB-9 Fund is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

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

Additionally, the District reports the following agency fund:

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.

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

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

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

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.

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

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

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

Receivables and Payables - Interfund activity is reported as 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.

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

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

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

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, 2018

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

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No deferred revenue was recorded for unused commodity inventory as of June 30, 2018.

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

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

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

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

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

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

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

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

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

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

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

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 30th 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.

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

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

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

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

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

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

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

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

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Equity Classifications

Government-Wide Statements

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

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

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

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

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

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

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 \$- in state equalization guarantee distributions during the year ended June 30, 2018.

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,544,795 in tax revenues in the governmental fund financial statements during the year ended June 30, 2018. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. The School collects property tax from Otero county and may attach an enforceable lien on the property thirty days after delinquency.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$190,214 in transportation distributions during the year ended June 30, 2018.

Instructional Materials - The District had allocations allowed by the State for the current year of \$11,615. Of the allocation, the District used \$11,615 to purchase textbooks during the year. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

Public School Capital Outlay - Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. New Pronouncements

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. New Pronouncements (continued)

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

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

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

STATE OF NEW MEXICO
CLOUDCROFT MUNICIPAL SCHOOLS
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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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

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

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

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CLOUDCROFT MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

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

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

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

3. DEPOSIT AND INVESTMENTS

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

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

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

STATE OF NEW MEXICO
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3. DEPOSIT AND INVESTMENTS (CONTINUED)

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

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

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

	First National Bank	New Mexico Finance Authority	Total
	<u> </u>	<u> </u>	<u> </u>
Cash on deposit at June 30, 2018	\$ 3,206,628	\$ 1,738,811	\$ 4,945,439
FDIC coverage	(250,000)	(1,738,811)	(1,988,811)
	<u>\$ 2,956,628</u>	<u>\$ -</u>	<u>\$ 2,956,628</u>
Pledged collateral	\$ 1,779,781	\$ -	\$ 1,779,781
Collateral requirement (50% of uninsured public funds)	<u>1,478,314</u>	<u>-</u>	<u>1,478,314</u>
Over collateralization	<u>\$ 301,467</u>	<u>\$ -</u>	<u>\$ 301,467</u>

Custodial Credit Risk-Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2018, \$2,956,628 of the District's bank balance of \$3,206,628 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2018, the carrying amount of these deposits was \$4,648,363.

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

3. DEPOSIT AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents	\$ 2,817,449
Restricted cash and cash equivalents	<u>1,738,811</u>
Total	<u>4,556,260</u>
Statement of fiduciary net assets - cash	<u>92,103</u>
Total cash and cash equivalents	4,648,363
Add outstanding checks and other reconciling items	<u>297,076</u>
Bank balance of deposits and investments	<u>\$ 4,945,439</u>
Cash source:	
First National Bank	\$ 3,206,628
New Mexico Finance Authority	<u>1,738,811</u>
Total cash and cash equivalents	<u>\$ 4,945,439</u>

Credit and Interest Rate Risk

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

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

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

Governmental Activities	Due from other funds	Due to other funds
General fund	\$ 71,517	\$ -
Title I	-	21,118
Rural Education Achievement Program	-	252
Entitlement IDEA B	-	19,715
Student Library	-	3,982
Teacher/PRIN	-	8,333
SB 9 Capital Improvements	-	11,021
Dual Credit IM/HB2	-	2,915
Title XIX Medicaid 3/21 years	-	4,181
	<u> -</u>	<u> 4,181</u>
Totals	<u>\$ 71,517</u>	<u>\$ 71,517</u>

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

5. ACCOUNTS RECEIVABLE

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

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
Government grants	\$ -	\$ 67,535	\$ 3,982	\$ 71,517
Property taxes	<u>4,060</u>	<u>96,087</u>	<u>-</u>	<u>100,147</u>
Total	<u>\$ 4,060</u>	<u>\$ 163,622</u>	<u>\$ 3,982</u>	<u>\$ 171,664</u>

The above receivables are deemed 100% collectible.

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 CLOUDCROFT MUNICIPAL SCHOOLS
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6. CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Retirements	Transfer	Balance June 30, 2018
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 5,000	\$ -	\$ -	\$ -	\$ 5,000
Construction in progress	<u>-</u>	<u>6,608</u>	<u>-</u>	<u>-</u>	<u>6,608</u>
Total capital assets not being depreciated	5,000	6,608	-	-	11,608
Capital assets being depreciated:					
Buildings & building improvements	19,381,361	78,030	-	-	19,459,391
Furniture, fixtures and equipment	2,464,806	32,881	-	-	2,497,687
Vehicles	<u>45,785</u>	<u>32,956</u>	<u>-</u>	<u>-</u>	<u>78,741</u>
Total capital assets being depreciated	21,891,952	143,867	-	-	22,035,819
Less accumulated depreciation for:					
Buildings & building improvements	7,061,861	586,368	-	-	7,648,229
Furniture, fixtures and equipment	1,293,784	83,231	-	-	1,377,015
Vehicles	<u>10,902</u>	<u>6,550</u>	<u>-</u>	<u>-</u>	<u>17,452</u>
Total accumulated depreciation	<u>8,366,547</u>	<u>676,149</u>	<u>-</u>	<u>-</u>	<u>9,042,696</u>
Total capital assets being depreciated, net	<u>13,525,405</u>	<u>(532,282)</u>	<u>-</u>	<u>-</u>	<u>12,993,123</u>
Governmental activities capital assets, net	<u>\$ 13,530,405</u>	<u>\$ (525,674)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,004,731</u>

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6. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities	
Operations and maintenance of plant	<u>\$ 676,149</u>
Total	<u>\$ 676,149</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$11,440,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2018 are for governmental activities.

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

	Series 06/16/2009	Series 06/05/2013	Series 05/23/2014	Series 09/08/2015	Series 04/20/2018
Original issue	\$1,750,000	\$3,940,000	\$1,875,000	\$1,875,000	\$2,000,000
Maturity	8/1/2021	8/1/2019	8/1/2026	8/1/2027	8/1/2030
Interest rate	4.25%	2.0% -3.0%	0.405% - 3.10%	0.0608% - 3.0%	01.70779% - 2.97%

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

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7. LONG-TERM OBLIGATIONS (CONTINUED)

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 5,795,000	\$ 2,000,000	\$ 870,000	\$ 6,925,000	\$ 910,000
Total governmental activities	<u>\$ 5,795,000</u>	<u>\$ 2,000,000</u>	<u>\$ 870,000</u>	<u>\$ 6,925,000</u>	<u>\$ 910,000</u>

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

Years ending June 30,	Principal	Interest	Total
2019	\$ 910,000	\$ 163,696	\$ 1,073,696
2020	885,000	148,224	1,033,224
2021	830,000	123,676	953,676
2022	630,000	103,273	733,273
2023	600,000	86,687	686,687
2024-2030	<u>3,070,000</u>	<u>235,883</u>	<u>3,305,883</u>
	<u>\$ 6,925,000</u>	<u>\$ 861,439</u>	<u>\$ 7,786,439</u>

8. 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 2017-2018 was \$26,448.

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9. RISK MANAGEMENT

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

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

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

10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

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

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

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10. 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.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

The member has service credit totaling 30 years or more.

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

The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits

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

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

Benefit Options – The Plan has three benefit options available.

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

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

As of July 1, 2013, for current and future retirees the COLA is immediately reduced until the Plan is 100% funded. The COLA reduction is based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions – For the fiscal year ended June 30, 2018 and 2017 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
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	10.70%	13.90%	24.60%	0.00%

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, 2018 and 2017, the District paid employee and employer contributions of \$499,107 and \$226,655, which equal the amount of the required contributions for each fiscal year.

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10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$8,669,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2017, the District's proportion was .07801%, which was an decrease of 0.00496% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,178,059. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 15,563	\$ 133,564
Changes in assumptions	2,530,831	-
Net difference between projected and actual earnings on pension plan investments	-	1,189
District contributions subsequent to the measurement date	313,904	-
Change in proportion and differences between employer contributions and proportionate share of contributions	96,810	316,003
Total	\$ 2,957,108	\$ 450,756

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 JUNE 30, 2018

10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

\$313,904 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$	804,955
2020		928,882
2021		529,999
2022		(71,388)
2023		-

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

Actuarial Cost Method	Entry Age Normal
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of return	7.25%
Single Discount Rate	5.90%
Retirement Age	Experience based table of age and service. Adopted by NMERB on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Mortality	Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with scale BB.
	Healthy Females – GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table's base year of 2012.

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

10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

The long-term expected rate of return on pension plan 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:

Asset Class	Target Allocation
Equities	33.00%
Fixed income	26.00%
Alternatives	40.00%
Cash	1.00%

Discount rate: A single discount rate of 5.90% was used to measure the total ERB pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.90%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

10. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2017. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.90%) or one percentage point higher (6.90%) than the single discount rate.

	1% Decrease (4.90%)	Current Discount Rate (5.90%)	1% Increase (6.90%)
District's proportionate share of net pension	\$ 11,285,685	\$ 8,669,617	\$ 6,531,194

Pension plan fiduciary net position Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2018 and June 30, 2017 which are publicly available at www.nmerb.org.

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

STATE OF NEW MEXICO
CLOUDCROFT MUNICIPAL SCHOOLS
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JUNE 30, 2018

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

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the per10d of time between the employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 410,018
Net difference between projected and actual earnings on OPEB plan investments	-	33,736
Difference between expected and actual experience	-	89,994
Contributions made after the measurement date	45,177	-
	\$ 45,177	\$ 533,748

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

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

Deferred outflows of resources totaling \$45,177 represent School contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending		
2019	\$	(113,479)
2020		(113,479)
2021		(113,479)
2022		(113,479)
2023		<u>(79,832)</u>
	\$	<u>(533,748)</u>

Cloudcroft Municipal Schools contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$45,177, \$44,429, and \$47,387, respectively, which equal the required contributions for each year.

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

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

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

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

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

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	4.1%
U.S equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

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

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

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

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

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
\$ <u>2,844,619</u>	\$ <u>2,345,141</u>	\$ <u>1,953,255</u>

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

1% Decrease	Current Trend Rate	1% Increase
\$ <u>1,994,704</u>	\$ <u>2,345,141</u>	\$ <u>2,618,395</u>

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

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

12. LOSS CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial. The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

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

13. 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.

14. 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, 2018 was \$9,277.85.

15. MEMORANDUM OF UNDERSTANDING/JOINT POWERS AGREEMENT

Region Educational Cooperative (REC)

Purpose: To provide certain educational, technological and fiscal – HR services by REC to Cloudcroft Municipal Schools

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

Beginning and Ending Date of Agreement: September 5, 2017 – June 30, 2018

Total Estimated Amount of Project and Actual Amount Contributed: The District paid the REC for services and costs totaling \$95,744.

16. ANALYSIS FOR IMPAIRMENT

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

17. SUBSEQUENT EVENTS

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

18. RESTATEMENT

The District has restated the beginning net position for the following reasons:

Restatement	Amount
Recognition of net OPEB liability	\$ (2,830,086)
Recognition of net OPEB deferred outflows of resources	44,429
Cash held at NMFA	(120,695)
	\$ (2,906,352)

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
The Cloudcroft Municipal Schools' proportion of the net pension liability	\$ 5,656,655	\$ 5,165,620	\$ 5,970,881	\$ 8,669,617
The Cloudcroft Municipal Schools' proportionate share of the net pension liability	0.9914%	0.0798%	0.0830%	0.0780%
The Cloudcroft Municipal Schools' covered-employee payroll	\$ 2,732,688	\$ 2,369,664	\$ 2,221,409	\$ 2,139,525
The Cloudcroft Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.00 %	217.99 %	268.79 %	405.21 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %	61.58 %	52.95 %

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

See independent auditors' report

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 381,058	\$ 329,384	\$ 308,894	\$ 313,904
Contributions in relation to the contractually required contribution	<u>381,058</u>	<u>329,384</u>	<u>308,894</u>	<u>313,904</u>
Contribution deficiency (excess)	-	-	-	-
The Cloudcroft Municipal Schools' covered-employee payroll	<u>\$ 2,532,049</u>	<u>\$ 2,369,664</u>	<u>\$ 2,221,409</u>	<u>\$ 2,139,525</u>
Contributions as a percentage of covered-employee payroll	<u>15.05 %</u>	<u>13.90 %</u>	<u>13.91 %</u>	<u>14.67 %</u>

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

See independent auditors' report

STATE OF NEW MEXICO
 CLOUDCROFT MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED JUNE 30, 2018

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for available years.

	2018
Authority's proportion of the net OPEB liability	.05175%
Authority's proportionate share of the net OPEB liability	\$ 2,345,141
Authority's covered-employee payroll	\$ 2,155,722
Authority's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	108.79%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%

See independent auditors' report

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

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

	2018
Contractually required contribution	\$ 164,331
Contributions in relation to the contractually required contribution	<u>82,476</u>
Contribution deficiency (excess)	\$ 81,855
Cloudcroft Municipal Schools's covered-employee payroll	<u>\$ 2,155,722</u>
Contribution as a percentage of covered-employee payroll	3.83%

See independent auditors' report

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

	Special Revenue	Capital Projects	Total
ASSETS			
Cash on deposit	\$ 89,194	\$ -	\$ 89,194
Accounts receivable	15,681	-	15,681
Inventory, at cost	3,065	-	3,065
Due from grantors	3,982	11,021	15,003
Total assets	\$ 111,922	\$ 11,021	\$ 122,943
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 19,663	\$ 11,021	\$ 30,684
Total liabilities	19,663	11,021	30,684
Deferred inflows:			
Property tax	-	-	-
Total deferred inflows	-	-	-
Total deferred inflows and liabilities	19,663	11,021	30,684
Fund balances:			
Nonspendable - inventory	3,065	-	3,065
Restricted, reported in:			
Special revenue funds	89,194	-	89,194
Total fund balance	92,259	-	92,259
Total liabilities, deferred inflows, and fund balances	\$ 111,922	\$ 11,021	\$ 122,943

See independent auditors' report

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Charges for services	\$ 69,558	\$ -	\$ 69,558
State sources	61,151	11,021	72,172
Federal sources	142,859	-	142,859
	<u>273,568</u>	<u>11,021</u>	<u>284,589</u>
Total revenues	273,568	11,021	284,589
Expenditures:			
Current:			
Instructional support	105,721	-	105,721
Food services	108,373	-	108,373
Operating and maintenance	-	11,021	11,021
	<u>214,094</u>	<u>11,021</u>	<u>225,115</u>
Total expenditures	214,094	11,021	225,115
Net changes in fund balances	59,474	-	59,474
Fund balance - beginning of year	32,785	-	32,785
Fund balance - end of year	<u>\$ 92,259</u>	<u>\$ -</u>	<u>\$ 92,259</u>

See independent auditors' report

SPECIAL REVENUE FUNDS

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

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

FOOD SERVICE (21000) - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 Stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

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

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

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

TEACHER/PRINCIPAL TRAINING & RECRUITING (24154) - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Medicaid (25153) - To provide for a program providing school based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

REAP (Rural Education Achievement Program) (25233) - To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

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

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

NM Reads to Lead K-3 (27114) – To account for funds provided by the New Mexico Public Education Department to support legislative initiative to improve reading in grades K-3.

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

Special Revenue Funds

	Food Service 21000	Athletics 22000	NM Autism 24108	IDEA-B Preschool 24109	Teacher/Princi pal Training & Recruiting 24154	Title XIX Medicaid 25153	Rural Education Achievement 25233
ASSETS							
Cash on deposit	\$ 49,779	\$ 11,807	\$ -	\$ -	\$ -	\$ 27,608	\$ -
Accounts receivable	-	-	8,333	-	252	-	4,181
Inventory, at cost	3,065	-	-	-	-	-	-
Total assets	<u>\$ 52,844</u>	<u>\$ 11,807</u>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ 27,608</u>	<u>\$ 4,181</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 4,181</u>
Total liabilities	-	-	8,333	-	252	-	4,181
Fund balances:							
Nonspendable - inventory	3,065	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	<u>49,779</u>	<u>11,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,608</u>	<u>-</u>
Total fund balance	<u>52,844</u>	<u>11,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,608</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 52,844</u>	<u>\$ 11,807</u>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ 27,608</u>	<u>\$ 4,181</u>

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

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

	Special Revenue Funds			
	Dual Credit 27103	GO Bond Student Library 27107	NM Reads to Lead 27114	Total Special Revenue Funds
ASSETS				
Cash on deposit	\$ -	\$ -	\$ -	\$ 89,194
Accounts receivable	2,915	-	-	15,681
Inventory, at cost	-	-	-	3,065
Due from grantors	-	3,982	-	3,982
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,915</u>	<u>\$ 3,982</u>	<u>\$ -</u>	<u>\$ 111,922</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 2,915	\$ 3,982	\$ -	\$ 19,663
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,915	3,982	-	19,663
Fund balances:				
Nonspendable - inventory	-	-	-	3,065
Restricted, reported in:				
Special revenue funds	-	-	-	89,194
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,259</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,915</u>	<u>\$ 3,982</u>	<u>\$ -</u>	<u>\$ 111,922</u>

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

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

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	NM Autism 24108	IDEA-B Preschool 24109	Teacher/Princ ipal Training & Recruiting 24154	Title XIX Medicaid 25153	Rural Education Achievement 25233
Revenues:							
Charges for services	\$ 52,604	\$ 16,954	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	94,758	-	8,333	432	252	17,446	21,638
Total revenues	<u>147,362</u>	<u>16,954</u>	<u>8,333</u>	<u>432</u>	<u>252</u>	<u>17,446</u>	<u>21,638</u>
Expenditures:							
Current:							
Instructional support	-	15,405	7,333	432	252	-	21,148
Food services	<u>108,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>108,373</u>	<u>15,405</u>	<u>7,333</u>	<u>432</u>	<u>252</u>	<u>-</u>	<u>21,148</u>
Net changes in fund balances	38,989	1,549	1,000	-	-	17,446	490
Fund balance - beginning of	<u>13,855</u>	<u>10,258</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>	<u>10,162</u>	<u>(490)</u>
Fund balance - end of year as restated	<u>\$ 52,844</u>	<u>\$ 11,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,608</u>	<u>\$ -</u>

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

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

	Special Revenue Funds			
	Dual Credit 27103	GO Bond Student Library 27107	NM Reads to Lead 27114	Total Special Revenue Funds
Revenues:				
Charge for services	\$ -	\$ -	\$ -	\$ 69,558
State sources	2,915	3,982	54,254	61,151
Federal sources	-	-	-	142,859
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,915	3,982	54,254	273,568
Expenditures:				
Current:				
Instructional support	2,915	3,982	54,254	105,721
Food services	-	-	-	108,373
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,915	3,982	54,254	214,094
Net changes in fund balances	-	-	-	59,474
Fund balance - beginning	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	32,785
Fund balance - end of year	<hr/>	<hr/>	<hr/>	<hr/>
	\$ -	\$ -	\$ -	\$ 92,259

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

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

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

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

	Capital Improvements 31700
ASSETS	
Due from grantors	\$ 11,021
Total assets	<u>\$ 11,021</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Due to other funds	\$ 11,021
Total liabilities	11,021
Fund balances:	
Restricted, reported in:	
Capital projects funds	<u>-</u>
Total fund balance	<u>-</u>
Total liabilities and fund balances	<u>\$ 11,021</u>

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

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

	Capital Improvements 31700
Revenues:	
State sources	\$ 11,021
Total revenues	11,021
Expenditures:	
Current:	
Direct instruction	-
Operating and maintenance	11,021
Total expenditures	11,021
Net changes in fund balances	-
Fund balance - beginning of year	-
Fund balance - end of year	\$ -

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

GENERAL FUND

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

	Operational 11000	Transportation 13000	Instructional Material 14000	Total
ASSETS				
Cash	\$ 646,056	\$ 9,263	\$ 8,673	\$ 663,992
Taxes receivable	4,060	-	-	4,060
Due from other funds	71,517	-	-	71,517
 Total assets	 \$ 721,633	 \$ 9,263	 \$ 8,673	 \$ 739,569
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,281	\$ -	\$ -	\$ 1,281
Total liabilities	1,281	-	-	1,281
Deferred inflows:				
Property tax	3,052	-	-	3,052
Total deferred inflows	3,052	-	-	3,052
Fund balances:				
Unassigned, reported in:				
General fund	717,300	9,263	8,673	735,236
Total fund balances	717,300	9,263	8,673	735,236
Total liabilities, deferred inflows, and fund balances	\$ 721,633	\$ 9,263	\$ 8,673	\$ 739,569

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

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

	Operational 11000	Transportation 13000	Instructional Material 14000	Total
REVENUES				
Taxes	\$ 52,842	\$ -	\$ -	\$ 52,842
State sources	3,970,931	-	11,615	3,982,546
Transportation distribution	-	190,214	-	190,214
Earnings from investments	2,414	-	-	2,414
Miscellaneous	9,519	47,785	-	57,304
	<u>4,035,706</u>	<u>237,999</u>	<u>11,615</u>	<u>4,285,320</u>
Total revenues	4,035,706	237,999	11,615	4,285,320
EXPENDITURES				
Current:				
Direct instruction	2,005,173	-	3,011	2,008,184
Instructional support	682,929	-	-	682,929
Central services	163,718	-	-	163,718
Operation and maintenance	574,916	-	-	574,916
General administration	265,034	-	-	265,034
Transportation	-	195,782	-	195,782
Food services	83,852	-	-	83,852
Capital outlay	-	32,954	-	32,954
	<u>3,775,622</u>	<u>228,736</u>	<u>3,011</u>	<u>4,007,369</u>
Total expenditures	3,775,622	228,736	3,011	4,007,369
Net change in fund balance	260,084	9,263	8,604	277,951
Fund balance at beginning of year	<u>457,216</u>	<u>-</u>	<u>69</u>	<u>457,285</u>
Fund balance at end of year	<u>\$ 717,300</u>	<u>\$ 9,263</u>	<u>\$ 8,673</u>	<u>\$ 735,236</u>

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

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
 CLOUDCROFT MUNICIPAL SCHOOLS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Beginning</u>	<u>Deposited</u>	<u>Used</u>	<u>Ending</u>
Assets				
23800 - Activity Investment Fund	\$ 181	\$ 113	\$ (189)	\$ 105
23802 - Staff Activity Fund	30	771	-	801
23803 - Bear Memorial Fund	1,727	200	(130)	1,797
23804 - PAC Activity Fund	109	-	(109)	-
23805 - Annual Activity Fund	1,850	7,863	(173)	9,540
23808 - Volleyball Activity Fund	445	-	(445)	-
23810 - Club Activity Fund	27	-	(27)	-
23811 - District 3AA Activity Funds	1,604	4,121	(4,583)	1,142
23816 - Knowledge Bowl Activity Fur	351	730	(779)	302
23821 - Cafeteria Activity Fund	1,815	-	(1,815)	-
23822 - Life Skills Activity Fund	39	-	(39)	-
23827 - Golden Apple Grant	232	-	(232)	-
23828 - EL/MID Agenda Grant Fund	17	-	(17)	-
23830 - ELEM/MID Activity Fund	5,228	8,440	(8,500)	5,168
23831 - Box Tops Activity Fund	2,086	447	(931)	1,602
23834 - FFA Activity Fund	3,464	5,883	(5,855)	3,492
23835 - AG/Econ Activity Fund	12,878	1,105	(2,544)	11,439
23838 - HS Key Club Activity	4,289	-	(318)	3,971
23839 - HS Athletics Activity Fund	6,275	9,175	(12,941)	2,509
23840 - HS Activity Fund	1,400	4,618	(3,384)	2,634
23841 - HS BP Grant Fund	1,366	-	(1,366)	-
23843- Academic Excellence Fund	104	-	(104)	-
23845 - HS Student Council Fund	3,255	940	(544)	3,651
23846 - HS Honor Society Fund	75	96	-	171
23847 - Culinary Arts Fund	3,301	14,288	(12,726)	4,863
23848 - Coaches Booster Fund	8,437	16,886	(19,864)	5,459
23855 - Junior Class Prom Fund	4,745	9,337	(9,506)	4,576
23860 - Library Fund	390	5,294	(4,794)	890
23865 - Summer Program Fund	24,057	12,191	(19,890)	16,358
23870 - MS Student Council Fund	1,593	1,207	(1,901)	899
23880 - Music Club Fund	2,271	21,109	(14,660)	8,720
23888 - Tutor Program Fund	33	1,666	(780)	919
23889 - Business Builder Club Fund	1,358	1,516	(2,199)	675
23890 - Science Club Fund	970	1,705	(2,260)	415
23891 - Tech Activity Fund	1,403	5	(1,403)	5
Total Activity Funds	<u>\$ 97,405</u>	<u>\$ 129,706</u>	<u>\$ (135,008)</u>	<u>\$ 92,103</u>
Liabilities				
Deposits Held For Others	<u>\$ 97,405</u>	<u>\$ 129,706</u>	<u>\$ (135,008)</u>	<u>\$ 92,103</u>
Total Liabilities	<u>\$ 97,405</u>	<u>\$ 129,706</u>	<u>\$ (135,008)</u>	<u>\$ 92,103</u>

STATE OF NEW MEXICO
 CLOUDCROFT MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 JUNE 30, 2018

Everyone's Federal Credit Union

Description of Pledge Collateral	Market Value	Maturity Date	CUSIP#
Tiered Maturities			
Fed Hom Loan Bank	\$ 104,079	6/20/24	36291L4Q5
Fed Hom Loan Bank	329,059	10/1/30	31417YS40
Fed Hom Loan Bank	642,671	2/1/33	31418APY8
Fed Hom Loan Bank	<u>703,972</u>	3/1/36	31418BZQ2
Total	<u>\$ 1,779,781</u>		

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

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

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
First National Bank in Alamogordo				
General operational	Checking	\$ 3,112,838	\$ (295,389)	\$ 2,817,449
Activity fund	Checking	<u>93,790</u>	<u>(1,687)</u>	<u>92,103</u>
Total FNBA		<u>3,206,628</u>	<u>(297,076)</u>	<u>2,909,552</u>
New Mexico Finance Authority				
Restricted cash	Savings	<u>1,738,811</u>	<u>-</u>	<u>1,738,811</u>
Total NMFA		<u>1,738,811</u>	<u>-</u>	<u>1,738,811</u>
Total deposits		<u>\$ 4,945,439</u>	<u>\$ (297,076)</u>	<u>\$ 4,648,363</u>

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

	<u>Operational 11000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Federal Flowthrough 24000</u>	
Cash, June 30, 2017	\$ 351,731	\$ -	\$ 12,849	\$ 6,717	\$ 11,682	\$ -	
Cash receipts, 2017-2018	4,034,698	237,999	11,615	147,361	16,954	154,102	
Cash disbursements, 2017-2018	<u>(3,740,373)</u>	<u>(228,736)</u>	<u>(15,791)</u>	<u>(104,299)</u>	<u>(16,829)</u>	<u>(154,102)</u>	
Cash balance, June 30, 2018	<u>\$ 646,056</u>	<u>\$ 9,263</u>	<u>\$ 8,673</u>	<u>\$ 49,779</u>	<u>\$ 11,807</u>	<u>\$ -</u>	
	<u>Federal Direct 25000</u>	<u>State Flowthrough 27000</u>	<u>Bond Building 31100</u>	<u>Cap. Impro. SB 9 31700</u>	<u>Cap. Impro. SB 9 Local 31701</u>	<u>Debt Service Fund 41000</u>	<u>Total</u>
Cash, June 30, 2017	\$ 10,162	\$ -	\$ 436,664	\$ -	\$ 401,140	\$ 1,043,193	\$ 2,274,138
Cash receipts, 2017-2018	36,408	138,421	2,000,000	-	369,740	1,099,369	8,246,667
Cash disbursements, 2017-2018	<u>(18,962)</u>	<u>(138,421)</u>	<u>(295,589)</u>	<u>-</u>	<u>(222,061)</u>	<u>(1,029,382)</u>	<u>(5,964,545)</u>
Cash balance, June 30, 2018	<u>\$ 27,608</u>	<u>\$ -</u>	<u>\$ 2,141,075</u>	<u>\$ -</u>	<u>\$ 548,819</u>	<u>\$ 1,113,180</u>	<u>\$ 4,556,260</u>

COMPLIANCE SECTION



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

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board of Directors of 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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Cloudcroft Municipal Schools (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 15, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2017-001, 2018-001, 2018-002, 2018-003)

Compliance and Other Matters

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

Management Responses to Findings

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

Purpose of this Report

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


Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

November 15, 2018

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

PRIOR AUDIT FINDINGS		Current status
2017-001	Travel and Per Diem	Revised and Repeated
2017-002	Agency Funds Disbursements	Resolved
CURRENT AUDIT FINDINGS		Current status
2018-001	Payroll Test	New
2018-002	Journal Test	New
2018-003	Chief Procurement Officer	New

STATE OF NEW MEXICO
CLOUDCROFT MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Travel and Per Diem (Significant Deficiency) - 2017-001

CONDITION	Test of per diem was performed for selection of 10 samples; of which 2 per diems with a total of \$2,820.77 were missing reimbursement request and approval, 1 per diem with a total of \$157.07 was missing lodging invoices, 1 per diem with a total of \$250.38 was missing travel authorization. Two of the samples with a total of \$126.76 also had travel authorizations that were not dated. Three purchase orders and travel authorization forms with a total of 351.24 were dated after the travel expenses. The Schools had not made any progress from the prior year.
CRITERIA	Section 2.42.2.9 NMAC -Upon written request of a public officer or an employee, agency heads may grant written approval for a public officer or employee of that agency or local public body to be reimbursed actual expenses in lieu of the per diem rate where overnight travel is required. The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.
CAUSE	Management did not authorize travel and reimbursement requests prior to payment. Supporting documentation in the form of receipts or affidavits could not be located for reimbursement request disbursements.
EFFECT	Management is not compliant with Section 2.42.2.9 of NMAC and risks disbursing funds for unauthorized travel expenses.
RECOMMENDATION	Management should assure that all travel and per diem receive proper prior approvals. Any fund disbursements should have all supporting documentation accounted for prior to reimbursement request disbursements.
RESPONSE	The Business Office will review process flow and continue to work with stakeholders to ensure that process is being followed. In instances where receipts are not available, stakeholders will provide an affidavit of missing receipts.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

STATE OF NEW MEXICO
CLOUDCROFT MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Payroll Test (Significant Deficiency) - 2018-001

CONDITION	Payroll test performed for 7 employees over two pay periods. One of the employees was missing Employee evaluation forms. Additionally, a total of three payroll discrepancy incidents were documented. The total amount of variance was \$35.20 for these three payroll incidents. One out of 4 new hire samples selected was not started with ERB in a timely manner.
CRITERIA	Per NMAC 6.20.2.18, The local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations. 22-11-22 NMSA states that contributions shall be deducted from the salaries of members by the local administrative units as the salaries are paid.
CAUSE	The District has had significant changes in Management.
EFFECT	Incorrect payment of payroll and ERB contributions.
RECOMMENDATION	Management should reconcile payroll prior to the closing of payroll to assure that all pays are correctly calculated and ERB contributions have been correctly started for new employees.
RESPONSE	The Business Manager will ensure that all appropriate paperwork is completed and returned in a timely manner.
EXPECTED COMPLETION: 06/30/2019	Responsible Employee: Business Manager

STATE OF NEW MEXICO
CLOUDCROFT MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2018

Journal Entries (Significant Deficiency) - 2018-002

CONDITION	During journal entry testwork performed, it was noted that the District does not have a review and approval process in place for the recording of manual journal entries.
CRITERIA	NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.
CAUSE	The District has had changes in management consequently this control has not been put in place.
EFFECT	There may be unauthorized adjustments made, leaving room for error and management override
RECOMMENDATION	We recommend that the District implement a review and approval process for journal entries and other adjustments to mitigate the risk of management override or financial statement manipulation.
RESPONSE	The Business Manager will implement Visions Workflow for manual journal entries. These will be system routed for review and approval by the Superintendent. In instances where time constraints do not permit workflow, the journal entry will be printed for review and signature. This relates to what would be considered manual journal entries as Payroll and Payables entries are auto-generated as part of the system processing activity.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Business Manager

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

Chief Procurement Officer (Significant Deficiency) - 2018-003

CONDITION	During our NM Compliance testwork, it was noted that the District did not have a Chief Procurement Officer.
CRITERIA	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
CAUSE	The District failed to designate and register a purchasing agent.
EFFECT	The District does not implement a proper purchasing process which exposes the District to the risk of following an improper purchasing process and increases the risk of errors in payments issued by District due to the lack of proper supervision and monitoring by the Chief Procurement Officer.
RECOMMENDATION	The District should designate an agent to become certified and registered as a Chief Procurement Officer for the District.
RESPONSE	The Superintendent will obtain CPO certification and act as the District's procurement officer.

EXPECTED COMPLETION: 06/30/2019

Responsible Employee: Superintendent

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

An entrance conference was conducted September 11, 2018 in a closed meeting of the Cloudcroft Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Cloudcroft Municipal Schools

Gerold Green	Vice President - Board
Larry Marshall	Business Manager
Lenora Barr	Business Office Support

Beasley, Mitchell & Co., LLP

Avi Chetty	Audit Senior
Ashley Tierney	Audit Staff II

An exit conference was conducted November 14, 2018 in a closed meeting of the Cloudcroft Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Cloudcroft Municipal Schools

Arlan Ponder	Board Member
Tana Daugherty	Superintendent
Larry Marshall	Business Manager
Lenora Barr	Business Office Support

Beasley, Mitchell & Co., LLP

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