



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**COBRE CONSOLIDATED
SCHOOL DISTRICT NO. 2**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2016

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
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For The Year Ended June 30, 2016**

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 COBRE CONSOLIDATED SCHOOL DISTRICT
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**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
Official Roster
As of June 30, 2016**

Board of Educators

Name	Title
Ralph Sepulveda	President
Frank Cordova	Vice-President
Frances Kelly	Secretary
Robert Montoya	Member
Frank Gomez	Member

Administrative Officials

Name	Title
Robert Mendoza	Superintendent
Frank Ryan	Director of Finance
Teresa Holguin	Comptroller

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller, State Auditor and
The Board of Education
Cobre Consolidated School District
Bayard, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Cobre Consolidated School District No. 2 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, fiduciary funds, components of the general fund, and the budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, 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. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, the fiduciary fund, and the components of the general fund of the District as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the components of the general fund, the nonmajor special revenue funds, the debt service funds, and the capital projects funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11, to the financial statements, the 2016 financial statements have been restated due to a restatement of property tax receivables. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the Schedules related to ERB and Net Pension Liabilities, listed as "*Required Supplemental Information*" in the table of contents, 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.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, the schedule of changes in assets and liabilities – agency funds, and the budgetary comparisons. The Schedule of Expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards, and the other schedules listed as “other supplementary information” in the table of contents, required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of federal awards and other schedules listed as “other supplementary information (audited)”* in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures and other schedules listed as “other supplementary information (audited)”* in the table of contents required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The “*other supplementary information (unaudited)*” as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
February 28, 2017

COBRE CONSOLIDATED SCHOOL DISTRICT NO.2
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$	4,361,486
Property taxes receivable		575,136
E-rate receivables		136,055
Inventory		7,592
Total current assets		5,080,269
Non-current assets:		
Land and construction in progress		747,139
Other capital assets, net of accumulated depreciation		43,737,021
Total non-current assets		44,484,160
Total assets		49,564,429
Deferred outflows of resources		
Pension deferral		2,160,224
Total deferred outflows of resources		2,160,224
Total assets and deferred outflows of resources	\$	51,724,653
LIABILITIES		
Current liabilities:		
Accounts payable	\$	2,774
Bonds and notes payable (current portion)		1,075,000
Capital lease payable (current portion)		18,915
Accrued interest payable		79,051
Total current liabilities		1,175,740
Long-term liabilities:		
Net pension liability		19,760,856
Bonds Payable (net current)		6,200,000
Notes payable (net current)		2,500,000
Compensated absences		140,746
Total liabilities		29,777,342
Deferred inflows of resources		
Unavailable revenue		216,990
Pension deferral		725,678
Total deferred inflows of resources		942,668
NET POSITION		
Net investment in capital assets		34,690,245
Restricted for:		
Capital projects		1,300,552
Debt service		1,236,562
Other purposes		938,018
Unrestricted		(17,160,734)
Total net position		21,004,643
Total liabilities, deferred inflows of resources, and net position	\$	51,724,653

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

COBRE CONSOLIDATED SCHOOL DISTRICT No.2
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Program	Expenses	Program Revenues			Net (Expenses),
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues, Total Governmental Activities
Primary government					
Governmental Activities:					
Instruction	\$ 10,581,988	76,728	2,919,245	-	(7,586,015)
Support services - Students	1,982,334	113,087	154,279	-	(1,714,968)
Support services - Instruction	503,850	-	10,916	-	(492,934)
General administration	828,344	-	689	-	(827,655)
School administration	957,163	-	-	-	(957,163)
Central services	406,773	-	-	-	(406,773)
Operation of plant	2,496,897	-	48,333	71,069	(2,377,495)
Food services	931,758	17,794	20,267	-	(893,697)
Transportation	791,952	-	656,602	-	(135,350)
Interest on long-term debt	213,132	-	-	-	(213,132)
Total governmental activities	\$ 19,694,191	207,609	3,810,331	71,069	(15,605,182)

General Revenues:

Taxes:

Property taxes

Levied for general purposes \$ 81,823

Levied for debt service 1,318,014

Levied for capital improvements 488,142

State aid- formula grants 12,065,964

Recoveries and refunds 8,338

Investment earnings 2,315

Access Board (e-Rate) 136,055

-

Total general revenues and transfers 14,100,651

Change in net position (1,504,531)

Net position, beginning 22,138,621

Restatements 370,553

Net position, beginning restated 22,509,174

Net position, ending \$ 21,004,643

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016

	(11000/13000/ 14000) General Fund	Special Revenue Fund (24106) Entitlement	Capital Projects Fund (31100) Bond Building	Debt Service Fund (41000) Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 701,229	185,314	1,300,552	1,206,485	967,906	4,361,486
Accounts receivables						
Property taxes receivable	20,213	-	-	397,902	157,021	575,136
E-rate receivable	136,055	-	-	-	-	136,055
Total accounts receivable	156,268	-	-	397,902	157,021	711,191
Inventory	-	-	-	-	7,592	7,592
Total assets	<u>\$ 857,497</u>	<u>185,314</u>	<u>1,300,552</u>	<u>1,604,387</u>	<u>1,132,519</u>	<u>5,080,269</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 683	-	-	-	2,090	2,773
Total liabilities	<u>683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,090</u>	<u>2,773</u>
Deferred inflows of resources						
Unavailable revenue	146,059	185,314	-	372,180	180,464	884,017
FUND BALANCES						
Nonspendable						
Inventories					7,592	7,592
Restricted						
Education	-	-	-	-	625,948	625,948
Food service	-	-	-	-	158,856	158,856
Social services	-	-	-	-	153,214	153,214
Capital projects	-	-	1,300,552	-	-	1,300,552
Debt service	-	-	-	1,232,207	4,355	1,236,562
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	710,755	-	-	-	-	710,755
Total fund balance	<u>710,755</u>	<u>-</u>	<u>1,300,552</u>	<u>1,232,207</u>	<u>949,965</u>	<u>4,193,479</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 857,497</u>	<u>185,314</u>	<u>1,300,552</u>	<u>1,604,387</u>	<u>1,132,519</u>	<u>5,080,269</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
TO STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

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

Total fund balance - total governmental funds	\$	4,193,479
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		44,484,160
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Bonds and notes payable		(8,700,000)
Net pension related deferrals and liability		(18,326,310)
Other current liabilities (bonds payable) are not available to pay for current period expenditures and therefore are deferred in the funds:		
Bonds payable		(1,075,000)
Compensated absences (less Internal Service Funds)		(140,746)
Lease purchase payable		(18,915)
Accrued interest payable		(79,051)
In order to convert to the full accrual basis of accounting, it is necessary to recognize deferred inflows of property tax revenue as revenue.		667,027
Rounding		(1)
Net position of governmental activities	\$	21,004,643

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund 24106 Entitlement	Capital Project Fund 31100 Bond Building Commission	Debt Service Fund 41000 Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Intergovernmental revenue - local	\$ 120,164	-	-	1,279,950	478,033	1,878,147
Intergovernmental revenue - state	12,949,318	-	-	-	1,009,313	13,958,631
Intergovernmental revenue - federal	140,638	385,884	-	-	1,564,966	2,091,488
Charges for services	113,087	-	-	-	95,622	208,709
Investment earnings	914	-	652	-	504	2,070
Total revenues	<u>13,324,121</u>	<u>385,884</u>	<u>652</u>	<u>1,279,950</u>	<u>3,148,438</u>	<u>18,139,045</u>
EXPENDITURES						
Current:						
Instruction	6,210,934	70,597	-	-	1,250,323	7,531,854
Support services - Students	1,449,068	233,575	-	-	260,261	1,942,904
Support services - Instruction	483,423	-	-	-	10,508	493,931
General administration	597,574	79,012	-	5,595	117,902	800,083
School administration	855,551	-	-	-	76,759	932,310
Central services	396,846	-	-	-	-	396,846
Operation of Plant	2,136,144	-	-	-	343,219	2,479,363
Transportation	705,981	2,700	-	-	116,469	825,150
Food Services	-	-	-	-	922,982	922,982
Other support services	10,803	-	-	-	-	10,803
Debt Service:						
Principal payments	-	-	-	1,050,000	-	1,050,000
Interest payments	-	-	-	220,320	-	220,320
Capital outlay	-	-	4,738	-	148,024	152,762
Total expenditures	<u>\$ 12,846,324</u>	<u>385,884</u>	<u>4,738</u>	<u>1,275,915</u>	<u>3,246,447</u>	<u>17,759,308</u>
Excess (deficiency) of revenues over expenditures	\$ 477,797	-	(4,086)	4,035	(98,009)	379,737
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	477,797	-	(4,086)	4,035	(98,009)	379,737
Fund balances-beginning of year	232,958	-	1,304,638	1,228,172	1,047,974	3,813,742
Restatements	-	-	-	-	-	-
Fund balances-beginning of year, as restated	<u>232,958</u>	<u>-</u>	<u>1,304,638</u>	<u>1,228,172</u>	<u>1,047,974</u>	<u>3,813,742</u>
Fund balances-end of the year	<u>\$ 710,755</u>	<u>-</u>	<u>1,300,552</u>	<u>1,232,207</u>	<u>949,965</u>	<u>4,193,479</u>

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

**COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balance - total governmental funds	\$	379,737
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital expenditures recorded in capital outlay		152,762
Capital expenditures recorded in other expense lines		

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.

(2,849,908)

Property tax not received within 60 days at year end is recorded as a deferred inflow on the fund financial statements, but is recognized as revenue on the government-wide statements.

50,622

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

Capital lease payment		44,001
Principal payments on long-term debt payable		1,050,000

In the Statement of Activities, interest is accrued on outstanding bonds whereas in governmental funds, interest expenditures are reported when due. This is the net change during the year.

7,188

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(36,147)
Pension expense		(302,785)

Rounding

(1)

Change in net position of governmental activities	\$	(1,504,531)
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COBRE CONSOLIDATED SCHOOL DISTRICT No.2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 30,000	30,000	140,638	110,638
State sources	12,931,988	12,931,988	12,813,262	(118,726)
Local sources	197,570	197,570	236,387	38,817
Interest income	833	833	914	81
Total revenues	<u>13,160,391</u>	<u>13,160,391</u>	<u>13,191,201</u>	<u>30,810</u>
EXPENDITURES				
Current:				
Instruction	6,419,776	6,408,878	6,223,975	184,903
Support services - Student	1,426,697	1,421,229	1,343,819	77,410
Support services - Instruction	529,044	525,877	483,423	42,454
General administration	628,894	622,403	598,016	24,387
School administration	891,524	882,674	858,881	23,793
Central services	398,592	403,240	397,709	5,531
Operation of Plant	2,188,723	2,229,230	2,164,422	64,808
Pupil transportation	743,571	730,639	717,081	13,558
Total expenditures	<u>13,226,821</u>	<u>13,224,170</u>	<u>12,787,326</u>	<u>436,844</u>
Excess (deficiency) of revenues over (under) expenditures	(66,430)	(63,779)	403,875	467,654
Beginning fund balance	<u>145,655</u>	<u>145,655</u>	<u>145,655</u>	<u>-</u>
Ending fund balance	\$ <u><u>79,225</u></u>	<u><u>81,876</u></u>	<u><u>549,530</u></u>	<u><u>467,654</u></u>
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 403,875	
To adjust applicable revenue accruals and deferrals			132,921	
To adjust applicable expenditure accruals			<u>(58,999)</u>	
Change in fund balance (GAAP basis)			<u><u>477,797</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No.2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENTITLEMENT - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 357,849	357,849	385,884	28,035
Total revenues	<u>357,849</u>	<u>357,849</u>	<u>385,884</u>	<u>28,035</u>
EXPENDITURES				
Current:				
Instruction	147,849	80,492	70,597	9,895
Support services - Students	130,000	252,361	233,575	18,786
General administration	80,000	80,826	79,012	1,814
Transportation	-	2,700	2,700	-
Total expenditures	<u>357,849</u>	<u>416,379</u>	<u>385,884</u>	<u>30,495</u>
Excess (deficiency) of revenues over (under) expenditures	-	(58,530)	-	58,530
Budgeted cash carryover	-	<u>58,530</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u>\$ -</u>	

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

**COBRE CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS
AND LIABILITIES - AGENCY FUNDS
FIDUCIARY FUNDS
AS OF JUNE 30, 2016**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ <u>176,032</u>
Total Assets	\$ <u><u>176,032</u></u>
 LIABILITIES	
Due to others	\$ <u>176,032</u>
Total Liabilities	\$ <u><u>176,032</u></u>

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

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Description and Reporting Entity

Cobre Consolidated School District No. 2, organized under the laws of the State of New Mexico, operates under the school board-superintendent form of government. The System provides public education opportunities for children from first through twelfth grade, including but not limited to classroom and vocational studies; as well as school oriented social and athletic activities.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Reporting Entity

These financial statements present the District (the primary government). As defined by GAAP, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relations with the District. Based on the criterion in GAAP, the District has no component units.

B. Basis of Presentation

Government-Wide Statements – The Statement of Net Position and the Statement of Activities display information about the government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. The statements also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the *general fund* as a major governmental fund. This 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. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type.

In addition, the District reports the following other major funds:

Governmental funds

- General Fund – The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. Included in the General Fund are sub-funds; Operational, the Unrestricted District Fund; Transportation, which accounts for State source revenue used to transport students; Instructional Materials, which accounts for State Source Funds used to purchase textbooks; and Non-Instructional Support, which accounts for various student extracurricular activities.
- Special Revenue Funds – Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.
- Capital Project Fund – The Capital project Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.
- Debt Service Fund - The *Debt Service Fund* accounts for the District's accumulation of resources for, and the payment of governmental fund debt principal and interest.

The District also reports the following fund types:

- Fiduciary Funds - account for monies held by the District in a custodial capacity. As a result, they do not report operations.
 - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.
 - Agency Funds account for assets held in a purely custodial capacity. Since agency funds are custodial in nature (i.e.) assets equal liabilities, they do not involve the measurements of results of operations. Typically, these funds are owned by clubs, athletic teams, and/or student organizations.

The emphasis in fund financial statements is on the major funds in the governmental category. Non-major funds are summarized into a single column.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in to the government-wide statements.

Major Fund Descriptions

- General – See above description.

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- Entitlement Fund - Entitlement funds are used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).
- Bond Building - Entitlement funds are used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).
- Debt Service – See above description.

C. Measurement Focus and Basis of Accounting.

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item “b” below.

In the fund financial statements, the “current financial resources” measurement focus is used.

a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The government-wide financial statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflows of resources resulting from non-exchange transactions are recognized when the earnings progress is complete.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

a. Accrual: The government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Revenues, expenses, gains, losses, assets, deferred outflows of resources,

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liabilities and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

b. Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

Substantially all governmental fund revenues are accrued. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as deferred outflows of resources by the provider and deferred inflows of resources by the recipient. Grant revenues not collected within 60 days of year end are recorded as receivables and deferred inflows of resources. Such amounts are recorded net of estimated uncollectible accounts.

Property tax receivables are recognized net of estimated refunds and uncollectible amounts in the period for which the taxes are levied, even if they are not available. Property taxes not collected within 60 days of year end are reported as deferred inflows of resources in the fund statements. Property taxes are considered fully collectible.

In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a fully accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources when an expense is incurred and for purposes for which both restricted and unrestricted net positions are available.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by generally government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase use or directly benefit from the goods, services or privileges provided. Revenues in this category include fees charged for specific services, such as attendance at athletic events, food service, copies and auxiliary services. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property taxes, intergovernmental revenues, interest income, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity of six months from the date acquired by the government. State statutes authorize the government to

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invest in obligations of the U.S. Treasury, interest-bearing accounts with local financial institutions and the State Treasurer Pool.

New Mexico Statutes require that financial institutions with public monies on deposit pledge collateral, to the owners of such monies, in an amount not less than 50% of the public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the District. The pledged securities remain in the name of the financial institution. Repurchase agreements are required to be collateralized 102%.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied, net of estimated refunds and uncollectable amounts.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and, except for U.S.D.A. commodities, which are shown at estimated value, are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Inventory in the Cafeteria Fund consists mainly of food items. Inventories, in other governmental fund types, consist primarily of supply-type assets.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. 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). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Asset Type</u>	<u>Years</u>
Buildings	20-50
Software and library resources	3-5
Machinery and equipment	5-10
Improvements	10-20

Unearned/Deferred Revenue

There are two types of unearned revenue. Under both the accrual and 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 a corresponding deferred inflow for deferred revenue. The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available, to finance expenditures of the current fiscal period, and all other eligibility requirements have been met, then the assets must be offset by a corresponding deferred inflow for deferred revenue.

The taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. Except for taxes received in advance or under protest, tax revenue received is distributed within thirty days to other local governmental units and District funds. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally difficult to ascertain at any point in time. Thus, taxes not collected within sixty days’ official year end are carried in the liability section of the balance sheet as deferred revenue on the fund basis financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Government has deferred outflows of resources related to pension funding, as discussed in Note 7.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The amounts are deferred and recognized as an inflow of resources in the

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period that the amounts become available. The fund financial statements report unavailable revenue from the following sources:

	Statement of net Position	Governmental Funds Balance Sheet				Total
		General Fund	Entitlement	Debt Service Fund	Non-Major Governmental Funds	
Advances received Under expenditure driven grants	\$ 216,990	-	185,314	-	31,676	216,990
Property taxes	-	146,059	-	372,180	148,788	667,027
Total	\$ 216,990	146,059	185,314	372,180	180,464	884,017

In addition, the District has deferred inflows of resources related to pension funding, as discussed in Note 7.

Compensated Absences

The District's policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. For fund financial reporting, bond proceeds are reported as another financing source. Payment of principle and interest are reported as debt service expenditures.

Net Position

Equity is classified as net position and displayed in three components on the government-wide financial statements as well as the proprietary fund financial statements:

- *Net investment in capital assets* – 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.
- *Restricted Net Position* – Consist of net position 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.
- *Unrestricted Net Position* – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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GASB Statement 54

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts not in a spendable form, such as prepaid expenses, inventories, or long-term portion of receivables or property held for resale, if the use of the proceeds from the collection/sale of property held for resale is not otherwise constrained. Nonspendable amounts also include amounts legally or contractually required to remain intact, such as the principal of a permanent fund.
- *Restricted* – Amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government).
- *Committed* – Amounts constrained to specific purposes by the governmental entity’s highest level of decision-making authority (the District Commission). To be reported as committed, amounts cannot be used for any other purpose unless the District Commission takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts constrained by the District intends to be used for a specific purpose. Intent can be expressed by the governing body (District Commission) or an official or body to which the governing body delegates authority.
- *Unassigned* – Balances available for any purpose. Positive amounts are reported only in the general fund.

The District Commission establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). The District assigns 2016 fund balance for 2016 projected budgetary deficit per GASB 54, Par 16. FY2016 and FY2016 budget (estimated revenues and expenditures) have no effect on GASB 54 net fund balance.

See Note 10 for additional information about fund balances.

When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expense is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless District Commission or the finance department has provided otherwise in its commitment or assignment actions.

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E. Budgets and Budgetary Accounting

Budgets for the General, Special Revenue, Debt Service and Capital Projects funds are prepared by management and approved by the local school board and the Public Finance School Division of the Department of Education. Included in the General Fund are activity funds which, although not budgeted by the District are considered District funds. Therefore, these non-budgeted activity accounts are excluded from the budgetary comparison statement.

Budgetary Compliance – Actual expenditures may not exceed the budget on a functional category basis, i.e., each budgeted expenditure must be within budgeted amounts.

Budget Amendments – 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 Education Department.

Budgetary Basis – State law prescribes that the District's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

F. Income Taxes

As a local government entity, the District is not subject to federal or state income taxes.

G. Interfund Activity

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 funds are netted as part of the reconciliation to the government-wide financial statements.

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H. Use of Estimates

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

NOTE 2 – RISKS PERTAINING TO CASH AND INVESTMENTS

Custodial Credit Risk Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District funds may not be returned. The District is required to obtain from each bank that is a deposit only for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

As of June 30, 2016, \$2,435,552 of the government bank balance of \$6,316,756 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	<u>2,435,552</u>	
Total uninsured deposits	\$	<u><u>2,435,552</u></u>	
		<u>Bank Balance</u>	<u>Carrying Amount</u>
Deposits by custodial risk category:	\$	6,316,756	4,537,518
Insured		(250,000)	(250,000)
Collateral held by the pledging bank's agent in the District's name		<u>(3,631,204)</u>	<u>(3,531,166)</u>
Uninsured and collateralized	\$	<u><u>2,435,552</u></u>	<u><u>756,352</u></u>

The District does not have a risk policy beyond that required by State Statute.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer, of more than 5%. At June 30, 2016, all deposits were held at the First American Bank.

Credit Risk - The District's investments shall be in accordance with State Law 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any District, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10 NMSA 1978, 6-10-10 NMSA 1978.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District investments. The District's investment policy follows New Mexico State Statute Section 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rated fixed 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.

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Foreign Currency Risk - Deposits and Investments - The District is not exposed to the risk that exchange rates will adversely affect the fair value of an investment as none of the investments pools or certificates of deposit are dominated in a foreign currency.

NOTE 3 – PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property tax rates for the year are set no later than September 1 each year by the Secretary of Finance and Administration. The rates of tax are then used by County Assessors to develop the property tax schedule by October 1. Taxes are payable in equal semiannual installments by November 10 and April 10 of the subsequent year and become delinquent 30 days later. Taxes are collected on behalf of the District by the County Treasurer, and are remitted to the District in the month following collection. Because the Treasurer of the County in which the District is located is statutorily required to collect taxes as an intermediary agency for all forms of government, distribution of taxes are made through the applicable County to the District.

The District is permitted to levy taxes for general operating purposes up to \$.50 per \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the district is allowed to levy taxes for payments of bond principal and interest in amounts approved by voters of the District, as well as a Two Mill Levy for District improvements. The District's total tax rate to finance general government services for the year ended June 30, 2016 was .345 per \$1,000 for non-residential property and .31 for residential property. The District's tax rate for debt service was \$6.095 per \$1,000 for both residential and nonresidential property. The District's tax rate for District improvements was \$1.972 per \$1,000 for residential and \$2.00 for nonresidential property.

NOTE 4 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

GOVERNMENTAL ACTIVITIES	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Non-depreciable capital assets:				
Land	\$ 747,139	-	-	747,139
Construction in progress	-	-	-	-
Total non-depreciable capital assets	<u>747,139</u>	<u>-</u>	<u>-</u>	<u>747,139</u>
Other capital assets:				
Building & improvements	71,550,178	141,074	-	71,691,252
Furniture & equipment	5,121,672	11,688	-	5,133,360
Total other capital assets at historical cost	<u>76,671,850</u>	<u>152,762</u>	<u>-</u>	<u>76,824,612</u>
Less accumulated depreciation for:				
Buildings and improvements	(25,288,415)	(2,761,648)	-	(28,050,063)
Furniture and equipment	(4,949,268)	(88,260)	-	(5,037,528)
Total accumulated depreciation	<u>(30,237,683)</u>	<u>(2,849,908)</u>	<u>-</u>	<u>(33,087,591)</u>
Total capital assets, net of depreciation	<u>\$ 47,181,306</u>	<u>(2,697,146)</u>	<u>-</u>	<u>44,484,160</u>

Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

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Instruction	\$	1,496,083
Student Support		28,205
Instructional Support		42,307
General Administration		225,637
School Administration		14,102
Central Services		7,051
Operations		535,889
Food Services		112,819
Transportation		387,815
	\$	<u>2,849,908</u>

The District has construction commitments totaling approximately \$0 at June 30, 2016.

NOTE 5 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance				Balance	Amount due
	June 30, 2015	Increases	Decreases	Restatement	June 30, 2016	within one
						year
Governmental funds debt						
PSFA Loan	\$ 2,500,000	-	-	-	2,500,000	-
G.O. Bonds, 6/10/2011	8,325,000	-	(1,050,000)	-	7,275,000	1,075,000
Total	<u>10,825,000</u>	<u>-</u>	<u>(1,050,000)</u>	<u>-</u>	<u>9,775,000</u>	<u>1,075,000</u>
Compensated absences payable	\$ 104,599	104,619	(68,472)	-	140,746	-

Annual debt service for bonds payable and PSFA loan requirements are as follows:

Due in fiscal year ending June 30:

	Principal	Interest
2017	\$ 1,075,000	200,533
2018	1,100,000	176,738
2019	1,100,000	148,842
2020	1,000,000	118,826
2021-2024	<u>3,000,000</u>	<u>158,571</u>
	<u>\$ 7,275,000</u>	<u>803,510</u>

No compensated absences are considered due and payable in the next fiscal year.

The District entered into a lease purchase agreement with New Mexico Bank & Trust (NMB&T) on December 2, 2006. The cost of the equipment was \$530,656. The terms of the agreement are quarterly

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payments of \$17,747 beginning April 28, 1998. The interest rate is 5.902%. The maturity date is January 28, 2017. The payments are made from the Energy Efficiency Capital Projects Fund.

A summary of activity in the lease purchase is as follows:

	Balance				Restatement	Balance		Amount due within one year
	June 30, 2015	Increases	Decreases	-		June 30, 2016	-	
NMB&T	\$ 62,916	-	(44,001)	-	18,915	-	18,915	

Net pension liability is discussed further in Note 7.

Bonds are liquidated from the debt service funds and other long-term liabilities are liquidated from the general fund and special revenue funds. No short-term debt was incurred during fiscal year 2016.

General Obligation Bonds

The bonds and bond interest are paid from property tax levies enacted specifically for the debt retirement. The revenues pledged totaled approximately \$8,078,510 at June 30, 2016, and equal 100% of the tax levies enacted to repay the bonded indebtedness. The bonds were sold to erect and furnish facilities for the District. Interest rates range from .671% to 3.57% for individually scheduled retirements, and maturity dates range from 2017 through 2023. The property tax levies expire when the related bond indebtedness is repaid.

During the year ended June 30, 2016, the District recognized approximately \$1,318,014 in property taxes pledged to retire the bonded indebtedness, and retired \$1,270,325 in bond principal and interest.

PSFA Loan – During construction of the Bayard Elementary, the Public Schools Facilities Authority provided advance funding to the District, which is to be repaid within four years from completion of the project, so the loan matures in 2019. The advance does not have an interest component, and is to be repaid with available funds.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The District receives significant financial assistance from federal and state grants and entitlements. 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 District believes that any liabilities resulting from disallowed amounts will not have a material effect on the District's financial statements.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies & General Information about the Pension Plan

Plan description: ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the State's public schools, institutions of

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higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico Legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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 lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

All retired members and beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. 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%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the Cobre Consolidated School District No. 2 are established in state statute under Chapter 10, Article 11, NMSA, 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the Cobre Consolidated School District No. 2 were \$1,140,033 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the Cobre Consolidated School District No. 2 reported a liability of \$19,760,856 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District's proportion was .30508 percent, which was an increase of .00739 from its proportion measured as of June 30, 2015.

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FOR THE YEAR ENDED JUNE 30, 2016**

For the year ended June 30, 2016, the District recognized pension expense of \$1,442,818. At the June 30, 2016, the Cobre Consolidated School District No. 2 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	\$ -	366,348
Changes of assumptions	679,681	-
Net difference between projected and actual earnings on pension plan investments	-	88,949
Change in proportion and differences between the District's contributions and proportionate share of contributions	340,511	270,381
COBRE CONSOLIDATED SCHOOL DISTRICT #2 contributions subsequent to the measurement date	1,140,033	-
Total	\$ 2,160,225	725,678

\$1,140,033 reported as deferred outflows of resources related to pensions resulting from Cobre Consolidated School District #2 contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

Year Ended June 30:	Amount
2017	\$ (73,113)
2018	(45,050)
2019	138,193
2020	274,484

Actuarial assumptions: As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015, incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement

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- benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLA's for most retirees are reduced until ERB attains a 100% funded status.
 4. These assumptions were adopted by ERB on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.
 5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases increase	Composition: 3% inflation, plus 1.25% productivity rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustments projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) Rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) Application of key economic projections (inflation, real growth, dividends, etc.), and 3) Structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2014 for 30-year return assumptions are summarized in the following table:

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<u>All Funds - Asset Class</u>	<u>2016 Long-Term Expected Real Rate of Return</u>	<u>2015 Long-Term Expected Real Rate of Return</u>
Cash	3.00%	3.25%
Treasury's	3.25%	3.50%
IG Corp Credit	5.00%	4.75%
MBS	3.50%	3.75%
Core Bonds	3.89%	3.98%
TIPS	4.00%	4.00%
High Yield Bonds	5.75%	5.75%
Bank Loans	6.00%	6.00%
Global Bonds (Unhedged)	2.75%	2.25%
Global Bonds (Hedged)	2.87%	2.41%
EMD External	6.00%	6.00%
EMD Local Currency	6.50%	6.75%
Large Cap Equities	7.50%	7.50%
Small/Mid Cap	7.75%	7.75%
International Equities (Unhedged)	8.00%	8.00%
International Equities (Hedged)	8.39%	8.47%
Emerging International Equities	9.50%	9.25%
Private Equity	9.50%	9.50%
Private Debt	8.00%	8.00%
Private Real Estate	7.75%	7.75%
Private Estate	6.50%	6.50%
Commodities	5.50%	5.75%
Hedge Funds Low Vol	6.50%	6.75%
Hedge Funds Mod Vol	6.50%	6.75%

Discount Rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015, and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. 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.

Sensitivity of the Cobre Consolidated School District No. 2 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 2015. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were

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 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016**

calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
COBRE CONSOLIDATED SCHOOL DISTRICT No. 2 proportionate share of the net pension liability	\$ 26,589,536	19,760,844	14,024,032

Pension Plan Fiduciary Net Position: Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at www.nmerb.org.

NOTE 8 –POST EMPLOYMENT BENEFITS

Plan Description – Cobre Consolidated School District No. 2 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

Funding Policy – The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHA 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 administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage Plan 1; municipal police member coverage plans, 3,4, or 5; municipal fire member coverage Plan 3,4, or 5; municipal detention officer member coverage Plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the Authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Cobre Consolidated School District No. 2's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014, including employee contributions, were \$245,882, \$260,656, and \$246,134, respectively, which equal the required contributions for each year.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable, it joined together with other school districts in the State and obtained insurance coverage with New Mexico Public Schools Insurance Authority, a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to New Mexico Public Schools Insurance Authority for its general insurance coverage, and all risk of loss is transferred. No losses exceeded insurance in the past three years.

The New Mexico Public Schools Insurance Authority is self-insured for property and liability losses below \$250,000 and purchases excess insurance above the self-insured retention. The self-insured retention aggregate for property is set at \$2,000,000 with a \$1,000,000 stop loss. The self-insured retention aggregate for liability is \$3,000,000 with a \$1,000,000 stop loss.

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10 – RESTRICTED NET POSITION

At June 30, 2016, net positions restricted for other purposes included the following balances in special revenue funds:

Medicaid	\$	90,655
Cafeteria		150,948
Athletics		7,212
PED:		
Child and Adult Food		7,908
SB-9		449,286
School Based Health		62,559
Cobre High School Daycare		131,627
Energy Efficiency		<u>37,823</u>
	\$	<u><u>938,018</u></u>

The District reports restricted positions of \$3,843,337, of which \$3,836,125 is restricted by enabling legislation.

NOTE 11 – RESTATEMENT

A restatement was made to reconcile prior year property tax receivables with the amount reported by the county.

Fund	Fund number	Property taxes receivable originally stated	Restatement	Restated property taxes receivable
Operational fund (part of General fund)	11000	\$ 8,494	9,940	18,434
Debt Service fund	41000	107,210	275,924	383,134
Education technology	43000	6,061	-	6,061
Capital Improvements	31700/32100	<u>32,195</u>	<u>84,689</u>	<u>116,884</u>
Total		<u>\$ 153,960</u>	<u>370,553</u>	<u>524,513</u>

The amounts shown in the restatement only affect the Government-Wide Financial Statements.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

The District participates in the Southwest Regional Education Cooperative No. 10. This regional cooperative center was formed to consolidate the application for and the processing of supplementary federal and state funds. Representatives of the independent school districts, which are members, govern the Cooperative.

The Center obtains grants and allocates them to the member districts. The District has no ongoing financial interest or responsibility in the Cooperative.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Separately issued financial statements of the Cooperative are available from the Cooperative at P.O. Box 952, Truth or Consequences, New Mexico 87901.

NOTE 13 –SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through February 28, 2017, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

NON-MAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Non-major special revenue funds consist of the following:

Cafeteria – Fund used to account for revenues generated by the District as well as the federal assistance received and the related expenditures necessary to provide food services for the district. Required by the New Mexico Department of Education Manual of procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue funds (PSAB, Supplement 17).

Athletics – To account for the revenues received, and the related expenditures incurred, by the District related to athletic functions (PSAB, Supplement 3).

Title I – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide assistance to educationally deprived students in low-income areas of the District. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School districts to be accounted for as a separate fund within the Special Revenue funds (P.L. 103-382).

Pre-School – Fund used to account for federal resources administered by the New Mexico State Department of Education to provide for the special education needs of handicapped children three to five years old. Required by the New Mexico Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund within the Special Revenue Funds (P.L. 94-142 and P.L. 99-457).

English Language – Created to improve the education of limited English proficient children and youths by helping them learn English. (ESEA as amended by the No Child Left Behind Act P.L. No. 107-110).

Teacher Training – Created by P.L. 107-110 to improve teacher and principal quality and ensure that all teachers are highly qualified.

SB-9 – Created by State Law to account for the Districts tax levy restricted solely for improvements to the physical plant NMSA 1978 22-25-1.

Reads to Lead – To provide reading coaches to provide technical assistance and professional development to staff in the District.

Medicaid – To account for the federal assistance to improve primary health care and increase health education (P.L. 105-33).

GRADS - To provide grants to States or Territories to assist needy families with children so that children can be cared for in their own homes; to reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social Security Act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193. The fund was created by state grant provision.

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COBRE CONSOLIDATED SCHOOL DISTRICT
NON-MAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

NON-MAJOR SPECIAL REVENUE FUNDS (CONT.)

Technology for Education – To account for funds used to purchase computers and software for a District-wide student information system and software licensing for computer labs within the District. The program is funded through the Office of Technology for the State of New Mexico. Authorized by the IASA Improving America School Act PL 103-382.

School Based Health Center – To account for funds to provide health services to students. The fund is provided by PED and the State Grants.

Energy Efficiency - To account for revenue pursuant to Public Building Energy Efficiency Act, NMSA 1978 6-23-10. Funds will be utilized to retrofit the District's buildings to provide energy cost savings, and to repay debt associated with the retrofit

Day Care – To account for the federal resources to provide daycare services for the District.

Child Adult Food – To account for the federal resources to provide food services for the District

Dual Credit – To account for the state resources to purchase dual credit instructional materials

2012 GO Bond – To account for the bond- provided resources for library materials.

Elementary Breakfast – To account for the federal resources to provide breakfast to elementary school students.

Kindergarden 3+ -- To account for state-sponsored extension of the school year for grades K-3.

Pre-K initiative – To account for state resources used to provide voluntary preschool.

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
OTHER NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

DEBT SERVICE FUNDS

Interest and Principal (Major fund) – To account for the resources restricted for the payment of interest obligations on general long-term debt and for the retirement of general obligation bonds as they mature.

Ed Tech Debt Service – 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.

CAPITAL PROJECTS FUNDS

Special Capital Outlay – State – To account for the State resources to be used for specific construction projects.

Bond Building (Major fund) – To account for bond proceeds plus any income earned thereon. The proceeds are restricted for the purposes of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

AGENCY FUNDS

Agency Fund – To account for monies held in a custodial account (assets equal liabilities) for the benefit of others. Individual accounts are identified by name in the supporting schedule section of this report.

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
AS OF JUNE 30, 2016

	Special Revenue Funds	Debt Service Fund	Total Non-major Funds
	Total	43000 Ed Tech Debt Service	
ASSETS			
Cash and cash equivalents	\$ 963,729	4,177	967,906
Property taxes receivable	128,165	28,856	157,021
Inventory	7,592	-	7,592
Total assets	<u>\$ 1,099,486</u>	<u>33,033</u>	<u>1,132,519</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,090	-	2,090
Total Liabilities	<u>2,090</u>	<u>-</u>	<u>2,090</u>
Deferred inflows of resources	<u>151,786</u>	<u>28,678</u>	<u>180,464</u>
FUND BALANCES			
Nonspendable			-
Inventories	7,592	-	7,592
Restricted			
Education	625,948	-	625,948
Food service	158,856	-	158,856
Social services	153,214	-	153,214
Debt service	-	4,355	4,355
Total fund balance	<u>945,610</u>	<u>4,355</u>	<u>949,965</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,099,486</u>	<u>33,033</u>	<u>1,132,519</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Captial Project Funds	Debt Service Funds	Non-Major Funds
		31400 Special Capital Outlay State	43000 Ed Tech Debt Service	
	Total			Total
REVENUES				
Taxes	\$ 476,861	-	749	477,610
Intergovernmental revenue - state	987,137	22,176	-	1,009,313
Intergovernmental revenue - federal	1,564,966	-	-	1,564,966
Charges for services	95,622	-	-	95,622
Investment earnings	504	-	-	504
Other revenue	423	-	-	423
Total revenues	<u>3,125,513</u>	<u>22,176</u>	<u>749</u>	<u>3,148,438</u>
EXPENDITURES				
Current:				
Instruction	1,250,323	-	-	1,250,323
Support services - Student	260,261	-	-	260,261
Support services - Instruction	10,508	-	-	10,508
General administration	117,894	-	8	117,902
School administration	76,759	-	-	76,759
Operation of Plant	343,219	-	-	343,219
Food services	922,982	-	-	922,982
Transportation	116,469	-	-	116,469
Capital Outlay	125,848	22,176	-	148,024
Total Expenditures	<u>3,224,263</u>	<u>22,176</u>	<u>8</u>	<u>3,246,447</u>
Excess (deficiency) of revenues over expenditures	(98,750)	-	741	(98,009)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(98,750)	-	741	(98,009)
Fund balances-beginning of year	1,044,360	-	3,614	1,047,974
Restatements	-	-	-	-
Fund balances-beginning of year, as restated	<u>1,044,360</u>	<u>-</u>	<u>3,614</u>	<u>1,047,974</u>
Fund balances-end of the year	<u>\$ 945,610</u>	<u>-</u>	<u>4,355</u>	<u>949,965</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
AS OF JUNE 30, 2016

	(21000)	(22000)	(24101)	(24109)
	Cafeteria	Athletics	Title I	Preschool
ASSETS				
Cash and cash equivalents	\$ 150,948	7,212	2,000	21,676
Property taxes receivable	-	-	-	-
Inventory	7,592	-	-	-
Total assets	<u>\$ 158,540</u>	<u>7,212</u>	<u>2,000</u>	<u>21,676</u>
LIABILITIES AND FUND BALANCES				
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>21,676</u>
FUND BALANCES				
Nonspendable				
Inventories	7,592			
Restricted				
Education	-	7,212	-	-
Food service	150,948	-	-	-
Social services	-	-	-	-
Total fund balance	<u>158,540</u>	<u>7,212</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 158,540</u>	<u>7,212</u>	<u>2,000</u>	<u>21,676</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (continued)
AS OF JUNE 30, 2016

	(25171) Child and Adult Food	(25149/28203) GRADS Plus	(25153) Medicaid	(29130) School Based Health
ASSETS				
Cash and cash equivalents	\$ 7,908	8,000	90,655	62,559
Property taxes receivable	-	-	-	-
Total assets	<u>\$ 7,908</u>	<u>8,000</u>	<u>90,655</u>	<u>62,559</u>
LIABILITIES AND FUND BALANCES				
Deferred inflows of resources	-	8,000	-	-
FUND BALANCES				
Nonspendable				
Inventories	-	-	-	-
Restricted				
Education	-	-	-	-
Food service	7,908	-	-	-
Social services	-	-	90,655	62,559
Total fund balance	<u>7,908</u>	<u>-</u>	<u>90,655</u>	<u>62,559</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,908</u>	<u>8,000</u>	<u>90,655</u>	<u>62,559</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No.2
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS (continued)
AS OF JUNE 30, 2016

	(25141/24118)	(31700/32100)	(31800)
	Day Care	SB-9	Energy Efficiency
ASSETS			
Cash and cash equivalents	\$ 131,627	443,321	37,823
Property taxes receivable	-	128,165	-
Inventory	-	-	-
Total assets	<u>\$ 131,627</u>	<u>571,486</u>	<u>37,823</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	2,090	-
Total liabilities	<u>-</u>	<u>2,090</u>	<u>-</u>
Deferred inflows of resources	<u>-</u>	<u>120,110</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Inventories	-	-	-
Restricted			
Education	131,627	449,286	37,823
Food service	-	-	-
Social services	-	-	-
Total fund balance	<u>131,627</u>	<u>449,286</u>	<u>37,823</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 131,627</u>	<u>571,486</u>	<u>37,823</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	21000	22000	24101	24104	24153
	Cafeteria	Athletics	Title 1	Preschool	English Language
REVENUES					
Intergovernmental revenue - federal	794,822	-	460,578	5,375	20,277
Charges for services	17,795	55,083	-	-	-
Investment earnings	82	13	-	-	-
Other revenue	-	423	-	-	-
Total revenues	<u>812,699</u>	<u>55,519</u>	<u>460,578</u>	<u>5,375</u>	<u>20,277</u>
EXPENDITURES					
Current:					
Instruction	-	72,407	332,980	3,909	19,796
Support services - Student	-	-	207	537	-
General administration	-	-	103,461	929	422
School administration	-	-	7,721	-	59
Food services	908,827	-	-	-	-
Transportation	-	-	16,209	-	-
Total Expenditures	<u>908,827</u>	<u>72,407</u>	<u>460,578</u>	<u>5,375</u>	<u>20,277</u>
Excess (deficiency) of revenues over expenditures	(96,128)	(16,888)	-	-	-
Other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(96,128)	(16,888)	-	-	-
Fund balances-beginning of year	254,668	24,100	-	-	-
Fund balances-end of the year	<u>\$ 158,540</u>	<u>7,212</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (continued)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	24154 Teacher Training	25171 Child and Adult Food	25163 Medicaid	27114 Reads to Lead	27103 Dual Credit
REVENUES					
Intergovernmental revenue - state	\$ -	-	-	96,990	7,650
Intergovernmental revenue - federal	82,585	6,113	154,279	-	-
Total revenues	<u>82,585</u>	<u>6,113</u>	<u>154,279</u>	<u>96,990</u>	<u>7,650</u>
EXPENDITURES					
Current:					
Instruction	77,241	-	-	96,990	7,650
Support services - Student	-	(1,795)	180,653	-	-
General administration	4,635	-	-	-	-
School administration	709	-	-	-	-
Total Expenditures	<u>82,585</u>	<u>(1,795)</u>	<u>180,653</u>	<u>96,990</u>	<u>7,650</u>
Excess (deficiency) of revenues over expenditures	-	7,908	(26,374)	-	-
Other financing sources (uses)	-	-	-	-	-
Net change in fund balance		7,908	(26,374)	-	-
Fund balances-beginning of year	-	-	117,029	-	-
Fund balances-end of the year	<u>\$ -</u>	<u>7,908</u>	<u>90,655</u>	<u>-</u>	<u>-</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (continued)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				
	27107 2012 GO Bond Student Library	27155 Elementary Breakfast	27166 Kindergarten 3+	27149 Pre-K Initiative	29130 School Based Health
REVENUES					
Intergovernmental revenue - state	\$ 10,508	14,155	202,949	597,992	-
Total revenues	<u>10,508</u>	<u>14,155</u>	<u>202,949</u>	<u>597,992</u>	<u>-</u>
EXPENDITURES					
Current:					
Instruction	-	-	163,617	457,783	-
Support services - Student	-	-	3,970	-	-
Support services - Instruction	10,508	-	-	-	-
General administration	-	-	-	6,384	-
School administration	-	-	19,580	48,690	-
Operation of Plant	-	-	657	-	-
Food services	-	14,155	-	-	-
Transportation	-	-	15,125	85,135	-
Total Expenditures	<u>10,508</u>	<u>14,155</u>	<u>202,949</u>	<u>597,992</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balances-beginning of year	-	-	-	-	62,559
Fund balances-end of the year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,559</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (continued)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds			
	25141/24118 Day Care	28203 GRADS Plus	31700/32100 SB-9	31800 Energy Efficiency
REVENUES				
Taxes	\$ -	-	476,861	-
Intergovernmental revenue - state	-	8,000	-	48,893
Intergovernmental revenue - federal	40,937	-	-	-
Charges for services	22,744	-	-	-
Investment earnings	-	-	409	-
Total revenues	<u>63,681</u>	<u>8,000</u>	<u>477,270</u>	<u>48,893</u>
EXPENDITURES				
Current:				
Instruction	9,950	8,000	-	-
Support services - Student	76,689	-	-	-
General administration	-	-	2,063	-
Operation of Plant	-	-	342,562	-
Capital Outlay:	-	-	79,780	46,068
Total Expenditures	<u>86,639</u>	<u>8,000</u>	<u>424,405</u>	<u>46,068</u>
Excess (deficiency) of revenues over expenditures	(22,958)	-	52,865	2,825
Other financing sources (uses)	-	-	-	-
Net change in fund balance	(22,958)	-	52,865	2,825
Fund balances-beginning of year	154,585	-	396,421	34,998
Restatements	-	-	-	-
Fund balances-beginning of year, as restated	<u>154,585</u>	<u>-</u>	<u>396,421</u>	<u>34,998</u>
Fund balances-end of the year	<u>\$ 131,627</u>	<u>-</u>	<u>449,286</u>	<u>37,823</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
COMBINING BALANCE SHEET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	11000	13000	14000		
	Operational	Transportation	Instructional Materials	Non-Instructional Support	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 483,770	-	65,761	151,698	701,229
Receivables, net	156,269	-	-	-	156,269
Intergovernmental receivables	-	-	-	-	-
Total assets	<u>640,039</u>	<u>-</u>	<u>65,761</u>	<u>151,698</u>	<u>857,498</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 684	-	-	-	684
Total liabilities	<u>684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>684</u>
Deferred inflows of resources					
Non-exchange transactions	146,059	-	-	-	146,059
Deferred inflows of resources	<u>146,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,059</u>
NET POSITION					
Unrestricted	493,296	-	65,761	151,698	710,755
Total net position	<u>493,296</u>	<u>-</u>	<u>65,761</u>	<u>151,698</u>	<u>710,755</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 640,039</u>	<u>-</u>	<u>65,761</u>	<u>151,698</u>	<u>857,498</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT NO. 2
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	11000	13000	14000		
	Operational	Transportation	Instructional Materials	Non-Instructional Support	Total
REVENUES					
Intergovernmental revenue - local	\$ 120,164	-	-	-	120,164
Intergovernmental revenue - state	12,207,362	656,602	85,354	-	12,949,318
Intergovernmental revenue - federal	140,638	-	-	-	140,638
Charges for services	-	-	-	113,087	113,087
Investment earnings	914	-	-	-	914
Total revenues	<u>12,469,078</u>	<u>656,602</u>	<u>85,354</u>	<u>113,087</u>	<u>13,324,121</u>
EXPENDITURES					
Current:					
Instruction	6,138,020	-	72,914	-	6,210,934
Support services - Students	1,343,818	-	-	105,250	1,449,068
Support services - Instruction	483,423	-	-	-	483,423
General administration	597,574	-	-	-	597,574
School administration	855,551	-	-	-	855,551
Central services	396,846	-	-	-	396,846
Operation of Plant	2,136,144	-	-	-	2,136,144
Transportation	49,379	656,602	-	-	705,981
Other support services	10,803	-	-	-	10,803
Total expenditures	<u>\$ 12,011,558</u>	<u>656,602</u>	<u>72,914</u>	<u>105,250</u>	<u>12,846,324</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 457,520</u>	<u>-</u>	<u>12,440</u>	<u>7,837</u>	<u>477,797</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	457,520	-	12,440	7,837	477,797
Fund balances-beginning of year	35,776	-	53,321	143,861	232,958
Restatements	-	-	-	-	-
Fund balances-beginning of year, as restated	<u>35,776</u>	<u>-</u>	<u>53,321</u>	<u>143,861</u>	<u>232,958</u>
Fund balances-end of the year	<u>\$ 493,296</u>	<u>-</u>	<u>65,761</u>	<u>151,698</u>	<u>710,755</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND/OPERATIONAL
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 30,000	30,000	140,638	110,638
State sources	12,313,514	12,313,514	12,198,258	(115,256)
Local sources	70,437	70,437	109,435	38,998
Interest income	833	833	914	81
Total revenues	12,414,784	12,414,784	12,449,245	34,461
EXPENDITURES				
Current:				
Instruction	6,297,260	6,269,450	6,151,061	118,389
Support services - Student	1,426,697	1,421,229	1,343,818	77,411
Support services - Instruction	529,044	525,877	483,423	42,454
General administration	628,894	622,403	598,016	24,387
School administration	891,524	882,674	858,881	23,793
Central services	398,592	403,240	397,710	5,530
Operation of Plant	2,188,723	2,229,230	2,164,422	64,808
Pupil transportation	22,700	49,877	49,675	202
Other support services	43,706	24,160	10,803	13,357
Total expenditures	12,427,140	12,428,140	12,057,809	370,331
Excess (deficiency) of revenues over (under) expenditures	(12,356)	(13,356)	391,436	404,792
Budgeted cash carryover	12,356	13,356		
Ending fund balance	\$ -	-		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 391,436	
To adjust applicable revenue accruals and deferrals			19,833	
To adjust applicable expenditure accruals			46,251	
Change in fund balance (GAAP basis)			\$ 457,520	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND/TRANSPORTATION
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ 677,165	677,165	656,602	(20,563)
Total revenues	<u>677,165</u>	<u>677,165</u>	<u>656,602</u>	<u>(20,563)</u>
EXPENDITURES				
Pupil transportation	<u>677,165</u>	<u>656,602</u>	<u>656,602</u>	<u>-</u>
Total expenditures	<u>677,165</u>	<u>656,602</u>	<u>656,602</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	20,563	-	(20,563)
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Ending fund balance	\$ <u>-</u>	<u>20,563</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u>-</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND/INSTRUCTIONAL MATERIALS
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ 68,442	68,442	85,354	16,912
Total revenues	<u>68,442</u>	<u>68,442</u>	<u>85,354</u>	<u>16,912</u>
EXPENDITURES				
Instruction	122,516	139,428	72,914	66,514
Total expenditures	<u>122,516</u>	<u>139,428</u>	<u>72,914</u>	<u>66,514</u>
Excess (deficiency) of revenues over (under) expenditures	(54,074)	(70,986)	12,440	83,426
Budgeted cash carryover	<u>54,074</u>	<u>70,986</u>		
Ending fund balance	\$ <u> -</u>	<u> -</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 12,440	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u> -</u>	
Change in fund balance (GAAP basis)			<u>\$ 12,440</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAFETERIA - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - Federal	\$ 900,000	900,000	794,822	(105,178)
Charges for services	21,000	21,000	17,795	(3,205)
Investment earnings	100	100	82	(18)
Total revenues	<u>921,100</u>	<u>921,100</u>	<u>812,699</u>	<u>(108,401)</u>
EXPENDITURES				
Food services	<u>1,156,190</u>	<u>1,156,190</u>	<u>908,932</u>	<u>247,258</u>
Total expenditures	<u>1,156,190</u>	<u>1,156,190</u>	<u>908,932</u>	<u>247,258</u>
Excess (deficiency) of revenues over (under) expenditures	(235,090)	(235,090)	(96,233)	138,857
Budgeted cash carryover	<u>235,090</u>	<u>235,090</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (96,233)	
To adjust applicable expenditure accruals			<u>105</u>	
Change in fund balance (GAAP basis)			<u><u>\$ (96,128)</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ATHLETICS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 68,532	68,532	55,083	(13,449)
Investment earnings	19	19	13	(6)
Other revenue	-	-	423	423
Total revenues	<u>68,551</u>	<u>68,551</u>	<u>55,519</u>	<u>(13,032)</u>
EXPENDITURES				
Instruction	<u>95,688</u>	<u>95,688</u>	<u>72,407</u>	<u>23,281</u>
Total expenditures	<u>95,688</u>	<u>95,688</u>	<u>72,407</u>	<u>23,281</u>
Excess (deficiency) of revenues over (under) expenditures	(27,137)	(27,137)	(16,888)	10,249
Budgeted cash carryover	<u>27,137</u>	<u>27,137</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (16,888)	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u><u>\$ (16,888)</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TITLE I - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - Local	\$ 496,070	496,070	461,028	(35,042)
Total revenues	<u>496,070</u>	<u>496,070</u>	<u>461,028</u>	<u>(35,042)</u>
EXPENDITURES				
Current:				
Instruction	383,658	371,784	332,980	38,804
Support services - Student	-	657	657	-
General administration	94,662	106,418	103,461	2,957
School administration	-	7,721	7,721	-
Pupil transportation	<u>17,750</u>	<u>17,750</u>	<u>16,209</u>	<u>1,541</u>
Total expenditures	<u>496,070</u>	<u>504,330</u>	<u>461,028</u>	<u>43,302</u>
Excess (deficiency) of revenues over (under) expenditures	-	(8,260)	-	8,260
Budgeted cash carryover	<u>-</u>	<u>8,260</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			(450)	
To adjust applicable expenditure accruals			<u>450</u>	
Change in fund balance (GAAP basis)			<u>\$ -</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PRESCHOOL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - Federal	\$ 14,921	14,921	5,375	(9,546)
Total revenues	<u>14,921</u>	<u>14,921</u>	<u>5,375</u>	<u>(9,546)</u>
EXPENDITURES				
Instruction	8,000	19,000	3,909	15,091
Support services - Student	6,500	3,526	537	2,989
General administration	421	8,082	929	7,153
Total expenditures	<u>14,921</u>	<u>30,608</u>	<u>5,375</u>	<u>25,233</u>
Excess (deficiency) of revenues over (under) expenditures	-	(15,687)	-	15,687
Budgeted cash carryover	<u>-</u>	<u>15,687</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u><u>\$ -</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SB-9 - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 421,121	421,121	476,861	55,740
Investment earnings	<u>396</u>	<u>396</u>	<u>409</u>	<u>13</u>
Total revenues	<u>421,517</u>	<u>421,517</u>	<u>477,270</u>	<u>55,753</u>
EXPENDITURES				
General administration	2,065	2,065	2,063	2
Operation of Plant	362,688	500,242	340,632	159,610
Capital outlay	<u>595,473</u>	<u>495,473</u>	<u>79,620</u>	<u>415,853</u>
Total expenditures	<u>960,226</u>	<u>997,780</u>	<u>422,315</u>	<u>575,465</u>
Excess (deficiency) of revenues over (under) expenditures	(538,709)	(576,263)	54,955	631,218
Budgeted cash carryover	<u>538,709</u>	<u>576,263</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 54,955	
To adjust applicable expenditure accruals			<u>(2,090)</u>	
Change in fund balance (GAAP basis)			<u>\$ 52,865</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENGLISH LANGUAGE ACQUISITION - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - Federal	\$ 11,515	11,515	20,277	8,762
Total revenues	<u>11,515</u>	<u>11,515</u>	<u>20,277</u>	<u>8,762</u>
EXPENDITURES				
Instruction	11,289	22,093	19,796	2,297
General administration	226	806	422	384
School administration	-	350	59	291
Total expenditures	<u>11,515</u>	<u>23,249</u>	<u>20,277</u>	<u>2,972</u>
Excess (deficiency) of revenues over (under) expenditures	-	(11,734)	-	11,734
Budgeted cash carryover	<u>-</u>	<u>11,734</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u><u>-</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
TEACHER/PRINCIPAL TRAINING - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - Federal	\$ -	-	82,585	82,585
Total revenues	<u>-</u>	<u>-</u>	<u>82,585</u>	<u>82,585</u>
EXPENDITURES				
Instruction	-	89,580	77,241	12,339
General administration	-	10,865	4,635	6,230
School administration	-	20,909	709	20,200
Total expenditures	<u>-</u>	<u>121,354</u>	<u>82,585</u>	<u>38,769</u>
Excess (deficiency) of revenues over (under) expenditures	-	(121,354)	-	121,354
Budgeted cash carryover	<u>-</u>	<u>121,354</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u><u>-</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
NM READS TO LEAD K-3 - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ 97,500	97,500	96,990	(510)
Total revenues	<u>97,500</u>	<u>97,500</u>	<u>96,990</u>	<u>(510)</u>
EXPENDITURES				
Instruction	97,500	97,500	96,990	510
Total expenditures	<u>97,500</u>	<u>97,500</u>	<u>96,990</u>	<u>510</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u><u>\$ -</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
MEDICAID - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

		<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES					
Intergovernmental revenue - Federal	\$	<u>100,000</u>	<u>100,000</u>	<u>154,279</u>	<u>54,279</u>
Total revenues		<u>100,000</u>	<u>100,000</u>	<u>154,279</u>	<u>54,279</u>
EXPENDITURES					
Support services - Student		<u>182,379</u>	<u>182,379</u>	<u>180,653</u>	<u>1,726</u>
Total expenditures		<u>182,379</u>	<u>182,379</u>	<u>180,653</u>	<u>1,726</u>
Excess (deficiency) of revenues over (under) expenditures		(82,379)	(82,379)	(26,374)	56,005
Budgeted cash carryover		<u>82,379</u>	<u>82,379</u>		
Ending fund balance	\$	<u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP					
Change in fund balance (Budget Basis)				\$ (26,374)	
To adjust applicable revenue accruals and deferrals				-	
To adjust applicable expenditure accruals				<u>-</u>	
Change in fund balance (GAAP basis)				<u><u>\$ (26,374)</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DUAL CREDIT INSTRUCTIONAL MATERIALS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ -	-	7,650	7,650
Total revenues	<u>-</u>	<u>-</u>	<u>7,650</u>	<u>7,650</u>
EXPENDITURES				
Instruction	-	7,650	7,650	-
Total expenditures	<u>-</u>	<u>7,650</u>	<u>7,650</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(7,650)	-	7,650
Budgeted cash carryover	<u>-</u>	<u>7,650</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u><u>-</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
PRE-K INITIATIVE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ 533,868	533,868	597,992	64,124
Total revenues	<u>533,868</u>	<u>533,868</u>	<u>597,992</u>	<u>64,124</u>
EXPENDITURES				
Instruction	390,410	457,783	457,783	-
General administration	5,338	6,384	6,384	-
School administration	53,120	48,690	48,690	-
Pupil transportation	85,000	85,135	85,135	-
Total expenditures	<u>533,868</u>	<u>597,992</u>	<u>597,992</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(64,124)	-	64,124
Budgeted cash carryover	<u>-</u>	<u>64,124</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u><u>-</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DAY CARE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - Federal	\$ 43,725	43,725	40,937	(2,788)
Total revenues	<u>43,725</u>	<u>43,725</u>	<u>40,937</u>	<u>(2,788)</u>
EXPENDITURES				
Support services - Student	151,028	151,028	76,689	74,339
Total expenditures	<u>151,028</u>	<u>151,028</u>	<u>76,689</u>	<u>74,339</u>
Excess (deficiency) of revenues over (under) expenditures	(107,303)	(107,303)	(35,752)	71,551
Budgeted cash carryover	<u>107,303</u>	<u>107,303</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (35,752)	
To adjust applicable revenue accruals and deferrals			22,744	
To adjust applicable expenditure accruals			<u>(9,950)</u>	
Change in fund balance (GAAP basis)			<u><u>\$ (22,958)</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SCHOOL BASED HEALTH - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES	\$			
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
General supplies and materials	<u>62,559</u>	<u>62,559</u>	<u>-</u>	<u>62,559</u>
Total expenditures	<u>62,559</u>	<u>62,559</u>	<u>-</u>	<u>62,559</u>
Excess (deficiency) of revenues over (under) expenditures	(62,559)	(62,559)	-	62,559
Budgeted cash carryover	<u>62,559</u>	<u>62,559</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u><u>-</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CHILD AND ADULT FOOD PROGRAM - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - Federal	\$ 5,665	5,665	6,113	448
Total revenues	<u>5,665</u>	<u>5,665</u>	<u>6,113</u>	<u>448</u>
EXPENDITURES				
Support services - Student	19,920	19,920	11,444	8,476
Total expenditures	<u>19,920</u>	<u>19,920</u>	<u>11,444</u>	<u>8,476</u>
Excess (deficiency) of revenues over (under) expenditures	(14,255)	(14,255)	(5,331)	8,924
Budgeted cash carryover	<u>14,255</u>	<u>14,255</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (5,331)	
To adjust applicable expenditure accruals			<u>13,239</u>	
Change in fund balance (GAAP basis)			<u><u>\$ 7,908</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
KINDERGARDEN 3+ - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	271,228	271,228	202,949	(68,279)
Total revenues	\$ 271,228	271,228	202,949	(68,279)
EXPENDITURES				
Instruction	225,293	163,617	163,617	-
Support services - Student	3,570	3,970	3,970	-
School administration	25,675	19,579	19,579	-
Operation of Plant	815	658	658	-
Pupil transportation	15,125	15,125	15,125	-
Total expenditures	270,478	202,949	202,949	-
Excess (deficiency) of revenues over (under) expenditures	750	68,279	-	(68,279)
Budgeted cash carryover	-	-		
Ending fund balance	\$ 750	68,279		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ -	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BREAKFAST FOR ELEMENTARY STUDENTS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - State	\$ -	-	14,155	14,155
Total revenues	<u>-</u>	<u>-</u>	<u>14,155</u>	<u>14,155</u>
EXPENDITURES				
Food service	-	14,781	14,155	626
Total expenditures	<u>-</u>	<u>14,781</u>	<u>14,155</u>	<u>626</u>
Excess (deficiency) of revenues over (under) expenditures	-	(14,781)	-	14,781
Budgeted cash carryover	<u>-</u>	<u>14,781</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u>-</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GRADS PLUS - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ -	-	8,000	8,000
Total revenues	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
EXPENDITURES				
Instruction	-	8,000	8,000	-
Total expenditures	<u>-</u>	<u>8,000</u>	<u>8,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(8,000)	-	8,000
Budgeted cash carryover	<u>-</u>	<u>8,000</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u>-</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ENERGY EFFICIENCY - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental revenue - State	\$ 48,893	48,893	48,893	-
Total revenues	<u>48,893</u>	<u>48,893</u>	<u>48,893</u>	<u>-</u>
EXPENDITURES				
Capital outlay	83,892	83,892	46,068	37,824
Total expenditures	<u>83,892</u>	<u>83,892</u>	<u>46,068</u>	<u>37,824</u>
Excess (deficiency) of revenues over (under) expenditures	(34,999)	(34,999)	2,825	37,824
Budgeted cash carryover	<u>34,999</u>	<u>34,999</u>		
Ending fund balance	\$ <u>-</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 2,825	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u>\$ 2,825</u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
BOND BUILDING - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Investment earnings	\$ 608	608	652	44
Total revenues	<u>608</u>	<u>608</u>	<u>652</u>	<u>44</u>
EXPENDITURES				
Capital outlay	1,263,389	1,263,389	4,738	1,258,651
Total expenditures	<u>1,263,389</u>	<u>1,263,389</u>	<u>4,738</u>	<u>1,258,651</u>
Excess (deficiency) of revenues over (under) expenditures	(1,262,781)	(1,262,781)	(4,086)	1,258,695
Budgeted cash carryover	<u>1,262,781</u>	<u>1,262,781</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (4,086)	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			\$ <u><u>(4,086)</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL CAPITAL OUTLAY STATE - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - State	\$ -	-	22,176	22,176
Total revenues	<u>-</u>	<u>-</u>	<u>22,176</u>	<u>22,176</u>
EXPENDITURES				
Capital outlay	-	22,176	22,176	-
Total expenditures	<u>-</u>	<u>22,176</u>	<u>22,176</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	(22,176)	-	22,176
Budgeted cash carryover	<u>-</u>	<u>22,176</u>		
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ -	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			<u>-</u>	
Change in fund balance (GAAP basis)			<u><u>\$ -</u></u>	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue - Local	\$ 1,148,913	1,148,913	1,279,950	131,037
Total revenues	1,148,913	1,148,913	1,279,950	131,037
EXPENDITURES				
General administration	-	5,596	5,595	1
Debt Service:				
Principal payments	1,050,000	1,050,000	1,050,000	-
Interest payments	220,325	220,325	220,320	5
Total expenditures	1,270,325	1,275,921	1,275,915	6
Excess (deficiency) of revenues over (under) expenditures	(121,412)	(127,008)	4,035	131,043
Budgeted cash carryover	121,412	127,008		
Ending fund balance	\$ -	-		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 4,035	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			-	
Change in fund balance (GAAP basis)			\$ 4,035	

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

COBRE CONSOLIDATED SCHOOL DISTRICT No.2
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EDUCATION TECHNOLOGY - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

		Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
REVENUES					
Intergovernmental revenue - Local	\$	<u>3,822</u>	<u>3,822</u>	<u>749</u>	<u>(3,073)</u>
Total revenues		<u>3,822</u>	<u>3,822</u>	<u>749</u>	<u>(3,073)</u>
EXPENDITURES					
General administration		<u>8,342</u>	<u>8,342</u>	<u>8</u>	<u>8,334</u>
Total expenditures		<u>8,342</u>	<u>8,342</u>	<u>8</u>	<u>8,334</u>
Excess (deficiency) of revenues over (under) expenditures		(4,520)	(4,520)	741	5,261
Budgeted cash carryover		<u>4,520</u>	<u>4,520</u>		
Ending fund balance	\$	<u><u>-</u></u>	<u><u>-</u></u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP					
Change in fund balance (Budget Basis)				\$ 741	
To adjust applicable revenue accruals and deferrals				-	
To adjust applicable expenditure accruals				<u>-</u>	
Change in fund balance (GAAP basis)				<u>\$ 741</u>	

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

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COBRE CONSOLIDATED SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF ERB FUND DIVISION;
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*

	2015	2016
The District's proportion of the net pension liability (asset) (%)	0.29769%	0.30508%
The District's proportionate share of the net pension liability (asset) (\$)	\$ 16,985,381	19,760,856
The District's covered-employee payroll	\$ 8,205,328	8,329,661
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%	237%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%

*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 District will present information for those years for which information is available.

See Note 11 for Notes to Required Supplementary Information

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COBRE CONSOLIDATED SCHOOL DISTRICT'S CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
ERB FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*

	2015	2016
Contractually required contribution	\$ 1,173,109	1,140,033
Contributions in relation to the contractually required contribution	1,173,109	1,140,033
Contribution deficiency (excess)	\$ -	-
The District's covered-employee payroll	\$ 8,439,369	8,329,661
Contributions as a percentage of covered-employee payroll	13.90%	13.69%

* 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 those years for which information is available.

See Note 11 for Notes to Required Supplementary Information

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Changes in benefit terms -- The Cola and retirement eligibility benefits changes in recent years are described in the **Benefits Provided** subsection of the financial statement note disclosure **General Information on the Pension Plan**

Changes of Assumptions

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. Fiscal year 2015 valuation assumptions that changed based on this study:

- a. Lower wage inflation from 4.25% to 3.75%
- b. Lower population growth from .50% to zero

2 Assumptions that were not changed:

- a. Maintain in current 3.00% inflation assumption
- b. Retain net 4.75% real return assumption
- c. Retain 7.75% nominal return assumption
- d. No change to COLA assumption of 2.00% per year
- e. Maintain current payroll growth assumption of 3.5%

See also the **Actuarial Assumptions** subsection of the financial statement note disclosure **General Information on the Pension Plan**.

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Balance			Balance
	June 30, 2015	Receipts	Disbursements	June 30, 2016
ASSETS				
Cash and cash equivalents				
Cobre High School	\$ 83,922	275,102	(265,752)	93,272
Snell Middle School	28,033	64,273	(50,543)	41,763
Bayard Elementary	1,608	5,808	(5,132)	2,284
Central Elementary	6,092	17,182	(18,798)	4,476
Hurley Elementary	42	500	(489)	53
All Students	35,837	16,791	(18,444)	34,184
Total assets	\$ 155,534	379,656	(359,158)	176,032
LIABILITIES				
Deposits held for others:				
Cobre High School	\$ 83,922	275,102	(265,752)	93,272
Snell Middle School	28,033	64,273	(50,543)	41,763
Bayard Elementary	1,608	5,808	(5,132)	2,284
Central Elementary	6,092	17,182	(18,798)	4,476
Hurley Elementary	42	500	(489)	53
All Students	35,837	16,791	(18,444)	34,184
Total liabilities	\$ 155,534	379,656	(359,158)	176,032

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

COBRE CONSOLIDATED SCHOOL DISTRICT No.2
SCHEDULE OF COLLATERAL
AS OF JUNE 30, 2016

			First American Bank	Total
Checking and CD's			\$ <u>6,316,756</u>	<u>6,316,756</u>
Total on deposit			6,316,756	6,316,756
(Less) FDIC insurance			<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds			<u>6,066,756</u>	<u>6,066,756</u>
50% collateralization requirement (Section 6-10-17 NMSA)			<u>3,033,378</u>	<u>3,033,378</u>
 Pledged Securities:				
Carlsbad, NM	142735DG1	8/1/2016	\$ 235,320	235,320
FNMA	3136G14N6	6/28/2017	1,000,010	1,000,010
Ruidoso, NM	781338HQ4	8/1/2020	423,740	423,740
Gadsden, NM	362550MF9	8/15/2022	1,077,356	1,077,356
MBS FHLMC	3128MC6M2	5/1/2026	306,821	306,821
MBS FNMA	3138E0SD2	12/1/2026	535,436	535,436
Bernalillo, NM	085279PK7	8/1/2019	<u>52,521</u>	<u>52,521</u>
Total pledged securities			<u>3,631,204</u>	<u>3,631,204</u>
Pledged securities over (under) requirement			\$ <u>597,826</u>	<u>597,826</u>

Securities pledged by First American Bank are held by the Federal Home Loan Bank in Dallas, TX. Safekeeping receipts are held by the District.

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
SCHEDULE OF INDIVIDUAL DEPOSIT ACCOUNTS AND INVESTMENTS
AS OF JUNE 30, 2016

<u>First American Bank</u>	<u>Type of Account</u>	<u>Bank Balance</u>	<u>Reconciled Balance</u>
Operational	Checking	\$ 624,271	483,770
Cafeteria	Checking	192,183	150,948
Payroll	Checking	1,737,135	-
Debt Service	Checking	1,210,662	1,210,662
SB-9	Checking	418,378	388,314
Bond Building	Checking	1,300,552	1,300,552
Special Projects	Checking	397,143	606,960
Athletics	Checking	8,693	7,212
Activity	Checking	<u>427,739</u>	<u>389,101</u>
Total First American Bank		<u>6,316,756</u>	<u>4,537,519</u>
 Total cash and investments		 <u>\$ 6,316,756</u>	 <u>4,537,519</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

#	Contract Number	Participants	Responsible Party for Operations	Beginning and Ending Dates	Scope of Work	Total Estimated Amount of Project	Contribution June 30, 2015	Audit Responsibility	Revenues and Expenditures Reported
1		Cobre Consolidated School District No. 2 and the Southwest Regional Education Cooperative #10	The District as well as the SW REC	To be renewed each fiscal year	Participants agree to work together to establish and maintain cooperative programs of educational under various federal and state authorising statutes	Varies year to year and is based upon program awards	Based upon program awards	SW REC	SW REC
2		Cobre Consolidated School District No. 2 and SW REC		Until project is complete		Based upon program awards	Based upon program awards	Southwest Regional Education Cooperative # 10	Southwest Regional Education Cooperative # 10

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
ALL FUNDS BY SCHOOL DISTRICT CLASSIFICATION
AS OF JUNE 30, 2016

	Operational	Transportation	Instructional Materials	Activity	Food Services
Total cash and investments as of July 1, 2015	\$ 92,334	-	53,321	143,861	247,181
Add: Current year receipts	12,458,376	656,602	85,354	113,087	812,699
Less: Current year expenditures	(12,057,000)	(656,602)	(72,914)	(105,250)	(908,932)
Total cash and investments as of June 30, 2016	<u>\$ 493,710</u>	<u>-</u>	<u>65,761</u>	<u>151,698</u>	<u>150,948</u>

	Athletics	Agency	Federal Flowthrough	Federal Direct	State Flowthrough
Total cash and investments as of July 1, 2015	\$ 24,100	155,534	208,991	284,853	-
Add: Current year receipts	55,519	-	954,699	224,072	919,735
Less: Current year expenditures	(72,407)	20,498	(954,699)	(278,735)	(919,735)
Total cash and investments as of June 30, 2016	<u>\$ 7,212</u>	<u>176,032</u>	<u>208,991</u>	<u>230,190</u>	<u>-</u>

	Local or State Fund	Bond Building	Special Capital Outlay State	SB-9	Energy Efficiency
Total cash and investments as of July 1, 2015	\$ 62,559	1,304,638	-	388,366	34,998
Add: Current year receipts	-	652	22,176	465,990	48,893
Less: Current year expenditures	-	(4,738)	(22,176)	(326,346)	(46,068)
Total cash and investments as of June 30, 2016	<u>\$ 62,559</u>	<u>1,300,552</u>	<u>-</u>	<u>528,010</u>	<u>37,823</u>

	Debt Service	Ed Tech Debt Service	State Direct	Total
Total cash and investments as of July 1, 2015	\$ 1,202,450	3,436	8,000	4,214,622
Add: Current year receipts	1,265,182	(22,046)	8,000	18,068,990
Less: Current year expenditures	(985,223)	22,787	(8,000)	(17,375,540)
Total cash and investments as of June 30, 2016	<u>\$ 1,482,409</u>	<u>4,177</u>	<u>8,000</u>	<u>4,908,072</u>

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

COBRE CONSOLIDATED SCHOOL DISTRICT No. 2
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Project/ Pass-Through Number</u>	<u>Award Amount</u>	<u>Expenditures</u>	<u>Accrued or (Unearned) Revenue at June 30, 2016</u>
<u>U.S. Dept of Education</u>					
Passed through N.M. Public Education Department:					
Title I Grants to Lea's	84.010	24.101	\$ 537,429	461,028	461,028
Special Education-Grants to States	84.027	24.106	370,833	385,884	385,884
Special Education-Grants to Preschool Grants	84.173	24.109	10,339	5,375	5,375
English Language Acquisition Grants	84.365	24.153	5,679	20,277	20,277
Teacher Quality State Grants	84.367	24.154	<u>58,833</u>	<u>82,585</u>	<u>82,585</u>
Total U.S. Dept of Education			<u>983,113</u>	<u>955,149</u>	<u>955,149</u>
<u>U.S. Dept of Agriculture</u>					
Direct Programs:					
Schools and Roads-Forest Reserve	10.665	N/A	102,759	97,657	97,657
Passed through Public Education Department of New Mexico					
National School Lunch Program	10.555	21 SSO	520,847	498,867	498,867
Summer Lunch Program for Children	10.559	21 SSO	38,160	8,025	8,025
Child and Adult Food	10.558	25.171	10,752	11,443	11,443
School Breakfast Program	10.553	21.000	301,712	287,931	287,931
Passed through N.M. Department of Human Services:					
Emergency Food Assistance Program	10.569	25.171	<u>43,935</u>	<u>49,866</u>	<u>49,866</u>
Total U.S. Dept of Agriculture			<u>1,018,165</u>	<u>953,789</u>	<u>953,789</u>
<u>U.S. Department of Health and Human Services</u>					
Passed Through N.M. Dept. of Human Services:					
Child Care and Development	93.596	25.141	43,309	76,689	76,689
Medical Assistance Program	93.778	25.153	<u>108,958</u>	<u>180,653</u>	<u>180,653</u>
Total U.S. Department of Human Services			<u>152,267</u>	<u>257,342</u>	<u>257,342</u>
Total Federal Expenditures			<u>\$ 2,153,545</u>	<u>2,166,280</u>	<u>2,166,280</u>

* denotes major program

Reconciliation of Schedule of Expenditures of Federal Awards to Governmental Fund Financial Statements

Total federal awards expended per the Schedule of Expenditures of Federal Awards	\$ 2,166,280
Total expenditures funded by other sources	<u>15,593,028</u>
Total expenditures funded by other sources	\$ 17,759,308

**COBRE CONSOLIDATED SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grants activity of Cobre Consolidated School District No. 2, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 Emergency Food Assistance

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The District received \$49,866 in commodities during the 2015-2016 fiscal year.

Note 3 Insurance

The District had the following insurance coverage during the year ended June 30, 2016:

Worker's compensation	\$	1,050,000
Property damage		500,000,000
Liability		10,000,000
Vehicle		1,000,000

Note 4 Subrecipients

The organization provided no federal awards presented above to sub-recipients during the year.

Note 5 Indirect Cost Rate

The organization did not use the 10 percent de minimis indirect cost rate.

**COBRE CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2016**

Agency Number	Agency Name	Agency Type	RFB#/RFP# / State-Wide Price Agreement #	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address of ALL Vendor(s) that responded	Did the Vendor provide documentation of eligibility for in-state preference?	Did the vendor provide documentation of eligibility for veteran's reference?	Brief Description of Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
7018	Cobre Consolidated School District	Schools	2014-05-20FS	Request for Proposal	SW Foodservice Excellence LLC	Winner	\$72,000.00	N/A	SW Foodservice Excellence LLC 9304 Raintree Dr. Suite 110, Scottsdale AZ 85260	No	No	Management of Food Service Operations	N/A
7018	Cobre Consolidated School District	Schools	2014-12-05SP	Request for Proposal	Amplified Therapy Inc.	Winner	Year 1 \$38,044.30 Year 2 \$80,564.40	N/A	Amplified Therapy Inc. PO Box 86 Cliff, NM 88028	No	No	Ancillary Service in the are of speech and language	N/A
7018	Cobre Consolidated School District	Schools	N/A		Porter Transportation	Winner	\$588,202.81	N/A	N/A	No	No	Transportation	N/A
7018	Cobre Consolidated School District	Schools	N/A	N/A N/A	Montoya Transportation	Winner	\$178,738.00	N/A	N/A	No	No	Transportation	N/A

**INDEPENDENT AUDITOR'S REPORT INDEPENDENT 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**

Mr. Tim Keller, State Auditor and
The Board of Education
Cobre Consolidated School District
Bayard, New Mexico

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 Cobre Consolidated School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District, presented as supplementary information, and have issued our report thereon dated February 28, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002 that we consider to be a significant deficiency.

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 certain instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



Hinkle + Landers, P.C.
Albuquerque, NM
February 28, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Mr. Tim Keller, State Auditor and
The Board of Education
Cobre Consolidated School District
Bayard, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Cobre Consolidated School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our

audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
February 28, 2017

**STATE OF NEW MEXICO
 COBRE CONSOLIDATED SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- 1. Type of auditor's report issued **Unmodified**
- 1. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? Yes
 - c. Noncompliance material to the financial statements noted? No

Federal Awards:

- 1. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified not considered to be material weaknesses? No
- 2. Type of auditor's report issued on compliance for major programs **Unmodified**
- 3. Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a) No
- 4. Identification of major programs:

CFDA Number	Name of Federal Programs	Funding Source
84.010	Title I Grants to Local Educational Agencies	Department of Education

- 5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
- 6. Auditee qualified as low-risk auditee? Yes

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<u>Reference #</u>	<u>Finding</u>	<u>Status of Prior Year Findings</u>	<u>Type of Finding</u>
Prior Year Findings			
	NONE		
Current Year Findings			
2016-001	STAFF QUALIFICATIONS AND PAYROLL DOCUMENTATION	CURRENT	G
2016-002	CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY	CURRENT	B,G
2016-003	LATE AUDIT REPORT	CURRENT	G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance Related to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC, or other entity compliance

2016-001—STAFF QUALIFICATIONS AND PAYROLL DOCUMENTATION

Type of Finding: G

Statement of Condition

During internal control testwork, we sampled 25 payroll transactions and noted the following:

- The Special Education Director did not possess the proper licensure for his position.
- 1 Form I-9 was not found.

Criteria

NMAC 6.62.1 through 6.62.2 outlines the requirements of licensure for administrators. Specifically, 22-10A-11. Level three licensure; tracks for teachers and school administrators.

Effect

The School is not in compliance with applicable requirements noted above under Criteria.

Cause

The School did not adequate have internal controls in place to ensure all licensure and other documentation for its employees was properly in place.

Recommendation

We recommend the District develop and implement internal control procedures to ensure all required documents are obtained for its personnel.

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Management's Response:

Previous administration did not adhere to sound hiring practices. There was neither regard for qualifications nor fair opportunities for open or newly created positions.

An I-9 form was missing, although there are thorough checklists of documents for personnel files. High importance is placed on complete files.

Corrective Action Plan Timeline:

The corrective action has already been implemented. The Special Education Director has since retired from the district, and the duties have been assigned to a licensed school administrator.

Personnel files will continue to be monitored closely for completeness.

Designation Of Employee Position Responsible For Meeting Deadline:
Superintendent

2016-002–CERTIFICATION OF CAPITAL ASSETS ANNUAL INVENTORY

Type of Finding: B, G

Statement of Condition

The District did not conduct an annual physical inventory of its capital assets consisting of those with a historical cost of five thousand dollars or more as of June 30, 2016, as required by State Statute.

Also, the detail list of capital assets appears to contain items that need to be removed, although it appears the net effect of historical cost less accumulated depreciation appears accurate.

Criteria

12-6-10(A) NMSA Annual Inventory requires that all state agencies, municipalities, counties and every political subdivision of the state must conduct an annual physical audit of its fixed (capital) assets with a historical cost of \$5,000 or more. Also, the results of the physical inventory shall be recorded in a written inventory report, certified as to the correctness and signed by the top governing official of the agency.

Effect

The inventory and monitoring of capital assets must be maintained otherwise capital assets may go missing by theft or misplacement.

Cause

The District did not have sufficient staff to adequately perform this function.

Recommendation

We recommend the following:

The District take a physical inventory of capital assets and remove items that do not appear to be with the Organization any more.

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COBRE CONSOLIDATED SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

The District identify items that are still with the District but are considered obsolete or impaired.

Certify the that the inventory is correct and that it be signed by the top governing official of the District, i.e. the Superintendent.

Management Response

The district's Business Office staff operates very shorthanded. There are more and more demands placed on the staff each year, making it difficult to continue to operate in an efficient manner. Although a formal physical inventory has not been performed, there are procedures in place whereby school site staff such as secretaries, librarians and custodial staff are responsible for reporting removal of assets from their sites. Items on the fixed asset list that may be obsolete or impaired, and have been fully depreciated were not removed because of other demands placed on personnel. The increasing workload demands come from internal sources, the New Mexico Public Education Department, the State of New Mexico, and from the Federal Government. Maintenance personnel will need to be shifted from other assigned duties to assist with completion of physical inventory.

Corrective Action Plan Timeline:

Corrective action is estimated to be implemented no later than 6/30/2017.

Designation Of Employee Position Responsible For Meeting Deadline:

Chief Procurement Officer

2016-003-LATE AUDIT REPORT

Type of Finding: G

Statement of Condition

The audit report for the Department's fiscal year ended June 30, 2016 was not submitted by the November 15, 2016 due date. The audit report was submitted March 1, 2017.

Criteria

OSA Rule 2.2.2.10.I.(4) establishes a due date of November 15, 2016 for submission of this audit report to the Office of the State Auditor.

Effect

The report was not submitted as required. Without the audit report being delivered on time, fund and regulatory agencies as well as legislative committees do not have the financial data available to make funding decisions.

Cause

Key deliverables were not submitted to the auditor by the District in time to complete the audit by the due date.

Recommendation

We recommend the District submit the required deliverable in time for the auditors to complete their procedures to ensure a timely completion of the annual audit.

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Management Response

The district's Business Office staff operates very shorthanded. There are more and more demands placed on the staff each year, making it difficult to continue to operate in an efficient manner. The increasing workload demands come from internal sources, the New Mexico Public Education Department, the State of New Mexico, and from the Federal Government. With continually decreasing budgets, it is difficult to meet the deadline. Next year we expect the audit to go smoother and we will be ready to meet the deliverables earlier so the audit we be completed on time.

Finding resolved timeline:

February 28, 2017

Designated of employee position responsible for meeting this deadline:

Director of Finance

**STATE OF NEW MEXICO
COBRE CONSOLIDATED SCHOOL DISTRICT
Other Disclosures
Year Ended June 30, 2016**

A. PREPARATION OF FINANCIAL STATEMENTS

Presentation: The accompanying financial statements are the responsibility of the District and are based on information from the District's financial records. Assistance was provided by Hinkle + Landers, PC to the District in preparing the financial statements.

B. EXIT CONFERENCE

The contents of the report for Cobre Consolidated School District were discussed in a closed session on February 28, 2017. The following individuals were in attendance.

<u>Name</u>	<u>Title</u>	<u>Affiliation</u>
Ralph Sepulveda	Board President	Cobre Consolidated Schools
Robert Mendoza	Superintendent	Cobre Consolidated Schools
Frank Ryan	Director of Finance	Cobre Consolidated Schools
Farley Vener	President	Hinkle + Landers