

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS**

**Audited Financial Statements
and Other Financial Information**

June 30, 2017

**FLOYD MUNICIPAL SCHOOLS
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**FLOYD MUNICIPAL SCHOOLS
OFFICIAL ROSTER**

BOARD OF EDUCATION

Leon Nall	President
Jeff Essary	Vice President
Vicki Banister	Secretary
Clovis Gray	Member
Steven Cain	Member

SCHOOL OFFICIALS

Damon Terry	Superintendent
Margie Plummer	Business Manager

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To Timothy Keller
New Mexico State Auditor

The Board of Education
Floyd Municipal Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Floyd Municipal Schools (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions* on pages 53-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

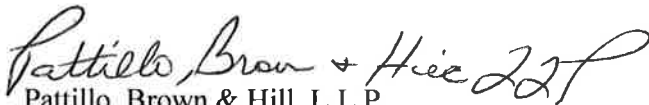
Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules 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 other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in related to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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



Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
August 28, 2017

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 June 30, 2017**

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	GOVERNMENTAL ACTIVITIES
LIABILITIES	
Current liabilities	
Compensated leave	4,888
<i>Total current liabilities</i>	<u>4,888</u>
Noncurrent Liabilities	
Compensated leave	7,250
Net pension liability	4,135,071
<i>Total noncurrent liabilities</i>	<u>4,142,321</u>
<i>Total liabilities</i>	<u>4,147,209</u>
DEFERRED INFLOWS	
Pension related	186,451
<i>Total deferred inflows</i>	<u>186,451</u>
NET POSITION	
Investment in capital assets	1,880,984
Restricted for:	
Instruction	28,996
Capital projects	232,314
Unrestricted	<u>(3,646,405)</u>
<i>Total net position</i>	<u>\$ (1,504,111)</u>

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
BALANCE SHEETS - GOVERNMENTAL FUNDS
June 30, 2017**

	GENERAL 11000-14000	FOOD SERVICES 21000
	<u> </u>	<u> </u>
ASSETS		
<i>Current assets</i>		
Cash	\$ 12,662	-
Accounts receivable		
Due from other governments	-	-
Interfund receivables	106,587	-
Inventory	-	1,748
<i>Total assets</i>	<u>\$ 119,249</u>	<u>1,748</u>
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities</i>		
Unearned revenue	\$ -	-
Interfund payables	-	49,878
<i>Total liabilities</i>	<u>-</u>	<u>49,878</u>
 <i>Deferred Inflows</i>		
Unavailable revenue	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
 <i>Fund balances (deficit)</i>		
Nonspendable	-	1,748
Restricted	4,321	-
Unassigned	114,928	(49,878)
<i>Total fund balance (deficit)</i>	<u>119,249</u>	<u>(48,130)</u>
 <i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 119,249</u>	<u>1,748</u>

TITLE I 24101	IDEA-B ENTITLEMENT 24106	READS TO LEAD 27114	SENATE BILL 9 31700	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
-	-	-	227,548	57,271	297,481
11,229	20,862	22,643	4,766	1,975	61,475
-	-	-	-	-	106,587
-	-	-	-	-	1,748
<u>11,229</u>	<u>20,862</u>	<u>22,643</u>	<u>232,314</u>	<u>59,246</u>	<u>467,291</u>
-	-	-	-	-	-
<u>11,229</u>	<u>20,862</u>	<u>22,643</u>	<u>-</u>	<u>1,975</u>	<u>106,587</u>
<u>11,229</u>	<u>20,862</u>	<u>22,643</u>	<u>-</u>	<u>1,975</u>	<u>106,587</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,748
-	-	-	232,314	57,271	293,906
-	-	-	-	-	65,050
-	-	-	232,314	57,271	360,704
<u>11,229</u>	<u>20,862</u>	<u>22,643</u>	<u>232,314</u>	<u>59,246</u>	<u>467,291</u>

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**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 June 30, 2017**

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 360,704
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	1,880,984
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	587,861
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds	
Compensated absences	(12,138)
Net pension liability	(4,135,071)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds	<u>(186,451)</u>
Net position of governmental activities	\$ <u><u>(1,504,111)</u></u>

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

	GENERAL 11000-14000	FOOD SERVICES 21000
Revenues		
Residential/non-residential taxes	\$ 8,432	-
Rent and leases	21,733	-
Fees-activities	-	-
Fees-users	1,200	9,308
State grants	2,322,321	-
Federal grants	-	91,490
Interest income	53	-
Miscellaneous	52,892	-
<i>Total revenues</i>	<u>2,406,631</u>	<u>100,798</u>
Expenditures		
Current		
Instruction	1,590,734	-
Support services		
Students	103,956	-
Instruction	125,305	-
General administration	162,542	-
School administration	46,039	-
Central services	40,610	-
Operations & maintenance of plant	408,147	-
Student transportation	100,214	-
Food services-operations	30,722	123,908
Capital outlay	-	-
<i>Total expenditures</i>	<u>2,608,269</u>	<u>123,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(201,638)</u>	<u>(23,110)</u>
Other financing sources (uses)		
Operating transfers	8,550	-
<i>Total other financing sources (uses)</i>	<u>8,550</u>	<u>-</u>
Net change in fund balances	(193,088)	(23,110)
Fund balances, beginning of year	<u>312,337</u>	<u>(25,020)</u>
Fund balances, end of year	<u>\$ 119,249</u>	<u>(48,130)</u>

TITLE I 24101	IDEA-B ENTITLEMENT 24106	READS TO LEAD 27114	SENATE BILL 9 31700	OTHER GOVERNMENTAL FUNDS	TOTAL
-	-	-	35,747	-	44,179
-	-	-	-	-	21,733
-	-	-	-	10,313	10,313
-	-	-	-	-	10,508
-	-	93,798	68,321	201,146	2,685,586
45,726	53,436	-	-	41,386	232,038
-	-	-	-	-	53
-	-	-	-	-	52,892
<u>45,726</u>	<u>53,436</u>	<u>93,798</u>	<u>104,068</u>	<u>252,845</u>	<u>3,057,302</u>
45,726	14,567	93,798	-	49,993	1,794,818
-	38,870	-	-	29,551	172,377
-	-	-	-	-	125,305
-	-	-	374	-	162,916
-	-	-	-	-	46,039
-	-	-	-	-	40,610
-	-	-	-	-	408,147
-	-	-	-	-	100,214
-	-	-	-	4,335	158,965
-	-	-	16,905	133,959	150,864
<u>45,726</u>	<u>53,437</u>	<u>93,798</u>	<u>17,279</u>	<u>217,838</u>	<u>3,160,255</u>
-	(1)	-	86,789	35,007	(102,953)
-	-	-	208	(8,758)	-
-	-	-	208	(8,758)	-
-	(1)	-	86,997	26,249	(102,953)
-	1	-	145,317	31,022	463,657
<u>-</u>	<u>-</u>	<u>-</u>	<u>232,314</u>	<u>57,271</u>	<u>360,704</u>

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

	<u>GOVERNMENTAL FUNDS</u>
Amounts reported for governmental activities in the statements of activities are different because:	
Net change in fund balances - total governmental funds	\$ (102,953)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.	(40,979)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in deferred inflows related to property taxes	(218)
Change in accrued compensated absences	(6,601)
Change in net pension liability	<u>(100,634)</u>
Change in net position	\$ <u><u>(251,385)</u></u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
GENERAL FUND - 11000, 12000, 13000, 14000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 8,118	8,118	8,432	314
Rent and leases	8,320	8,320	21,733	13,413
Fees-users	1,200	1,200	1,200	-
State grants	2,413,393	2,397,690	2,354,628	(43,062)
Interest income	30	30	53	23
Miscellaneous	41,000	41,000	52,892	11,892
<i>Total revenues</i>	<u>2,472,061</u>	<u>2,456,358</u>	<u>2,438,938</u>	<u>(17,420)</u>
Cash balance budgeted	<u>313,582</u>	<u>313,582</u>	-	<u>(313,582)</u>
<i>Total revenues and cash</i>	<u>2,785,643</u>	<u>2,769,940</u>	<u>2,438,938</u>	<u>(331,002)</u>
Expenditures				
Current				
Instruction	1,624,076	1,622,043	1,587,531	34,512
Support services				
Students	155,216	155,216	103,956	51,260
Instruction	132,932	132,932	125,305	7,627
General administration	174,575	174,575	162,542	12,033
School administration	46,416	46,416	46,039	377
Central services	41,556	41,556	40,610	946
Operations & maintenance of plant	427,404	427,404	408,147	19,257
Student transportation	101,555	101,555	96,208	5,347
Food service - operations	33,170	33,170	30,722	2,448
<i>Total expenditures</i>	<u>2,736,900</u>	<u>2,734,867</u>	<u>2,601,060</u>	<u>133,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,743</u>	<u>35,073</u>	<u>(162,122)</u>	<u>(197,195)</u>
Other financing sources				
Operating transfers	-	-	8,550	(8,550)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>8,550</u>	<u>(8,550)</u>
Net change in fund balances	<u>48,743</u>	<u>35,073</u>	<u>(153,572)</u>	<u>(153,572)</u>
Cash or fund balance June 30, 2015	<u>-</u>	<u>-</u>	<u>313,582</u>	<u>313,582</u>
Cash or fund balance June 30, 2016	<u>\$ 48,743</u>	<u>35,073</u>	<u>160,010</u>	<u>160,010</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(32,307)	
Adjustments to expenditures			(7,209)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (193,088)</u>	

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

	<u>AGENCY FUNDS</u>
ASSETS	
<i>Current assets</i>	
Cash	\$ <u>57,446</u>
<i>Total assets</i>	\$ <u><u>57,446</u></u>
 LIABILITIES	
<i>Current liabilities</i>	
Deposits held in trust for others	\$ <u>57,446</u>
<i>Total liabilities</i>	\$ <u><u>57,446</u></u>

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Floyd Municipal School District (District) is a special purpose government corporation governed by an elected five-member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Village of Floyd and surrounding area. The District is responsible for all activities related to public elementary and secondary school education within its jurisdiction. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations Are Component Units*, and No. 80, *Blending Requirements for Certain Component Units*. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The additional criteria of GASB Statement No. 80 also requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member.

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

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Floyd Municipal School District's management who is responsible for their integrity and objectivity. The financial statements of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the school district.

For the most part, the effect of interfund activity has been removed from these statements. The Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities which rely, to a significant extent, on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Under the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

FOOD SERVICES – To account for funding for the school hot lunch program. Funding is provided by fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, New Mexico Statutes Annotated, State Law 22-13-13.

IASA TITLE I – To account for funding for remedial instruction in language arts for educationally deprived students in low- income areas. Funds are received from the Federal Government through the New Mexico State Department of Education under the Elementary and Secondary Education Act of 1965, Title I, Chapter I, part A, 20 U.S.C. 2701 et seq.

IDEA-B ENTITLEMENT– To account for a federal grant restricted for the operation and maintenance of meeting the special education needs of children with disabilities. Authority for the creation of this fund is the Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-630, and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

READS TO LEAD – To account for funds received to 1) increase the quality of reading instruction; 2) provide a screening assessment for use in planning data-driven instruction; 3) provide quality professional development for administrators, reading coaches, and teachers; 4) ensure that districts/charter schools have a comprehensive plan for addressing literacy instruction; and 5) reach out to parents and families with free resources in English and Spanish to support children’s reading at home. Authority for the creation of this fund is New Mexico House Bill 2.

SENATE BILL-9 – To account for a 2.0 mill levy restricted by board resolution for erecting, remodeling, making additions to, providing equipment for, and furnishing school buildings, improving school grounds and maintenance of school buildings and grounds, exclusive of salary expense of employees. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. Reported as a capital projects fund.

The government also reports the following fund types:

Governmental funds:

Nonmajor Special Revenue Funds - The District accounts for resources restricted to, or designated for, a specific purpose by the District or a grantor in a special revenue fund.

Nonmajor Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Fiduciary funds:

Agency Funds - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes.

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

Assets, Liabilities, and Net Position or Equity

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

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow the above investment policies.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the school district. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The State Board of Finance shall set the rate of interest on non-demand interest-bearing accounts, 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 date of deposit.

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

The District's property taxes are levied each year on the assessed valuation of property located in the District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund, and SB - 9. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories: The food inventories are valued at cost using the first-in/first-out (FIFO) method. USDA Commodities are recorded at estimated costs. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 per Section 12-6-10 NMSA 1978, and an estimated useful life extending beyond a single reporting period. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction expenditures paid by the New Mexico Public Facilities Authority are included in the District's disclosures and financial statements when appropriate.

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

Buildings & Improvements	25-75 years
Equipment & Vehicles	5-50 years

Unearned Revenue: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences: The District has provided a compensated leave program to its twelve month employees. Upon severance, a qualifying employee may receive payment for unused leave up to the amount accrued in each of the two prior years.

Indirect Costs: The District's General Fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the Special Revenue Funds. They are shown as expenditures in the Special Revenue Funds, and as other special federal revenue in the General Fund.

Salaries and Wages: The District pays all salaries and wages due to teachers on or before June 30th of each year.

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

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

Net Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation 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: Consists 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. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects".

Unrestricted Net Position: All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-wide Statement of Net Position reports \$261,310 of restricted net position of which \$261,310 is restricted by enabling legislation.

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – the difference between assets and liabilities in the governmental fund financial statements. Fund balance is among the most widely and frequently used information in state and local government financial reports. GASB developed Statement No. 54 to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standards establish a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used.

Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

Nonspendable – portion of net resources that cannot be spent because of their form or because they must remain intact.

Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation.

Committed – amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority.

Assigned – amounts a government intends to use for a particular purpose.

Unassigned – amounts that are not constrained at all will be reported in the general fund.

Statement No. 54 also clarifies the definitions of individual governmental fund types. It interprets certain terms within the definition of special revenue fund types, while further clarifying the debt service and capital projects fund type definitions. The final standard also specifies how economic stabilization or “rainy-day” amounts should be reported.

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

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 8-25, NMSA 1978) is at least equal to the school district's program cost".

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$2,208,370 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency.

The District records only the portion of the taxes considered to be 'measurable' and 'available'. The District recognized \$43,961 in tax revenues during the year ended June 30, 2017. Descriptions of the individual capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Roosevelt County collects County, City, and School taxes and distributes them to each fund once per month except in June when taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the "to and from" school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$101,555 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) received federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$12,396.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District also receives reimbursement under the National School Lunch Program for its food services operations.

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$40,979 difference is as follows:

Capital Outlay	\$ 115,606
Depreciation Expense	<u>(156,585)</u>
Net adjustments to increase net changes in fund balances – total government funds to arrive at changes in net position of governmental activities	<u>\$ (40,979)</u>

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts and the state directed activities fund are not budgeted. Additionally, the State Directed Activities fund (27200) was not budgeted.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be appropriated in the budget of the subsequent fiscal year. The budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year. Such appropriated balance is legally restricted and is therefore presented as a reserved portion of fund balance.

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

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

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

- In April or May, the Superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education.
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, the local Board of Education and the State of New Mexico Department of Education must approve any revisions that alter the total expenditures of any fund.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.
- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2017 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. CASH AND TEMPORARY INVESTMENTS

At June 30, 2017, the carrying amount of the District's deposits was \$297,481 and the bank balance was \$495,801. Of this balance \$250,000 was covered by federal depository insurance and \$245,801 was covered by collateral held in joint safekeeping by a third party in the entity's name.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution.

The collateral pledged is shown as listed in the table of contents of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Sections 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

NOTE 5. CUSTODIAL CREDIT RISK - DEPOSITS

The State Treasurer monitors pledged collateral related to most state agency bank accounts. Pledged collateral information specific to the District is not available because the bank commingles pledged collateral for all state funds it holds.

Custodial risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the District's deposits totaling \$495,801 were exposed to custodial credit risk.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. DUE TO AND FROM OTHER FUNDS

Interfund loans as of year-end for the government's individual major funds and non-major funds in the aggregate, include the following:

Due to Operational Fund	
Food Services	\$ 49,878
Title I	11,229
IDEA-B Entitlement	20,862
Reads to Lead	22,643
Preschool IDEA-B	1,975
Total due to Operational Fund	\$ <u>106,587</u>

The balance of \$106,587 resulted from loans made to establish working capital for the individual funds. All loans are considered to be repaid within one year.

Net operating transfers made to close out funds, to supplement other funding sources, and to repay previous transfers were as follows:

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Operational Fund (11000)	\$ 8,550	-
Senate Bill 9 (31700)	208	-
Next Generation Assessments (27185)	-	8,550
Capital Outlay State (31400)	12,000	-
Capital Outlay 20% (32100)	-	12,208
Total	\$ <u>20,758</u>	<u>20,758</u>

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year there was no deferred revenue.

NOTE 7. RECEIVABLES

Due from other governments:	
Title I	\$ 11,229
IDEA-B Entitlement	20,862
Reads to Lead	22,643
Senate Bill 9	4,766
Preschool IDEA-B	1,975
Total due from other governments	\$ <u>61,475</u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance 6/30/2016	Increases	Decreases	Transfers	Balance 6/30/2017
Capital assets, not depreciated					
Land	\$ 5,000	-	-		5,000
Total not depreciated	5,000	-	-	-	5,000
Capital assets, depreciated					
Buildings & Improvements	3,780,354	10,851	-	-	3,791,205
Equipment	162,605	20,796	-	-	183,401
Land Improvements	494,803	-	-	-	494,803
Vehicles	540,576	83,959	-	-	624,535
Total depreciated	4,978,338	115,606	-	-	5,093,944
Accumulated depreciation for					
Buildings & Improvements	2,327,958	94,077	-	-	2,422,035
Equipment	56,554	19,016	-	-	75,570
Land Improvements	331,400	14,726	-	-	346,126
Vehicles	345,463	28,766	-	-	374,229
Total accumulated depreciation	3,061,375	156,585	-	-	3,217,960
Total capital assets, depreciated net	\$ 1,921,963	(40,979)	-	-	1,880,984

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instruction	\$ 123,255
Support Services – Students	11,340
Support Services – Instruction	8,243
Support Services – General Administration	10,718
Support Services – School Administration	3,029
Total depreciation expense	\$ 156,585

NOTE 9. COMPENSATED ABSENCES

During the year ended June 30, 2017, the following changes occurred in accrued compensated absences:

Balance June 30, 2016	Leave Used	Leave Accrued	Balance June 30, 2017	Amount Due in One Year
\$ 5,537	2,769	9,370	12,138	4,888

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. 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; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMPSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. Annual financial reports can be obtained from NMPSIA or viewed on their website at <https://nmpsia.com/information.html>.

NOTE 11. CONTINGENT LIABILITIES

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

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

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

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010 and before July 2, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes reemployed after July 1, 2010 is as follows:

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.
- The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available.

- **Option A – Straight Life Benefit** – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.
- **Option B – Joint 100% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- **Option C – Joint 50% Survivor Benefit** – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010.
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013.
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, Floyd Municipal Schools paid employee and employer contributions of \$408,585 and \$401,710, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, Floyd Municipal Schools reported a liability of \$4,377,771 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. Floyd Municipal Schools’ proportion of the net pension liability was based on a projection of Floyd Municipal Schools’ long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016 Floyd Municipal Schools’ proportion was .05746%, which was a decrease of .00027% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, Floyd Municipal Schools recognized pension expense of \$343,336. At the June 30, 2017, Floyd Municipal Schools reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,939	39,330
Changes in assumptions	84,173	-
Net difference between projected and actual earnings on pension plan investments	246,829	-
Changes in proportion and differences between Floyd Municipal Schools’ contributions and proportionate share of contributions	3,415	147,121
Floyd Municipal Schools’ contributions subsequent to the measurement date	<u>235,505</u>	<u>-</u>
Total	\$ <u>587,861</u>	<u>186,451</u>

\$235,505 reported as deferred outflows of resources related to pensions resulting from Floyd Municipal Schools’ contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 7,150
2019	17,006
2020	81,557
2021	60,192
2022	-
Thereafter	-

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75% real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three year, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities	35%	
Fixed income	28%	
Alternatives	36%	
Cash	1%	
Total	100%	7.75%

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

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Floyd Municipal Schools’ proportionate share of the net pension liability	\$ 5,476,805	4,135,071	3,021,810

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

Payables to the pension plan. Floyd Municipal Schools did not accrue any payables for the pension plan at June 30, 2017. All 10-month teacher contracts for the school year are paid by fiscal year end.

NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description: The District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree

Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long- term care policies.

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

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

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes 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, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$33,935, \$49,828, and \$34,608, respectively, which equal the required contributions for each year.

NOTE 14. DEFICIENT FUND BALANCE

The following fund had a deficient fund balance at June 30, 2017:

Food Services 21000	\$ (48,130)
---------------------	-------------

The District is addressing the negative fund balance and is planning on taking the appropriate actions to eliminate the negative balance.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15. FUND BALANCES, GOVERNMENTAL FUNDS

On the Balance Sheets – Governmental Funds, the fund balances are reported in the aggregate using the classifications defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances by classification for the year ended June 30, 2017 were as follows:

Fund Balance	General Fund	Food Services	Senate Bill 9	Other Governmental Funds
Non-spendable				
Inventory	\$ -	1,748	-	-
Restricted				
Instructional Materials	4,321	-	-	-
Food Services	-	-	-	-
Athletics	-	-	-	24,675
Transportation	-	-	-	-
Pre-K Initiative	-	-	-	29,075
State Directed Activities	-	-	-	3,521
Senate Bill 9	-	-	232,314	-
Capital Outlay – 20%	-	-	-	-
Unassigned	<u>114,928</u>	<u>(49,878)</u>	<u>-</u>	<u>-</u>
	\$ 119,249	(48,130)	232,314	57,271

NOTE 16. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. This statement requires governments who enter into tax abatement agreements to provide additional disclosure in its financial statements. This statement is effective for fiscal years beginning after December 15, 2015. The District adopted this statement; however, there are no tax abatements and the implementation of this statement had no effect on the District’s financial statements.

In January 2016, the GASB issued statement No. 80, *Blending Requirements for Certain Component Units*, which amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. This statement did not have an impact on the District as it does not have any component units.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17. NEW ACCOUNTING PRONOUNCEMENTS

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2017.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*

GASB Statement No. 82, *Pension Issues (an Amendment of GASB Statements No. 67, No. 68, and No. 73)*

GASB Statement No. 83, *Certain Asset Retirement Obligations*

GASB Statement No. 84, *Fiduciary Assets*

GASB Statement No. 85, *Omnibus 2017*

GASB Statement No. 86, *Certain Debt Extinguishment Issues*

GASB Statement No. 87, *Leases*

The District will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The District believes that the above listed new GASB pronouncements will not have a significant financial impact to the District or in issuing its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2017**

**New Mexico Educational Retirement Board Pension Plan
 Schedule of Ten Year Tracking Data*
 (Dollars in Thousands)**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
District's Proportion of the Net Pension Liability (Asset)	0.06%	0.06%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,470	3,897	4,378	-	-	-	-	-	-	-
District's Covered-Employee Payroll	\$ 1,676	1,643	1,618	-	-	-	-	-	-	-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	207.04%	237.19%	270.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.54%	63.97%	61.58%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*These amounts presented for each fiscal year were determined as of June 30, 2015

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 June 30, 2017

New Mexico Educational Retirement Board Pension Plan
 Schedule of Ten Year Tracking Data
 (Dollars in Thousands)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 220	271	236	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	220	238	228	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	34	8	-	-	-	-	-	-	-

Increase (Decrease) in Pension Expense over Recognition Periods

Year	Total Amount Deferred	Amortization Years	Increase (Decrease) in Pension Expense over Recognition Periods											
			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024		
2014	\$ 356	5	\$ 93	93	91	79	-	-	-	-	-	-	-	-
2015	20	5	(16)	(14)	(4)	54	-	-	-	-	-	-	-	-
2016	166	5	7	17	82	60	-	-	-	-	-	-	-	-
2017	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2018	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2019	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2020	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2021	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2022	-	5	-	-	-	-	-	-	-	-	-	-	-	-
2023	-	5	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 542		\$ 93	77	84	92	136	60	-	-	-	-	-	-

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET-GENERAL FUND
June 30, 2017**

	OPERATIONAL 11000	TEACHERAGE 12000
	<u> </u>	<u> </u>
ASSETS		
<i>Current assets</i>		
Cash	\$ -	8,341
Accounts receivable		
Due from other governments	-	-
Property taxes	-	-
Interfund receivables	103,328	3,259
Inventory	-	-
	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 103,328</u>	<u>11,600</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES		
<i>Current liabilities</i>		
Accounts payable	\$ -	-
Unearned revenue	-	-
Interfund payables	-	-
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>-</u>	<u>-</u>
<i>Deferred Inflows</i>		
Unavailable revenue	-	-
	<u> </u>	<u> </u>
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>		
Nonspendable	-	-
Restricted	-	-
Unassigned	103,328	11,600
	<u> </u>	<u> </u>
<i>Total fund balance (deficit)</i>	<u>103,328</u>	<u>11,600</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 103,328</u>	<u>11,600</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	4,321	12,662
-	-	-
-	-	-
-	-	106,587
-	-	-
-	4,321	119,249
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	4,321	4,321
-	-	114,928
-	4,321	119,249
-	4,321	119,249

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -- GENERAL FUND
For the Year Ended June 30, 2017**

	OPERATIONAL 11000	TEACHERAGE 12000
Revenues		
Residential/non-residential taxes	\$ 8,432	-
Rent and leases	7,296	14,437
Fees-activities	-	-
Fees-users	1,200	-
State grants	2,208,370	-
Federal grants	-	-
Interest income	53	-
Miscellaneous	52,892	-
<i>Total revenues</i>	<u>2,278,243</u>	<u>14,437</u>
Expenditures		
Current		
Instruction	1,569,407	-
Support services		
Students	103,956	-
Instruction	125,305	-
General administration	162,542	-
School administration	46,039	-
Central services	40,610	-
Operations & maintenance of plant	383,762	24,385
Student transportation	-	-
Other support services	-	-
Food services-operations	30,722	-
Capital outlay	-	-
<i>Total expenditures</i>	<u>2,462,343</u>	<u>24,385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(184,100)</u>	<u>(9,948)</u>
Other financing sources (uses)		
Operating transfers	8,550	-
<i>Total other financing sources (uses)</i>	<u>8,550</u>	<u>-</u>
Net change in fund balances	(175,550)	(9,948)
Fund balances, beginning of year	<u>278,878</u>	<u>21,548</u>
Fund balances, end of year	<u>\$ 103,328</u>	<u>11,600</u>

TRANSPORTATION 13000	INSTRUCTIONAL MATERIALS 14000	TOTALS
-	-	8,432
-	-	21,733
-	-	-
-	-	1,200
101,555	12,396	2,322,321
-	-	-
-	-	53
-	-	52,892
<u>101,555</u>	<u>12,396</u>	<u>2,406,631</u>
-	21,327	1,590,734
-	-	103,956
-	-	125,305
-	-	162,542
-	-	46,039
-	-	40,610
-	-	408,147
100,214	-	100,214
-	-	-
-	-	30,722
-	-	-
<u>100,214</u>	<u>21,327</u>	<u>2,608,269</u>
<u>1,341</u>	<u>(8,931)</u>	<u>(201,638)</u>
-	-	8,550
-	-	8,550
1,341	(8,931)	(193,088)
<u>(1,341)</u>	<u>13,252</u>	<u>312,337</u>
<u>-</u>	<u>4,321</u>	<u>119,249</u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
OPERATIONAL FUND - 11000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Residential/non-residential taxes	\$ 8,118	8,118	8,432	314
Rent and leases	3,820	3,820	7,296	3,476
Fees-users	1,200	1,200	1,200	-
State grants	2,286,808	2,286,808	2,208,370	(78,438)
Interest income	30	30	53	23
Miscellaneous	41,000	41,000	85,199	44,199
<i>Total revenues</i>	<u>2,340,976</u>	<u>2,340,976</u>	<u>2,310,550</u>	<u>(30,426)</u>
Cash balance budgeted	<u>278,782</u>	<u>278,782</u>		
<i>Total revenues and cash</i>	<u>2,619,758</u>	<u>2,619,758</u>		
Expenditures				
Current				
Instruction	1,600,716	1,600,716	1,560,857	39,859
Support services				
Students	155,216	155,216	103,956	51,260
Instruction	132,932	132,932	125,305	7,627
General administration	174,575	174,575	162,542	12,033
School administration	46,416	46,416	46,039	377
Central services	41,556	41,556	40,610	946
Operations & maintenance of plant	403,019	403,019	383,762	19,257
Food service - operations	33,170	33,170	30,722	2,448
<i>Total expenditures</i>	<u>2,587,600</u>	<u>2,587,600</u>	<u>2,453,793</u>	<u>133,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,158</u>	<u>32,158</u>	<u>(143,243)</u>	<u>103,381</u>
Other financing sources				
Operating transfers	-	-	8,550	(8,550)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>8,550</u>	<u>(8,550)</u>
Net change in fund balances	<u>32,158</u>	<u>32,158</u>	<u>(134,693)</u>	<u>(134,693)</u>
Cash or fund balance June 30, 2016	<u>-</u>	<u>-</u>	<u>278,782</u>	<u>278,782</u>
Cash or fund balance June 30, 2017	<u>\$ 32,158</u>	<u>32,158</u>	<u>144,089</u>	<u>144,089</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			(32,307)	
Adjustments to expenditures			(8,550)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>(175,550)</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 TEACHERAGE FUND - 12000
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Rent and leases	\$ 4,500	4,500	14,437	9,937
<i>Total revenues</i>	4,500	4,500	14,437	9,937
Cash balance budgeted	21,548	21,548		
<i>Total revenues and cash</i>	26,048	26,048		
Expenditures				
Current				
Support services				
Operations & maintenance of plant	24,385	24,385	24,385	-
<i>Total expenditures</i>	24,385	24,385	24,385	-
Excess (deficiency) of revenues over (under) expenditures	1,663	1,663	(9,948)	9,937
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net change in fund balances	1,663	1,663	(9,948)	(9,948)
Cash or fund balance June 30, 2016	-	-	21,548	21,548
Cash or fund balance June 30, 2017	\$ 1,663	1,663	11,600	11,600
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (9,948)	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 TRANSPORTATION FUND - 13000
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 117,258	101,555	101,007	(548)
<i>Total revenues</i>	117,258	101,555	101,007	(548)
Cash balance budgeted	-	-		
<i>Total revenues and cash</i>	117,258	101,555		
Expenditures				
Current				
Support services				
Student transportation	101,555	101,555	101,007	548
<i>Total expenditures</i>	101,555	101,555	101,007	548
Excess (deficiency) of revenues over (under) expenditures	15,703	-	-	-
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net change in fund balances	15,703	-	-	-
Cash or fund balance June 30, 2016	-	-	-	-
Cash or fund balance June 30, 2017	\$ 15,703	-	-	-
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			1,341	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 1,341	

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS FUND - 14000
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ 9,327	9,327	12,396	3,069
<i>Total revenues</i>	9,327	9,327	12,396	3,069
Cash balance budgeted	13,252	13,252		
<i>Total revenues and cash</i>	22,579	22,579		
Expenditures				
Current				
Instruction	23,360	21,327	21,327	-
<i>Total expenditures</i>	23,360	21,327	21,327	-
Excess (deficiency) of revenues over (under) expenditures	(781)	1,252	(8,931)	3,069
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net change in fund balances	(781)	1,252	(8,931)	(8,931)
Cash or fund balance June 30, 2016	-	-	13,252	13,252
Cash or fund balance June 30, 2017	\$ (781)	1,252	4,321	4,321
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (8,931)	

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS

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

ATHLETICS (22000) – To account for revenues received from non-instructional activities for use in the District's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund. Authority for this fund is the New Mexico Administrative Code 6.20.2.

PRESCHOOL IDEA-B (24109) – To account for a federal grant restricted for the operation and maintenance of meeting the special education needs of children with disabilities. Authority for the creation of this fund is the Individuals with Disabilities Education Act, Part B, Sec. 611, as amended; Public Law 105-17.

TEACHER/PRINCIPAL TRAINING (24154) –To provide grants to State Education Agencies on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. The authority for the creation of this fund is the Elementary and Secondary Education Act of 1965 as amended; Title II, Part A, Public Law 107-110.

PRE K INITIATIVE (27149) – To account for monies received from the State of New Mexico to be used to provide direct services to 4 year old children in Pre-Kindergarten programs.

CAPITAL APPROPRIATION PROJECT/SCHOOL BUSES (27178) – These funds will be used to purchase a school bus.

STATE DIRECTED ACTIVITIES (27200) – To account for a program funded by a state grant to assist in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act.

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

DUAL CREDIT TEXTBOOKS (27103) – To purchase college textbooks for students who dual enroll in college credit courses while still attending high school. Authority for the creation of this fund is New Mexico state statute.

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**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS (CONTINUED)

BREAKFAST FOR ELEMENTARY STUDENTS (27155) – The 2005 Legislative General Appropriations Act allocated \$475,000 to implement Breakfast in the Classroom for elementary schools in need of improvement based on 2004-2005 AYP designation.

NEW MEXICO GROWN FRUITS AND VEGETABLES (27183) – Appropriation through the General Appropriations Act to distribute funding to School Districts for the purchase of New Mexico grown fruits and vegetables for school meal programs.

NEXT GENERATION ASSESSMENTS (27185) – To account for funding received by the District to ensure that the District has a sufficient number of qualified computing devices to allow all students to complete testing within the anticipated two-week testing windows.

CAPITAL PROJECTS FUNDS

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction for major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

CAPITAL OUTLAY-STATE (31400) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading school facilities.

PUBLIC SCHOOL CAPITAL OUTLAY 20% (32100) – To account for monies to be set aside out of Impact Aid, Forest Reserve, and Local taxes for capital improvements in public schools. Authority for the creation of this fund is Section 22-8-5 NMSA 1978.

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2017

	ATHLETICS 22000	PRESCHOOL IDEA-B 24109	TEACHER/ PRINCIPAL TRAINING 24154	RURAL EDUCATION 25233
ASSETS				
<i>Current assets</i>				
Cash	\$ 24,675	-	-	-
Accounts receivable				
Due from other governments	-	1,975	-	-
Interfund receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 24,675</u>	<u>1,975</u>	<u>-</u>	<u>-</u>
LIABILITIES AND FUND BALANCES				
<i>Current liabilities</i>				
Accounts payable	\$ -	-	-	-
Unearned revenue	-	-	-	-
Interfund payables	-	1,975	-	-
<i>Total liabilities</i>	<u>-</u>	<u>1,975</u>	<u>-</u>	<u>-</u>
<i>Fund balances (deficit)</i>				
Nonspendable	-	-	-	-
Restricted	24,675	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>24,675</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 24,675</u>	<u>1,975</u>	<u>-</u>	<u>-</u>

<u>DUAL CREDIT TEXTBOOKS 27103</u>	<u>PRE-K INITIATIVE 27149</u>	<u>BREAKFAST FOR ELEMENTARY STUDENTS 27155</u>	<u>SCHOOL BUSES 27178</u>	<u>NM GROWN FRUITS AND VEGETABLES 27183</u>	<u>NEXT GENERATION ASSESSMENTS 27185</u>
-	29,075	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>29,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	29,075	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>29,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>29,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2017

(Page 3 of 4)

	STATE DIRECTED ACTIVITIES 27200	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL OUTLAY STATE 31400
ASSETS			
<i>Current assets</i>			
Cash	\$ 3,521	57,271	-
Accounts receivable			
Due from other governments	-	1,975	-
Interfund receivables	-	-	-
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 3,521</u>	<u>59,246</u>	<u>-</u>
LIABILITIES AND FUND BALANCES			
<i>Current liabilities</i>			
Accounts payable	\$ -	-	-
Unearned revenue	-	-	-
Interfund payables	-	1,975	-
<i>Total liabilities</i>	<u>-</u>	<u>1,975</u>	<u>-</u>
<i>Fund balances (deficit)</i>			
Nonspendable	-	-	-
Restricted	3,521	57,271	-
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>3,521</u>	<u>57,271</u>	<u>-</u>
<i>Total liabilities and fund balance (deficit)</i>	<u>\$ 3,521</u>	<u>59,246</u>	<u>-</u>

<u>CAPITAL OUTLAY 20% 32100</u>	<u>TOTAL NONMAJOR CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
-	-	57,271
-	-	1,975
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>59,246</u>
-	-	-
-	-	-
-	-	1,975
<u>-</u>	<u>-</u>	<u>1,975</u>
-	-	-
-	-	57,271
-	-	-
<u>-</u>	<u>-</u>	<u>57,271</u>
-	-	59,246
<u>-</u>	<u>-</u>	<u>59,246</u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE-CAPITAL PROJECT FUNDS
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	ATHLETICS 22000	PRESCHOOL IDEA-B 24109	TEACHER/ PRINCIPAL TRAINING 24154	RURAL EDUCATION 25233
Revenues				
Residential/non-residential taxes	\$ -	-	-	-
Rent and leases	-	-	-	-
Fees-activities	10,313	-	-	-
Fees-users	-	-	-	-
State grants	-	-	-	-
Federal grants	-	14,841	4,621	21,924
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10,313</u>	<u>14,841</u>	<u>4,621</u>	<u>21,924</u>
Expenditures				
Current				
Instruction	7,901	14,841	4,621	21,924
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operations & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services-operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>7,901</u>	<u>14,841</u>	<u>4,621</u>	<u>21,924</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,412	-	-	-
Fund balances, beginning of year	<u>22,263</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 24,675</u>	<u>-</u>	<u>-</u>	<u>-</u>

DUAL CREDIT TEXTBOOKS 27103	PRE-K INITIATIVE 27149	BREAKFAST FOR ELEMENTARY STUDENTS 27155	SCHOOL BUSES 27178	NM GROWN FRUITS AND VEGETABLES 27183	NEXT GENERATION ASSESSMENTS 27185
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
461	29,075	3,566	83,959	769	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>461</u>	<u>29,075</u>	<u>3,566</u>	<u>83,959</u>	<u>769</u>	<u>-</u>
461	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,566	-	769	-
-	-	-	83,959	-	-
<u>461</u>	<u>-</u>	<u>3,566</u>	<u>83,959</u>	<u>769</u>	<u>-</u>
-	29,075	-	-	-	-
-	-	-	-	-	(8,550)
-	-	-	-	-	(8,550)
-	29,075	-	-	-	(8,550)
-	-	-	-	-	8,550
<u>-</u>	<u>29,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE-CAPITAL PROJECT FUNDS
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2017

(Page 3 of 4)

	STATE DIRECTED ACTIVITIES 27200	TOTAL NONMAJOR SPECIAL REVENUE FUNDS	CAPITAL OUTLAY STATE 31400
Revenues			
Residential/non-residential taxes	\$ -	-	-
Rent and leases	-	-	-
Fees-activities	-	10,313	-
Fees-users	-	-	-
State grants	33,316	151,146	50,000
Federal grants	-	41,386	-
Interest income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>33,316</u>	<u>202,845</u>	<u>50,000</u>
Expenditures			
Current			
Instruction	245	49,993	-
Support services			
Students	29,551	29,551	-
Instruction	-	-	-
General administration	-	-	-
School administration	-	-	-
Central services	-	-	-
Operations & maintenance of plant	-	-	-
Student transportation	-	-	-
Other support services	-	-	-
Food services-operations	-	4,335	-
Capital outlay	-	83,959	50,000
<i>Total expenditures</i>	<u>29,796</u>	<u>167,838</u>	<u>50,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,520</u>	<u>35,007</u>	<u>-</u>
Other financing sources (uses)			
Operating transfers	-	(8,550)	12,000
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(8,550)</u>	<u>12,000</u>
Net change in fund balances	3,520	26,457	12,000
Fund balances, beginning of year	<u>1</u>	<u>30,814</u>	<u>(12,000)</u>
Fund balances, end of year	<u>\$ 3,521</u>	<u>57,271</u>	<u>-</u>

<u>CAPITAL OUTLAY 20% 32100</u>	<u>TOTAL NONMAJOR CAPITAL PROJECTS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
-	-	-
-	-	-
-	-	10,313
-	-	-
-	50,000	201,146
-	-	41,386
-	-	-
-	-	-
<u>-</u>	<u>50,000</u>	<u>252,845</u>
-	-	49,993
-	-	29,551
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	4,335
-	50,000	133,959
<u>-</u>	<u>50,000</u>	<u>217,838</u>
-	-	35,007
<u>(12,208)</u>	<u>(208)</u>	<u>(8,758)</u>
<u>(12,208)</u>	<u>(208)</u>	<u>(8,758)</u>
(12,208)	(208)	26,249
<u>12,208</u>	<u>208</u>	<u>31,022</u>
<u>-</u>	<u>-</u>	<u>57,271</u>

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 FOOD SERVICES SPECIAL REVENUE FUND - 21000
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Fees-users	\$ 15,000	15,000	9,308	(5,692)
Federal grants	111,403	111,403	91,490	(19,913)
<i>Total revenues</i>	126,403	126,403	100,798	(25,605)
Cash balance budgeted	(27,429)	(27,429)		
<i>Total revenues and cash</i>	98,974	98,974		
Expenditures				
Current				
Food service - operations	126,403	126,403	124,569	1,834
<i>Total expenditures</i>	126,403	126,403	124,569	1,834
Excess (deficiency) of revenues over (under) expenditures	<u>(27,429)</u>	<u>(27,429)</u>	<u>(23,771)</u>	<u>(23,771)</u>
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net change in fund balances	(27,429)	(27,429)	(23,771)	(23,771)
Cash or fund balance June 30, 2016	-	-	(27,429)	(27,429)
Cash or fund balance June 30, 2017	<u>\$ (27,429)</u>	<u>(27,429)</u>	<u>(51,200)</u>	<u>(51,200)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			661	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (23,110)</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 TITLE I SPECIAL REVENUE FUND - 24101
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grants	\$ 49,236	49,236	45,726	(3,510)
<i>Total revenues</i>	<u>49,236</u>	<u>49,236</u>	45,726	(3,510)
Cash balance budgeted	-	-		
<i>Total revenues and cash</i>	<u>49,236</u>	<u>49,236</u>		
Expenditures				
Current				
Instruction	49,236	49,236	45,726	3,510
<i>Total expenditures</i>	<u>49,236</u>	<u>49,236</u>	45,726	3,510
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash or fund balance June 30, 2016	<u>-</u>	<u>-</u>	<u>13,634</u>	<u>13,634</u>
Cash or fund balance June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>13,634</u>	<u>13,634</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
IDEA-B ENTITLEMENT SPECIAL REVENUE FUND - 24106
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET (NON-GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
Federal grants	\$ 58,511	58,511	52,905	(5,606)
<i>Total revenues</i>	<u>58,511</u>	<u>58,511</u>	<u>52,905</u>	<u>(5,606)</u>
Cash balance budgeted	-	-		
<i>Total revenues and cash</i>	<u>58,511</u>	<u>58,511</u>		
Expenditures				
Current				
Instruction	30,621	30,621	14,567	16,054
Support services				
Students	<u>27,890</u>	<u>48,838</u>	<u>38,870</u>	<u>9,968</u>
<i>Total expenditures</i>	<u>58,511</u>	<u>79,459</u>	<u>53,437</u>	<u>26,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(20,948)</u>	<u>(532)</u>	<u>20,416</u>
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(20,948)	(532)	(532)
Cash or fund balance June 30, 2016	<u>-</u>	<u>-</u>	<u>20,332</u>	<u>-</u>
Cash or fund balance June 30, 2017	<u>\$ -</u>	<u>(20,948)</u>	<u>19,800</u>	<u>(532)</u>
Reconciliation to GAAP Basis:				
Adjustments to revenues			531	
Adjustments to expenditures			<u>-</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (1)</u>	

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 READS TO LEAD SPECIAL REVENUE FUND - 27114
 STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
Revenues				
State grants	\$ -	93,799	116,441	22,642
<i>Total revenues</i>	-	93,799	116,441	22,642
Cash balance budgeted	-	-		
<i>Total revenues and cash</i>	-	93,799		
Expenditures				
Current				
Instruction	-	93,799	93,798	1
<i>Total expenditures</i>	-	93,799	93,798	1
Excess (deficiency) of revenues over (under) expenditures	-	-	22,643	22,643
Other financing sources				
Operating transfers	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
Net change in fund balances	-	-	22,643	22,643
Cash or fund balance June 30, 2016	-	-	-	-
Cash or fund balance June 30, 2017	\$ -	-	22,643	22,643
Reconciliation to GAAP Basis:				
Adjustments to revenues			(22,643)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-- AGENCY FUNDS
For the Year Ended June 30, 2017**

	BALANCE 6/30/2016	ADDITIONS	DEDUCTIONS	BALANCE 6/30/2017
Special Ed	\$ 113	-	113	-
Goff Memorial	950	-	950	-
Jimmie Gordon Memorial	279	-	279	-
Recycle	149	-	149	-
EPAC	150	320	320	150
Student Council	638	1,459	1,222	875
Yearbook	5,982	4,371	5,046	5,307
FCCLA	4,314	-	4,314	-
FFA	-	10,443	9,944	499
FCA	1,773	1,421	732	2,462
Cheerleaders	812	1,965	1,860	917
Book Fair	5,101	954	2,011	4,044
Poster	311	12	-	323
National Honor Society	927	1,710	2,200	437
A/R Prize Fund	180	-	180	-
Elementary Cheerleaders	391	200	235	356
BPA	247	-	247	-
HS Basketball-Girls	2,681	549	810	2,420
Football	249	403	372	280
Activity Account Super	2,267	12,696	3,290	11,673
Volleyball	1,272	6,391	5,523	2,140
HS Basketball-Boys	790	1,779	1,766	803
Elementary Basketball	11	-	-	11
Track	-	461	292	169
Girls Athletics Fundraiser	237	-	237	-
Junior High Basketball	421	-	-	421
Baseball	373	568	551	390
Music Booster Club	31	-	31	-
Booster Club	8,008	11,383	11,453	7,938
Sunshine	387	20	140	267
Elementary Fund	1,518	1,396	2,009	905
Relay for Life	47	-	-	47
Floyd Beautification	1,693	-	1,693	-
Class of 2013	16	(16)	-	-
Class of 2014	526	-	526	-
Class of 2016	1,897	311	2,208	-
Class of 2017	4,885	3,955	8,840	-
Class of 2018	3,700	12,654	13,477	2,877
Class of 2019	1,976	1,897	871	3,002
Class of 2020	1,548	1,232	665	2,115
Class of 2021	2,610	406	(21)	3,037
Class of 2022	421	885	620	686
Class of 2023	458	-	59	399
Class of 2024	667	680	374	973
Class of 2025	424	737	512	649
Class of 2026	522	628	516	634
Class of 2027	448	486	870	64
Class of 2028	114	346	460	-
Class of 2029	(124)	359	235	-
Class of 2030	-	908	732	176
<i>Total</i>	\$ <u>62,390</u>	<u>83,969</u>	<u>88,913</u>	<u>57,446</u>

SUPPORTING SCHEDULES

**STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF PLEDGED COLLATERAL
 Year Ended June 30, 2017**

	James Polk Stone Community Bank
FUNDS ON DEPOSIT	
Interest bearing savings	\$ 317,918
Non-interest bearing deposits	177,883
<i>Total on deposit</i>	495,801
Less: FDIC insurance	(250,000)
<i>Total uninsured public funds</i>	\$ 245,801
PLEDGED COLLATERAL REQUIRED	
50% on deposits	\$ 122,901
<i>Pledged collateral required</i>	122,901
Pledged collateral at June 30, 2016	346,660
<i>Total over (under) collateralized:</i>	\$ 223,760
SECURITY TYPE, MATURITY DATE, IDENTIFIER	
FNMA QTRLY CALL STEP	
CUSIP# 3136G3FNO, 3/28/2031	\$ 247,605
FHLB QTRLY CALL STEP	
CUSIP# 3130AADF2, 12/30/2026	99,055
	\$ 346,660

Securities Held by the Independent Banker's Bank

STATE OF NEW MEXICO
 FLOYD MUNICIPAL SCHOOLS
 SCHEDULE OF DEPOSITS
 Year Ended June 30, 2017

Bank	ACCT TYPE	FUND	BANK BALANCE	OUTSTANDING CHECKS	OUTSTANDING DEPOSITS	NET CASH BALANCE
JAMES POLK STONE COMMUNITY BANK	Checking	Operational*	\$ 317,918	17,708	-	300,210
	Checking	Activity	56,165	4,977	-	51,188
	Checking	Payroll Clearing	121,718	118,189	-	3,529
Total JAMES POLK STONE COMMUNITY BANK			\$ <u>495,801</u>	<u>140,874</u>	<u>-</u>	<u>354,927</u>
					Less Agency Funds:	<u>57,446</u>
					Total Cash	<u><u>297,481</u></u>

*Interest Bearing

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2017**

	<u>OPERATIONAL 11000</u>	<u>TEACHERAGE 12000</u>	<u>TRANSPORTATION 13000</u>
Cash, June 30, 2016	\$ 278,782	21,548	-
Add:			
2016-17 revenues	2,278,270	14,436	101,555
Less:			
Prior Year Warrants Voided	45	-	-
Total cash available	2,557,097	35,984	101,555
Less:			
2016-17 expenditures	(2,453,820)	(24,384)	(101,555)
Transfers to/from other funds	-	-	-
Outstanding Loans	-	-	-
Cash, June 30, 2017	<u>\$ 103,277</u>	<u>11,600</u>	<u>-</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ (103,277)	(3,259)	-
Cash per Books	<u>-</u>	<u>8,341</u>	<u>-</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	<u>103,328</u>	<u>3,259</u>	<u>-</u>
Fund Balance , Modified Accrual Basis	<u>\$ 103,328</u>	<u>11,600</u>	<u>-</u>

INSTRUCTIONAL MATERIALS 14000	FOOD SERVICES 21000	ATHLETICS 22000	IMPACT AID FEDERAL FLOW-THROUGH 24000
13,252	(27,429)	22,263	(34,607)
12,396	100,798	10,313	121,091
-	-	-	-
25,648	73,369	32,576	86,484
(21,327)	(123,246)	(7,901)	(118,624)
-	-	-	-
-	-	-	(1,925)
<u>4,321</u>	<u>(49,877)</u>	<u>24,675</u>	<u>(34,065)</u>
-	49,877	-	34,065
<u>4,321</u>	<u>-</u>	<u>24,675</u>	<u>-</u>
-	(48,130)	-	-
<u>4,321</u>	<u>(48,130)</u>	<u>24,675</u>	<u>-</u>

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2017**

	IMPACT AID FEDERAL DIRECT 25000	TITLE XIX STATE FLOW-THROUGH 27000	CAPITAL OUTLAY 20% 32100
Cash, June 30, 2016	\$ (3,627)	(40,892)	-
Add:			
2016-17 revenues	25,551	254,644	-
Less:			
Prior Year Warrants Voided	-	-	-
Total cash available	21,924	213,752	-
Less:			
2016-17 expenditures	(21,924)	(212,349)	-
Transfers to/from other funds	-	-	-
Outstanding Loans	-	8,550	-
Cash, June 30, 2017	<u>\$ -</u>	<u>9,953</u>	<u>-</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	\$ -	22,643	-
Cash per Books	-	32,596	-
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	-	-	-
Fund Balance , Modified Accrual Basis	<u>\$ -</u>	<u>32,596</u>	<u>-</u>

SPECIAL CAPITAL OUTLAY STATE 31400	CAPITAL IMPROVEMENT SB9 31700	TOTAL
(50,000)	144,907	324,197
100,000	63,555	3,082,609
-	-	45
50,000	208,462	3,406,851
(50,000)	(17,390)	(3,152,520)
-	-	-
-	-	6,625
-	191,072	260,956
-	36,476	36,525
-	227,548	297,481
-	4,766	63,223
-	232,314	360,704

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COMPLIANCE SECTION

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

To Timothy Keller
New Mexico State Auditor

The Board of Education\
Floyd Municipal Schools

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of Floyd Municipal Schools (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated August 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2008-009.

Compliance and Other Matters

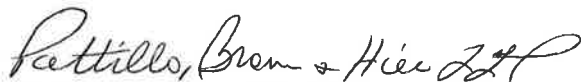
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the schedule of findings and responses as item 2017-001.

The District's Response to Findings

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

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.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
August 28, 2017

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

A. FINANCIAL STATEMENT FINDINGS

2008-009 PREPARATION OF FINANCIAL STATEMENTS (Significant Deficiency) - Repeated

CONDITION: The financial statements and related disclosures are not being prepared by the District, but by the auditor. There were significant audit adjustments made by the auditor in order to properly state the financial statements. Management has demonstrated a lack of progress in implementing the prior year corrective action plan. In the current year, the District has attempted to attract an individual who has the necessary knowledge, skills, and experience to prepare the District's financial statements. However, the cost of attracting an individual with the necessary knowledge, skill, and experience would be too costly to the District. Further, management is not aware of anyone in the community that would be able to satisfy this requirement.

CRITERIA: According to the American Institute of Certified Public Accountants' Statement on auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well-designed systems include controls over financial statement preparation.

EFFECT: Without the controls over the preparation of financial statements and related disclosures, the District's ability to detect and prevent misstatements in the financial statements is limited.

CAUSE: The District's personnel do not have the training to understand the elements of external financial reporting including the preparation of financial statements and related footnotes. Without this understanding, the District does not have the personnel with the capability to review and approve the financial statements and related disclosures prepared by the auditor.

RECOMMENDATION: We recommend District personnel should receive the training necessary to gain an understanding of the elements of external reporting. Not only should District personnel receive training in financial statement preparation and footnote disclosure, but in addition gain an understanding of the pronouncements produced by GASB, GAS, and FASB and the requirements of the Office of the State Auditor and PED.

RESPONSE: Management concurs with the recommendation. During fiscal year 2018, the Superintendent and the Business Manager will continue to seek additional support from the local community for someone who has the ability to review the financial statements to ensure that they are in accordance with GAAP.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-001 ACTIVITY FUNDS (Other Matter)

CONDITION: During our testing of the cash receipts of the student activity funds we noted that the District is not maintaining supporting documentation for fundraising activities. We selected two events and the sponsors for these two events did not keep detail records of the cash received from the fundraising events. The cash receipts recorded in the general ledger for these two events totaled \$8,668.

CRITERIA: 6-5-2C NMSA 1978 states that an entity shall implement internal controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

EFFECT: The District is non-compliant with State Law.

CAUSE: Budget adjustment requests were not submitted to the Public Education Department to obtain budgetary authority for these expenditures.

RECOMMENDATION: We recommend that the District implement “standardized” policies with respect to controls over student activity funds at “all” schools. A lack of consistency of protocol existed as a result of our tests.

MANAGEMENT’S RESPONSE: Effective immediately, all student activity sponsors are required to maintain supporting records for all fundraising events. The supporting records will consist of a detail list of the goods sold versus the good purchased. Additionally, the records will include a detail list of the students that individually sold items and how much money they turned in at the end of the fundraiser. Finally, a detail list of the remaining items unsold will be maintained. The Business Manager and the Administrative Assistant in the Business Office will ensure that all fundraising sponsors turn in this information at the end of each fundraiser.

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

STATUS OF PRIOR YEAR FINDINGS

2008-009 – Preparation of Financial Statements – Repeated

2014-001 – Journal Entry Process – Resolved

2015-001 – Controls over Cash Disbursements – Resolved

**STATE OF NEW MEXICO
FLOYD MUNICIPAL SCHOOLS,
EXIT CONFERENCE
JUNE 30, 2017**

An exit conference was conducted on October 3, 2017 with the following individuals:

Floyd Municipal Schools:

Damon Terry, Superintendent
Margie Plummer, Business Manager
Leon Nall, Board of Education President

Pattillo, Brown & Hill, LLP:

Chris Garner, CPA

Pattillo, Brown & Hill, LLP prepared the GAAP-basis financial statements and footnotes of Floyd Municipal Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.