
STATE OF NEW MEXICO
House Municipal Schools
June 30, 2017

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2017
With Independent Auditor's Report Thereon

Sandra Rush CPA PC

*1101 E Llano Estacado
Clovis, New Mexico 88101*

Introductory Section

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

Official Roster
For the year ended June 30, 2017

Board of Education

Rachelle Moon	President
Clint Runyan	Vice-President
Bill Noland	Secretary
Phillip Runyan	Member
Calvin Downey	Member

School Officials

Bonnie Lightfoot	Superintendent
Lisa Downey	Business Manager

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

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STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

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Financial Section

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Independent Auditor's Report

Wayne A. Anderson
New Mexico State Auditor
The Governing Body
House Municipal Schools
House, New Mexico

Report on the Financial Statements

I 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 the House Municipal Schools District (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. I did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the *Schedule of the Proportionate Share of the Net Pension Liability* on pages 53 the *Schedule of Contributions* on page 54, and the notes to the required supplementary information page 55 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. I have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual fund financial statements, and Schedules, presented in the supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 23, 2018 on my consideration of the District's internal control over financial reporting and on my 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 my 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.



Sandra Rush CPA PC
Clovis, New Mexico
April 23, 2018

Basic Financial Statements

Government Wide Financial Statements

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets	
Cash	\$ 578,813
Receivables	
Taxes - current	338
Due from other governments	46,659
Other	344
Inventories	<u>1,060</u>
Total current assets	<u>627,214</u>
Noncurrent assets	
Capital assets	4,719,940
Accumulated depreciation	<u>(3,138,044)</u>
Capital assets	<u>1,581,896</u>
Total assets	<u>2,209,110</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to net pension liability	<u>387,139</u>
Total assets and deferred outflows of resources	<u>\$ 2,596,249</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	10,494
Accrued interest	1,632
Current portion of long term debt	<u>35,000</u>
Total current liabilities	<u>47,126</u>
Noncurrent liabilities	
Bonds	265,000
Net pension liability	<u>2,633,805</u>
Total noncurrent liabilities	<u>2,898,805</u>
Total liabilities	<u>2,945,931</u>
<u>DEFERRRED INFLOWS OF RESOURCES</u>	
Related to net pension liability	<u>117,332</u>
<u>NET POSITION</u>	
Net investment in capital assets	1,281,896
Restricted for	
General fund	16,392
Special revenue funds	307,078
Capital project fund	154,335
Debt service fund	8,880
Unrestricted	<u>(2,235,595)</u>
Total net position	<u>(467,014)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,596,249</u>

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

Statement of Activities
For the year ended June 30, 2017

Functions / Programs	Expenses	Program Revenues			Net Program [Expense] Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Total
Governmental activities					
Instruction	\$ 1,429,369	\$ 4,430	\$ 61,690	\$ -	\$ (1,363,249)
Support services:					
Students	82,929	-	-	-	(82,929)
Instruction	10,000	-	-	-	(10,000)
General administration	143,900	-	-	-	(143,900)
Central services	86,063	-	-	-	(86,063)
Operation & maintenance of plant	214,019	2,400	-	-	(211,619)
Student transportation	132,965	128,386	-	-	(4,579)
Other support services	750	-	-	-	(750)
Food services	57,655	13,844	11,815	-	(31,996)
Community services	1,018	-	-	-	(1,018)
Facilities acquisition / construction	89,494	-	-	39,895	(49,599)
Capital outlay	(1)	-	-	-	1
Interest on long-term debt	14,424	-	-	-	(14,424)
Total governmental activities	\$ 2,262,585	\$ 149,060	\$ 73,505	\$ 39,895	(2,000,125)

General revenues:

Property Tax:

Levied for general purposes	5,660
Levied for debt service	49,007
Levied for capital projects	23,536

Local:

Payment in lieu of taxes	56,633
Access board e-rate	6,509
Contributions and donations	3,498
Interest income	1,909
Royalties	2,087
Reimbursements / refunds	2,069
Emergency supplement	230,321
Equalization guarantee	1,349,842

Total general revenues 1,731,071

Change in net position (269,054)

Net position, beginning (206,437)

Prior period adjustment 8,477

Net position, beginning restated (197,960)

Net position, ending \$ (467,014)

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2017

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
ASSETS				
Cash and cash equivalents	\$ 87,191	\$ 15,309	\$ -	\$ 1,083
Accounts receivable:				
Taxes - current	24	-	-	-
Taxes - delinquent taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	46,659	-	-	-
Other accounts	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 133,874</u>	<u>\$ 15,309</u>	<u>\$ -</u>	<u>\$ 1,083</u>
LIABILITIES				
Accounts payable	\$ 4,899	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>4,899</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS				
Unavailable revenue - state grants				
FUND BALANCE				
Non-spendable	-	-	-	-
Restricted for:				
General funds	-	15,309	-	1,083
Special revenue funds	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Unassigned:				
General funds	<u>128,975</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>128,975</u>	<u>15,309</u>	<u>-</u>	<u>1,083</u>
Total liabilities and fund balances	<u>\$ 133,874</u>	<u>\$ 15,309</u>	<u>\$ -</u>	<u>\$ 1,083</u>

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

Special Revenue			Capital Projects		Other Governmental Funds	Total Governmental Funds
IDEA - B Entitlement 24106	New Mexico Reads to Lead 27114	Wind Farm 29134	Bond Building 31100	Senate Bill Nine State Match 31700		
\$ -	\$ -	\$ 295,542	\$ 116,781	\$ -	\$ 62,907	\$ 578,813
-	-	-	-	-	314	338
-	-	-	-	-	-	-
10,607	24,228	-	-	7,531	4,293	46,659
-	-	-	-	-	-	46,659
-	-	-	-	-	344	344
-	-	-	-	-	1,060	1,060
<u>\$ 10,607</u>	<u>\$ 24,228</u>	<u>\$ 295,542</u>	<u>\$ 116,781</u>	<u>\$ 7,531</u>	<u>\$ 68,918</u>	<u>\$ 673,873</u>
\$ -	\$ -	\$ 810	\$ 4,760	\$ -	\$ 25	\$ 10,494
10,607	24,228	-	-	7,531	4,293	46,659
<u>10,607</u>	<u>24,228</u>	<u>810</u>	<u>4,760</u>	<u>7,531</u>	<u>4,318</u>	<u>57,153</u>
-	-	-	-	-	-	-
-	-	-	-	-	1,060	1,060
-	-	-	-	-	-	16,392
-	-	294,732	-	-	12,346	307,078
-	-	-	112,021	-	42,314	154,335
-	-	-	-	-	8,880	8,880
-	-	-	-	-	-	128,975
-	-	294,732	112,021	-	64,600	616,720
<u>\$ 10,607</u>	<u>\$ 24,228</u>	<u>\$ 295,542</u>	<u>\$ 116,781</u>	<u>\$ 7,531</u>	<u>\$ 68,918</u>	<u>\$ 673,873</u>

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STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Reconciliation of the Balance Sheet
All Governmental Funds to the
Statement of Net Position
June 30, 2017

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

Fund balance - total governmental funds		\$	616,720
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			
Capital assets	\$	4,719,940	
Accumulated depreciation		<u>(3,138,044)</u>	1,581,896
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:			
Deferred outflows of resources related to pension			387,139
Deferred inflows of resources related to pension			(117,332)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds			
Accrued interest payable			(1,632)
Bond payable			(300,000)
Net pension liability			<u>(2,633,805)</u>
Net position of governmental activities on the statement of net position		\$	<u>(467,014)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the year ended June 30, 2017

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenue				
Taxes levied / assessed	\$ 5,660	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	40	-	-
Fees - activities	198	-	-	-
Rents and royalties	2,087	2,400	-	-
Contributions	3,498	-	-	-
Refund prior year expense	2,069	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	6,509	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	230,321	-	-	-
State equalization guarantee	1,349,842	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	128,386	-
Instructional materials - credit and cash	-	-	-	4,232
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	1,600,184	2,440	128,386	4,232
Expenditures				
Current				
Instruction	1,043,846	-	-	3,191
Support Services				
Students	82,929	-	-	-
Instruction	10,000	-	-	-
General administration	142,456	-	-	-
Central services	84,406	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	193,055	3,457	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	128,386	-
Food services operations	34,518	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,591,210	3,457	128,386	3,191
Excess (deficiency) of revenues over expenditures	8,974	(1,017)	-	1,041
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	8,974	(1,017)	-	1,041
Fund balance, beginning	120,001	16,326	-	42
Propr period adjstment	-	-	-	-
Fund balance, beginning restated	120,001	16,326	-	42
Fund balance, ending	\$ 128,975	\$ 15,309	\$ -	\$ 1,083

The accompanying notes are an integral part of these financial statements

IDEA - B Entitlement 24106	Special Revenue		Capital Projects		Other Governmental Funds	Total Governmental Funds
	New Mexico Reads to Lead 27114	Wind Farm 29134	Bond Building 31100	Senate Bill 9 State Match 31700		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,543	\$ 78,203
-	-	56,633	-	-	-	56,633
-	-	1,091	643	-	135	1,909
-	-	-	-	-	13,844	14,042
-	-	-	-	-	-	4,487
-	-	-	-	-	-	3,498
-	-	-	-	-	-	2,069
-	-	-	-	-	-	-
-	-	-	-	-	-	6,509
-	-	-	-	-	-	-
-	-	-	-	-	-	230,321
-	-	-	-	-	-	1,349,842
-	37,500	-	-	39,895	237	77,632
-	-	-	-	-	-	128,386
-	-	-	-	-	-	4,232
-	-	-	-	-	-	-
19,660	-	-	-	-	16,108	35,768
<u>19,660</u>	<u>37,500</u>	<u>57,724</u>	<u>643</u>	<u>39,895</u>	<u>102,867</u>	<u>1,993,531</u>
19,660	37,500	104,710	-	-	4,530	1,213,437
-	-	-	-	-	-	82,929
-	-	-	-	-	-	10,000
-	-	-	-	-	566	143,022
-	-	-	-	-	-	84,406
-	-	-	-	-	750	750
-	-	-	-	-	-	196,512
-	-	-	32,967	7,531	26,320	66,818
-	-	-	-	-	-	128,386
-	-	-	-	-	22,970	57,488
-	-	-	-	-	35,286	35,286
-	-	-	-	-	35,000	35,000
-	-	-	-	-	14,585	14,585
<u>19,660</u>	<u>37,500</u>	<u>104,710</u>	<u>32,967</u>	<u>7,531</u>	<u>140,007</u>	<u>2,068,619</u>
-	-	(46,986)	(32,324)	32,364	(37,140)	(75,088)
-	-	-	-	(80,049)	80,049	-
-	-	-	-	(80,049)	80,049	-
-	-	(46,986)	(32,324)	(47,685)	42,909	(75,088)
-	-	341,718	144,345	48,118	21,258	691,808
-	-	-	-	(433)	433	-
-	-	341,718	144,345	47,685	21,691	691,808
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,732</u>	<u>\$ 112,021</u>	<u>\$ -</u>	<u>\$ 64,600</u>	<u>\$ 616,720</u>

STATE OF NEW MEXICO
HOUSE 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

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

Net change in fund balances - total governmental funds \$ (75,088)

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized 35,287
Depreciation expense (176,456)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred inflows and outflows related to net pension liability (87,958)

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

Accrued interest 161
Principal payment on bond 35,000

Change in Net Position of Governmental Activities \$ (269,054)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
General Fund - Operational - 11000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ 5,772	\$ 5,772	\$ 5,751	\$ (21)
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	198	198
Rentals / Royalties	-	-	2,087	2,087
Contributions	-	-	3,498	3,498
Refund prior year expense	-	-	2,069	2,069
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	3,975	3,975	6,509	2,534
Insurance recoveries	-	-	-	-
Emergency Supplement	254,489	254,489	230,321	(24,168)
State equalization guarantee	1,370,360	1,349,701	1,349,842	141
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	1,634,596	1,613,937	1,600,275	(13,662)
Expenditures				
Current				
Instruction	1,144,578	1,139,468	1,044,816	94,652
Support Services				
Students	126,231	105,572	83,458	22,114
Instruction	10,000	10,000	10,000	-
General administration	154,283	154,283	145,535	8,748
School administration	-	-	-	-
Central services	91,296	91,323	84,624	6,699
Other support services	5,624	5,624	-	5,624
Operation of non-instructional services				
Operation & maintenance of plant	200,344	200,343	191,225	9,118
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	33,332	35,639	33,843	1,796
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,765,688	1,742,252	1,593,501	148,751
Excess (deficiency) of revenues over(under) expenditures	(131,092)	(128,315)	6,774	135,089
Other financing sources (uses)				
Operating transfers in (out)	-	-	(46,647)	(46,647)
Designated cash	131,092	128,315	-	(128,315)
Total other financing sources (uses)	131,092	128,315	(46,647)	(174,962)
Net change in cash balances	-	-	(39,873)	(39,873)
Cash balance, beginning	-	-	127,064	127,064
Cash balance, ending	\$ -	\$ -	\$ 87,191	\$ 87,191
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (39,873)	
Adjustment to revenues for accruals & other deferrals			(91)	
Adjustment to expenditures for payables, prepaids & other accruals			48,938	
Net change in fund balance (GAAP Basis)			\$ 8,974	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
General Fund - Teacherage - 12000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	40	40
Fees - activities	-	-	-	-
Rentals	2,400	2,400	2,400	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	<u>2,400</u>	<u>2,400</u>	<u>2,440</u>	<u>40</u>
Expenditures				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	18,107	18,107	3,457	14,650
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>18,107</u>	<u>18,107</u>	<u>3,457</u>	<u>14,650</u>
Excess (deficiency) of revenues over(under) expenditures	(15,707)	(15,707)	(1,017)	14,690
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	15,707	15,707	-	(15,707)
Total other financing sources (uses)	<u>15,707</u>	<u>15,707</u>	<u>-</u>	<u>(15,707)</u>
Net change in cash balances	-	-	(1,017)	(1,017)
Cash balance, beginning	-	-	16,326	16,326
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,309</u>	<u>\$ 15,309</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,017)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (1,017)</u>	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
General Fund - Transportation - 13000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	148,238	128,386	128,386	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	<u>148,238</u>	<u>128,386</u>	<u>128,386</u>	<u>-</u>
Expenditures				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	148,238	128,386	128,386	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>148,238</u>	<u>128,386</u>	<u>128,386</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
General Fund - Instructional Materials - 14000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	3,327	3,149	4,232	1,083
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	3,327	3,149	4,232	1,083
Expenditures				
Current				
Instruction	3,327	3,191	3,191	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	3,327	3,191	3,191	-
Excess (deficiency) of revenues over(under) expenditures	-	(42)	1,041	1,083
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	-	42	-	(42)
Total other financing sources (uses)	-	42	-	(42)
Net change in cash balances	-	-	1,041	1,041
Cash balance, beginning	-	-	42	42
Cash balance, ending	\$ -	\$ -	\$ 1,083	\$ 1,083
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,041	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ 1,041	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Special Revenue Fund - IDEA-B Entitlement - 24106
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	18,725	20,049	9,053	(10,996)
Total revenues	18,725	20,049	9,053	(10,996)
Expenditures				
Current				
Instruction	18,725	20,049	19,660	389
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	18,725	20,049	19,660	389
Excess (deficiency) of revenues over(under) expenditures	-	-	(10,607)	(10,607)
Other financing sources (uses)				
Operating transfers in (out)	-	-	10,607	10,607
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	10,607	10,607
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Special Revenue Fund - New Mexico Reads to Lead - 27114
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	37,500	13,272	(24,228)
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	-	37,500	13,272	(24,228)
Expenditures				
Current				
Instruction	-	37,500	37,500	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	37,500	37,500	-
Excess (deficiency) of revenues over(under) expenditures	-	-	(24,228)	(24,228)
Other financing sources (uses)				
Operating transfers in (out)	-	-	24,228	24,228
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	24,228	24,228
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Special Revenue Fund - Wind Farm - 29134
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	56,350	56,350	56,633	283
Interest	-	-	1,091	1,091
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	<u>56,350</u>	<u>56,350</u>	<u>57,724</u>	<u>1,374</u>
Expenditures				
Current				
Instruction	388,443	388,443	103,952	284,491
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>388,443</u>	<u>388,443</u>	<u>103,952</u>	<u>284,491</u>
Excess (deficiency) of revenues over(under) expenditures	(332,093)	(332,093)	(46,228)	285,865
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	332,093	332,093	-	(332,093)
Total other financing sources (uses)	<u>332,093</u>	<u>332,093</u>	<u>-</u>	<u>(332,093)</u>
Net change in cash balances	-	-	(46,228)	(46,228)
Cash balance, beginning	-	-	341,770	341,770
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,542</u>	<u>\$ 295,542</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (46,228)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(758)	
Net change in fund balance (GAAP Basis)			<u>\$ (46,986)</u>	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 104,112
Total assets	<u>\$ 104,112</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 104,112
Total liabilities	<u>\$ 104,112</u>

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

Notes to Financial Statements

NOTE 1 Summary of Significant Accounting Policies

House Municipal Schools (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 of the District. 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.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

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 function or segment.

These include fees for meals, lab fees and activity fees for the District. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB.

Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. 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.

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

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

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

The *General Fund* as the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

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

Under the requirements of GASB Statement No. 34, 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), which may include funds that were not required to be presented as major but were at the discretion of management:

General Fund 11000, 12000, 13000, 14000

The General Fund consists of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage Fund is to provide teachers affordable housing to entice them to teach there. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District

IDEA-B Entitlement – Special Revenue Fund 24106

The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17.

New Mexico Reads to Lead – Special Revenue Fund 27111

The purpose of this grant is to assist the District to purchase informational text materials for grades K-3 in alignment with Common Core State Standards (CCSS).

Wind Farm – Special Revenue Fund 29134

This fund is used to account for wind farm payment in lieu of property taxes revenue. The fund was created by definition.

Bond Building - Capital Project Fund 31100

This fund is used to account for resources received from the Department of Education state equalization guarantee for use in remodeling and equipping classroom facilities.

Senate Bill-9 – Capital Project Fund 31700

Revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Additionally, the government reports the following fund types:

Debt Service Funds

The fund is used to account for resources for and the payment of general long-term debt principal interest, and related cost.

Fiduciary Funds

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

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc , (b) program specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems.

Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents: The District's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures. The District's restricted assets are made up of all capital project.

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

The District receives monthly income from a tax levy in Quay and Roosevelt counties. The funds are collected by the County Treasurers and remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the county treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days (60) after year end.

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2017, the District does not have any prepaid items.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year.

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the

government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase I government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

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. Library books are not capitalized.

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

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and Improvements	20 - 50 Years
Vehicles	2 - 15 Years
Equipment	2 - 15 Years

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

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

Compensated Absences: The District contracts with all employees on an annual basis. Vacation and or sick leave are not paid out upon termination.

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

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

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

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2017.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position: Net Position is presented on the Statement of Net Position and may be presented in any of three components.

Net investment in capital assets

This component of Net Position 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. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

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

E. Revenues

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

A school district's program costs are determined using 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 Secretary of the Public Education Department. The District received \$1,349,842 in state equalization guarantee distributions and \$230,321 in state emergency supplement during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. 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' on a modified accrual basis. The District recognized \$78,203 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

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. Quay and Roosevelt Counties collect county, city, and school taxes and distributes them to each fund once a month.

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 Secretary of the Public Education Department. The funds shall be used only for 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 \$128,386 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$4,232.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, a public-school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public-school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The school district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2017, the District did not receive any special capital outlay funds.

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

The district received \$7,531 state SB-9 matching funds during the year end June 30, 2017.

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 revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

NOTE 2 Stewardship, Compliance and Accountability

Budgetary Information

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

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

Actual expenditures may not exceed the budget at the function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'function,' this may be accomplished with only

local Board of Education approval. If a transfer between 'functions' or a budget increase is required, approval must also be obtained from the New Mexico Public Education Department.

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the public, is open for the public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. 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. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented.

The appropriated budget for the year ended June 30, 2017, was properly amended by the Board of Education throughout the year.

	<u>Original Budget</u>	<u>Final Budget</u>
Major Funds		
Operational - 11000	\$ 1,765,688	\$ 1,742,252
Teacherage - 12000	\$ 18,107	\$ 18,107
Transportation - 13000	\$ 148,238	\$ 128,386
Instructional Material - 14000	\$ 3,327	\$ 3,191
Entitlement - 24106	\$ 18,725	\$ 20,049
NM Reads - 27114	\$ -	\$ 37,500
Wind Farm - 29134	\$ 388,443	\$ 388,443
Bond Building - 31100	\$ 144,879	\$ 144,879
Senate Bill 9 - 31700	\$ 31,237	\$ 31,237
Non major	\$ 179,633	\$ 182,677

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

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

NOTE 3 Deposits and Temporary Investments

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, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

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

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

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

The collateral pledged is listed on Schedule II 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.

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

Deposits

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

	Citizens Bank Tucumcari, NM	Type
Total amount on deposit on June 30, 2017		
House Municipal School Operational	\$ 412,647	Checking
House Municipal School Fund Account	32,891	Checking
House Municipal School Operational	100,000	cd
House Municipal School SB-9 Local	20,000	CD
House Municipal School Wind Farm	85,000	CD
House Municipal School Wind Farm	200,000	CD
House Municipal School Teacherage	15,000	CD
House Municipal School Fund	60,000	CD
House Municipal School Fund	15,000	CD
Total deposited	<u>940,538</u>	
Less FDIC coverage	<u>(500,000)</u>	
Total uninsured public funds	<u>440,538</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>220,269</u>	
Pledged securities		
Fed Natl Mtg Assn Pool	<u>400,000</u>	
Over (under)	<u>\$ 179,731</u>	

Pledged Collateral

The collateral segregated on the Districts behalf on June 30, 2017 is as follows

FHLB Discount Note, CUISP 313385HT6, maturity date 7/5/2017, market value \$400,000 held at Texas Independent Bank, Dallas Texas, securities held in Citizens Bank name pledged in House Municipal Schools name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$40,538 of the District's bank balance of \$940,538 was exposed to custodial credit risk.

Custodial Credit Risk-Deposits	
Account Balance	\$ 940,538
FDIC Insured	500,000
Collateral:	
Collateral held by the pledging bank, not in the the District's name	400,000
Uninsured and uncollateralized	<u>40,538</u>
Total Deposits	<u>\$ 940,538</u>

Custodial Credit Risk- Investments

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

At June 30, 2017, the District had no investment balances therefore there was no custodial credit risk.

NOTE 4 Accounts Payables and Accrued Expenses

Accounts payable as of June 30, 2017, was \$10,494 payable to suppliers.

NOTE 5 Receivables

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

	General Fund	SB-9 State Fund	Entitlement Fund	NM Reads to Lead Funds	Other Governmental Funds	Totals
Accounts receivable - taxes						
11000 General	\$ 24	\$ -	\$ -	\$ -	\$ -	\$
31701 SB-9 Local	-	-	-	-	105	
41000 Debt service	-	-	-	-	209	
Total						338
Accounts receivable - grantor						
24106 Entitlement	-	-	10,607	-	-	
24109 Pre School	-	-	-	-	4,089	
24154 Teacher / Principal	-	-	-	-	204	
27114 NM Reads to Lead	-	-	-	24,228	-	
31700 SB-9 State	-	7,531	-	-	-	
Total						46,659
Accounts receivable - other						
Food service	-	-	-	-	344	344

An allowance for doubtful accounts has not been established. All receivables are expected to be collectible.

NOTE 6 Inter-Fund Receivables and Payables

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

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

	Interfund Receivable	Interfund Payable
11000 Operational	\$ 46,659	\$ -
24106 Entitlement	-	(10,607)
24109 Pre School	-	(4,089)
24154 Teacher Principal	-	(204)
27114 NM Reads to Lead	-	(24,228)
31700 SB-9 State	-	(7,531)
Totals	\$ 46,659	\$ (46,659)

These funds are part of pooled cash, so the General Fund is deemed to have loaned it money until reimbursements are received. All inter-fund balances are to be paid within one year.

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The composition of a permanent transfer during the year ended June 30, 2017 is as follows:

	Transfer In	Transfer Out
31701 SB-9 Local	\$ 80,049	\$ -
31700 SB-9 State	-	(80,049)
Totals	<u>\$ 80,049</u>	<u>\$ (80,049)</u>

NOTE 7 Capital Assets

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

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 7,875	\$ -	\$ -	\$ 7,875
Capital assets being depreciated				
Buildings and improvements	\$ 3,871,591	\$ 29,816	\$ 185,165	\$ 4,086,572
Equipment, vehicles, information technology equipment, software and library books	<u>816,187</u>	<u>5,471</u>	<u>(196,165)</u>	<u>625,493</u>
Total assets	<u>4,695,653</u>	<u>35,287</u>	<u>(11,000)</u>	<u>4,719,940</u>
Less accumulated depreciation				
Buildings and improvements	(2,427,507)	(138,849)	(97,573)	(2,663,929)
Equipment, vehicles, information technology equipment, software and library books	<u>(553,558)</u>	<u>(37,607)</u>	<u>117,050</u>	<u>(474,115)</u>
Total accumulated depreciation	<u>(2,981,065)</u>	<u>(176,456)</u>	<u>19,477</u>	<u>(3,138,044)</u>
Governmental activity capital assets, net	<u>\$ 1,714,588</u>	<u>\$ (141,169)</u>	<u>\$ 8,477</u>	<u>\$ 1,581,896</u>

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

Governmental activities \$1,581,896

Depreciation has been allocated to the functions by the following amounts:

Support services - instruction	\$ 127,974
Support service - general administration	878
Support service - business & support	1,657
Operation maintenance of plant	17,507
Student transportation	4,579
Food service	167
Community service	1,018
Capital outlay	<u>22,676</u>
Total depreciation expense	<u>\$ 176,456</u>

NOTE 8 Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017, are for governmental activities.

General obligation bonds outstanding at June 30, 2017, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate
2009	5/15/2009	\$ 540,000	3.4% to 5.00%

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

Year Ended June 30,	Principal	Interest	Total
2018	\$ 35,000	\$ 13,273	\$ 48,273
2019	35,000	11,907	46,907
2020	40,000	10,490	50,490
2021	40,000	8,810	48,810
2022	40,000	7,070	47,070
2023-2025	110,000	9,930	119,930
	<u>\$ 300,000</u>	<u>\$ 61,480</u>	<u>\$ 361,480</u>

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Bonds payable					
General Obligation Bond	<u>\$ 335,000</u>	<u>\$ -</u>	<u>\$ (35,000)</u>	<u>\$ 300,000</u>	<u>\$ 35,000</u>

NOTE 9 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) 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 1978), 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, more than the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2017.

NOTE 10 Other Required Individual Fund Disclosures

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

- A. Deficit fund balance
None
- B. Excess Expenditures over budget.
Senate Bill 9 Local Fund 31701 expenditures exceeded the budget \$233.
- C. Designated cash appropriations more than available balance:
None

NOTE 11 Pension Plan – Education 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.

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

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

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

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

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

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

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

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

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

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

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

Benefit Options – The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
2017	7/1/16 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	\$20K or less	7.90%	13.90%	21.080%	0.00%
2016	7/1/15 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2016	7/1/15 to 6/30/17	\$20K or less	7.90%	13.90%	21.080%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employer contributions of \$41,529 and \$145,317, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$2,633,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was .0366%, which was a decrease of 0.00183% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$230,447. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 11,427	\$ 25,052
Reallocation	-	-
Change in assumptions	53,616	-
Net difference between projected and actual earnings on plan investments	157,222	-
Change in proportion and difference between District contribution and proportionate share of contributions	23,345	92,280
District's contribution subsequent to the measurement date	141,529	-
Totals	<u>\$ 387,139</u>	<u>\$ 117,332</u>

\$141,529 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2018	\$	27,298
2019	\$	12,130
2020	\$	50,508
2021	\$	38,340

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

Inflation 3.00%

Salary Increases:

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

Investment Rate of Return

7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

Average of Expected Remaining Service Lives 3.77 years

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. **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. **Disabled males:** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. **Disabled females:** RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. **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.

Retirement Age

Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases 2% per year, compounded annually.

Payroll growth 3.5% per year (with no allowance for membership growth).

Contribution accumulation

5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).

Disability Incidence

Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
District's proportionate share of the net pension liability	\$ 3,488,532	\$ 2,633,805	\$ 1,924,787

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

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

NOTE 12 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 post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$30,545, \$31,646, and \$32,781, respectively, which equal the required contributions for each year.

NOTE 13 Contingent Liabilities

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

NOTE 14 Concentrations

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

NOTE 15 Cash Flows

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.

NOTE 16 Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is April 23, 2018.

NOTE 17 Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$1,820.

NOTE 18 Surety Bond

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

NOTE 19 Memorandum of Understanding

District

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

Participants: Regional Education Cooperative and House Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 1995 until the end of any fiscal year during which the school gives notice of intent to terminate.

Clovis Community College Dual Enrollment Agreement

Purpose: Clovis Community College will provide higher education to qualified House High School junior and senior students in both technical and arts and science courses.

Participants: Clovis Community College and House Municipal Schools.

Responsibility: House Municipal Schools will be responsible for tuition and enrollment fees for the enrolled students.

Beginning and ending dates of agreement: Extended indefinitely until terminated by either party.

Estimated costs: Total costs are dependent on the number of enrolled students and is the sole responsibility of House Municipal Schools.

NOTE 20 Prior Period Adjustment

The fund balance of SB-9 State Fund 31700 was decreased \$433, and the fund Balance of SB-9 Local Fund 31701 was increased \$433 to move accounts receivable – taxes from one fund to the other.

Net Position was adjusted \$8,477 to correct accumulated depreciation.

NOTE 21 GASB 77

The District entered in to certain agreements during the year that involve tax abatements; the following tables outline the key information regarding the entities involved and the type and amounts of taxes abated during the year ending June 30, 2017.

Agency number for Agency making the disclosure (Abating Agency)	85-6000238
Abating Agency Name	Quay County, New Mexico
Abating Agency Type	Governmental subdivision of the State of New Mexico
Tax Abatement Agreement Name	Quay County, New Mexico Taxable Industrial Revenue Bond (FPL Energy New Mexico Wind, LLC Project)
Name of agency affected by abatement agreement (Affected Agency)	House Municipal Schools
Agency number of Affected Agency	7042
Agency type of Affected Agency	New Mexico School District
Recipient(s) of tax abatement	FPL Energy New Mexico Wind, LLC
Tax abatement program (name and brief description)	New Mexico county industrial revenue bonds. At the closing of a New Mexico County IRB transaction, the IRB project property, which may be any combination of real and personal property, is conveyed from the Company (a private entity) to a New Mexico county, which immediately leases the project property back to the Company. The county retains ownership, and the lease continues, for the term of the bonds, which may be any period specified by the county, up to 30 years. Under the New Mexico Constitution and applicable state statutes, this arrangement results in two separate tax subsidies. First, the project property is exempt from ad valorem taxation for the term of the bonds, and, second, purchases of project property that is tangible, depreciable, personal property are deductible or exempt, as the case may, from gross receipts and compensating taxes.
Specific Tax(es) Being Abated	(i) Ad valorem property tax (all project property), (ii) gross receipts tax (tangible, depreciable, personal project property purchased from New Mexico vendors), and (iii) compensating tax (tangible, depreciable, personal project property purchased from out-of-state vendors). Pursuant to Section 4-59-12 NMSA 1978, interest on the bond is also exempt from New Mexico income tax. Since, however, most modern IRBs are sold to affiliates of the Company, on a consolidated basis there is no income arising from the interest, and the income tax exemption is meaningless. (All of the Quay IRBs are held by affiliates of the respective Companies.)
Authority under which abated tax would have been paid to Affected Agency	The County Industrial Revenue Bond Act, Ch. 4, Art. 59 NMSA 1978 (the "Act").
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	\$84,066.00
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$56,350.00
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	N/A

Supplementary Information Related to Major Funds

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Capital Project Fund - Bond Building - 31100
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	500	500	643	143
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	<u>500</u>	<u>500</u>	<u>643</u>	<u>143</u>
Expenditures				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	144,879	144,879	28,207	116,672
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>144,879</u>	<u>144,879</u>	<u>28,207</u>	<u>116,672</u>
Excess (deficiency) of revenues over(under) expenditures	(144,379)	(144,379)	(27,564)	116,815
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	144,379	144,379	-	(144,379)
Total other financing sources (uses)	<u>144,379</u>	<u>144,379</u>	<u>-</u>	<u>(144,379)</u>
Net change in cash balances	-	-	(27,564)	(27,564)
Cash balance, beginning	-	-	144,345	144,345
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,781</u>	<u>\$ 116,781</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (27,564)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(4,760)	
Net change in fund balance (GAAP Basis)			<u>\$ (32,324)</u>	

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Capital Project Fund - Senate Bill Nine State Match - 31700
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees - activities	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	31,237	31,237	32,364	1,127
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	31,237	31,237	32,364	1,127
Expenditures				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	31,237	31,237	7,531	23,706
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	31,237	31,237	7,531	23,706
Excess (deficiency) of revenues over(under) expenditures	-	-	24,833	24,833
Other financing sources (uses)				
Operating transfers in (out)	-	-	(72,518)	(72,518)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	(72,518)	(72,518)
Net change in cash balances	-	-	(47,685)	(47,685)
Cash balance, beginning	-	-	47,685	47,685
Cash balance, ending	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (47,685)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (47,685)	

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

Required Supplementary Information

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Schedule of Proportionate Share of the Net Pension Liability
Education Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
The District's proportion of the net pension liability (asset)	0.03863%	0.03843%	0.03660%
The District's proportionate share of the net pension liability (asset)	\$ 2,204,115	\$ 2,489,213	\$ 2,633,805
The District's covered-employee payroll	\$ 1,064,907	\$ 1,045,444	\$ 1,018,196
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	206.98%	238.10%	258.67%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%	61.58%

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

See notes to required supplementary information

STATE OF NEW MEXICO
 HOUSE MUNICIPAL SCHOOLS
 Schedule of Contributions
 Education Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 151,917	\$ 145,317	\$ 141,529
Contributions in relation to the contractually required contribution	<u>151,917</u>	<u>145,317</u>	<u>141,529</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 1,064,907	\$ 1,045,444	\$ 1,018,196
Contributions as a percentage of covered-employee payroll	14.27%	13.90%	13.90%

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

Note: Employee contributions are not included in this schedule.

Changes of benefit terms.

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 Related to
Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service 21000

To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics 22000

To account for revenue and expenditures associated with the District's budgeted athletic activities. NMAC 6.20.2.

IDEA-B Preschool 24109

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

Teacher Principal Training and Recruiting 24154

The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science and to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382.

Dual Credit Instructional Materials 27103

The objective is to account for the monies received from ENMU-Roswell for dual credit college enrollment for qualified high school seniors.

Capital Projects

SB-9 Local - 37101

To account for resources received through Senate Bill 9 and local tax levies obtained for building, remodeling, and equipping classroom facilities.

Debt Service Fund

Debt Service Fund - 41000

The fund is used to account for the resources for, and the payment of, principal, interest, and related cost.

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STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
All Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Food Service 21000	Athletics 22000	IDEA - B Preschool 24109	Teacher / Principal Training & Recruiting 24154
ASSETS				
Cash and cash equivalents	\$ 11,250	\$ 777	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	4,089	204
Other	344	-	-	-
Inventory	1,060	-	-	-
	<u>1,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,654</u>	<u>\$ 777</u>	<u>\$ 4,089</u>	<u>\$ 204</u>
LIABILITIES				
Accounts payable	\$ 25	\$ -	\$ -	\$ -
Due to other funds	-	-	4,089	204
	<u>-</u>	<u>-</u>	<u>4,089</u>	<u>204</u>
Total liabilities	<u>25</u>	<u>-</u>	<u>4,089</u>	<u>204</u>
FUND BALANCE				
Non-spendable	1,060	-	-	-
Restricted for:				
Special revenue funds	11,569	777	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>12,629</u>	<u>777</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 12,654</u>	<u>\$ 777</u>	<u>\$ 4,089</u>	<u>\$ 204</u>

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

Dual Credit Instructional Materials 27103	Senate Bill Nine Local Sources 31701	Debt Service 41000	Total Non-major Governmental Funds
\$ -	\$ 42,209	\$ 8,671	\$ 62,907
-	105	209	314
-	-	-	4,293
-	-	-	344
-	-	-	1,060
<u>\$ -</u>	<u>\$ 42,314</u>	<u>\$ 8,880</u>	<u>\$ 68,918</u>
\$ -	\$ -	\$ -	\$ 25
-	-	-	4,293
-	-	-	4,318
-	-	-	1,060
-	-	-	-
-	-	-	12,346
-	42,314	-	42,314
-	-	8,880	8,880
-	42,314	8,880	64,600
<u>\$ -</u>	<u>\$ 42,314</u>	<u>\$ 8,880</u>	<u>\$ 68,918</u>

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
All Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Food Service 21000	Athletics 22000	IDEA - B Preschool 24109	Teacher / Principal Training & Recruiting 24154
Revenue				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Interest	-	-	-	-
Fees	13,844	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Refund prior year expense	-	-	-	-
Gain (loss) of asset	-	-	-	-
Access board (E-Rate)	-	-	-	-
Insurance recoveries	-	-	-	-
Emergency Supplement	-	-	-	-
State equalization guarantee	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	11,815	-	4,089	204
Total revenues	25,659	-	4,089	204
Expenditures				
Current				
Instruction	-	-	4,089	204
Support Services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student transportation	-	-	-	-
Food services operations	22,970	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	22,970	-	4,089	204
Excess (deficiency) of revenues over(under) expenditures	2,689	-	-	-
Other financing sources (uses)	-	-	-	-
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	2,689	-	-	-
Fund balance, beginning	9,940	777	-	-
Prior period adjustment	-	-	-	-
Fund balance, beginning restated	9,940	777	-	-
Fund balance, ending	\$ 12,629	\$ 777	\$ -	\$ -

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

Dual Credit Instructional Materials 27103	Senate Bill 9 Local Sources 31701	Debt Service 41000	Total Non-major Governmental Funds
\$ -	\$ 23,536	\$ 49,007	\$ 72,543
-	-	-	-
-	135	-	135
-	-	-	13,844
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
237	-	-	237
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	16,108
<u>237</u>	<u>23,671</u>	<u>49,007</u>	<u>102,867</u>
237	-	-	4,530
-	-	-	-
-	-	-	-
-	233	333	566
-	-	750	750
-	-	-	-
-	26,320	-	26,320
-	-	-	-
-	-	-	22,970
-	35,286	-	35,286
-	-	35,000	35,000
-	-	14,585	14,585
<u>237</u>	<u>61,839</u>	<u>50,668</u>	<u>140,007</u>
-	(38,168)	(1,661)	(37,140)
-	80,049	-	80,049
-	80,049	-	80,049
-	41,881	(1,661)	42,909
-	-	10,541	21,258
-	433	-	433
-	433	10,541	21,691
<u>\$ -</u>	<u>\$ 42,314</u>	<u>\$ 8,880</u>	<u>\$ 64,600</u>

Supplementary Information
Related to Fiduciary Funds

AGENCY FUNDS

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

The District has the following funds classified as Agency Funds:

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

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Agency Funds - Activity
Statement of Changes in Assets and Liabilities
June 30, 2017

Schedule I

	Beginning Balance	Additions	Deductions	Ending Balance
<u>ASSETS</u>				
School Fund	\$ -	\$ 25	\$ -	\$ 25
General	57,060	9,557	4,086	62,531
Class of 2017	2,186	751	1,523	1,414
Class of 2016	1,329	-	1,329	-
Class of 2022	-	418	-	418
Class of 2020	302	750	-	1,052
Publications	2,156	4,454	5,481	1,129
FFA	6,741	10,203	13,160	3,784
FCCLA	1,571	11,171	10,424	2,318
Business Professionals of America	3,973	3,743	5,470	2,246
Student Council	312	418	145	585
Class of 2018	950	3,972	1,661	3,261
Class of 2019	577	750	92	1,235
TLC Book Deposit	4,703	3,125	2,019	5,809
Elementary Athletics	687	663	571	779
Technology	5,000	-	-	5,000
Class of 2021	59	418	60	417
Fellowship of Christian Students	-	478	720	(242)
Archery	-	400	365	35
PTO	5,600	11,116	9,602	7,114
Athletic Activities	4,184	418	2,422	2,180
Accelerated Reader	2,087	-	-	2,087
Honor Society	516	419	-	935
	<u>516</u>	<u>419</u>	<u>-</u>	<u>935</u>
Total assets	<u>\$ 99,993</u>	<u>\$ 63,249</u>	<u>\$ 59,130</u>	<u>\$ 104,112</u>
<u>LIABILITIES</u>				
Due to student groups	<u>\$ 99,993</u>	<u>\$ 63,249</u>	<u>\$ 59,130</u>	<u>\$ 104,112</u>
Total liabilities	<u>\$ 99,993</u>	<u>\$ 63,249</u>	<u>\$ 59,130</u>	<u>\$ 104,112</u>

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

Other Supplemental Information

STATE OF NEW MEXICO
HOUSE MUNICIPAL SCHOOLS
Cash Reconciliation - All Funds
For the year ended June 30, 2017

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Total Cash</u>
House Municipal Schools					
Operational	\$ 127,064	\$ 1,500,275	\$ (1,593,501)	\$ (46,647)	\$ 87,191
Teacherage	16,326	2,440	(3,457)	-	15,309
Transportation	-	128,386	(128,386)	-	-
Instructional Materials	42	4,232	(3,191)	-	1,083
Food Services	8,606	23,495	(20,851)	-	11,250
Athletics	777	-	-	-	777
Federal Flowthrough	-	9,065	(23,953)	14,888	-
Federal Direct	-	-	-	-	-
State Flowthrough	-	13,509	(37,737)	24,228	-
Wind farm	341,770	57,724	(103,952)	-	295,542
Capital Improvements Bond Building	144,345	643	(28,207)	-	116,781
Capital Improvement SB-9 State	47,685	32,364	(7,531)	(72,518)	-
Capital Improvement SB-9 Local	-	23,999	(61,839)	80,049	42,209
Debt Service	9,489	49,850	(50,668)	-	8,671
	<u>696,104</u>	<u>1,945,982</u>	<u>(2,063,273)</u>	<u>-</u>	<u>578,813</u>
Total governmental funds					
Fund - Student Activities	<u>99,993</u>	<u>63,249</u>	<u>(59,130)</u>	<u>-</u>	<u>104,112</u>
Total House Municipal Schools	<u>\$ 796,097</u>	<u>\$ 2,009,231</u>	<u>\$ (2,122,403)</u>	<u>\$ -</u>	<u>\$ 682,925</u>

<u>Deposit or Investment Account Type</u>	<u>Citizens Bank's Balances at Year End</u>
Operational - checking	\$ 412,647
Operational - certificate of deposit	15,000
Operational - certificate of deposit	85,000
Operational - certificate of deposit	200,000
Operational - certificate of deposit	100,000
Operational - certificate of deposit	20,000
Total on deposit	832,647
Reconciling items - outstanding checks	<u>(253,834)</u>
Governmental funds reconciled balance at year end	578,813
Fund - checking	32,891
Fund - certificate of deposit	60,000
Fund - certificate of deposit	15,000
Total on deposit	107,891
Reconciling items - outstanding checks	<u>(3,779)</u>
Reconciled balance at year end	<u>\$ 104,112</u>
Reconciliation to financial statements	
Cash and cash equivalents:	
Total cash and cash equivalents per statement of net position	\$ 578,813
Total cash and cash equivalents per statement of fiduciary assets and liabilities - agency funds	104,112
Total cash and cash equivalents	<u>\$ 682,925</u>

Compliance Section

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Wayne A. Anderson
New Mexico State Auditor
The Governing Body
House Municipal Schools
House, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the House Municipal School District (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 the combining and individual funds of the District presented as supplementary information, and have issued my report thereon dated April 23, 2018.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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

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. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, and 2017-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2017-004, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010 and 2017-011.

Response to Findings

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

Purpose of this Report

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



Sandra Rush CPA PC
Clovis, New Mexico
April 23, 2018

Prior Year Findings: None

2017-001 Financial Statements and Disclosures

Material Weakness

Condition

The District relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The District requires the independent auditor gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. Presently the business manager is unable to prepare the financial statements in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the District personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the District's business manager lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The District's business manager lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the business manager of the District attend seminars on governmental financial reporting to increase their knowledge and abilities.

Response:

The new business manager, (hired 11/27/2017), believes he has more than adequate training with financial statements throughout his college career while in pursuit of his MBA which was obtained in Dec. 2017. Continued education on this will be provided through the required CEUs to keep his business official license annually.

Responsible employee: Business Manager
Timeline: June 30, 2018

2017-002 Design Deficiencies in Internal Control over Financial Reporting

Material Weakness

Condition

The District's internal control structure is inadequate. The District does not have a comprehensive documented internal control system over financial information. The District does not maintain proper oversight or monitoring in regards to the District's accounting activities and has not taken the proper measures to monitor and mitigate the risk for fraud, misappropriation of assets, or misstatement of financial statements. During my audit, I noted the following internal control deficiencies:

- Manual journal entries are prepared and posted by the business manager without independent review.
- Bank reconciliations are prepared by the Business Manager without independent review.
- The District does not have an updated policy for safeguarding capital assets.
- Five deposits out of ten deposits tested were not deposited within one week of receipt.
- In test work over bank reconciliations, we noted 9 out of 12 were not reconciled timely.
- Capital asset reports were not reconciled to the general ledger or the prior year's schedule. The schedule was not updated to properly report dollar amounts of additions and to ensure that all assets were being depreciated in accordance with the District's policies.

Criteria: NMAC 6.20.2.11 states:

- A. Every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.
- B. An internal control structure is required to demonstrate the District's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:
- (1) rights and ownership;
 - (2) existence and occurrence;
 - (3) valuation and allocations;
 - (4) completeness; and,
 - (5) presentation and disclosure.
- C. The internal control structure shall demonstrate that the District identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the District complies with those laws and regulations. Internal control procedures shall be established, documented and implemented. Appropriate internal control procedures shall be adopted by school board to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all District transactions.

Effect

Because certain internal controls have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Cause

The District has not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect errors or fraud.

Recommendation

The District should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the District's documented internal control procedures. The School Board is charged with governance and should provide effective oversight of the internal control and financial reporting process.

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Response

New internal controls will be put into effect as follows:

1. Journal entries be verified and signed off by the Superintendent who is the CPO.
2. Bank reconciliations will be reviewed and approved by an independent party before being closed.
3. NMSBA Policy service will be implemented and adhered to.
4. Staff will be cross trained on preparation of deposits and delivery so that business can continue unaffected by the extended absence of the designated depositor.
5. Bank Statements will be reconciled within 10 days of receipt.

Responsible employee: Business Manager
Timeline: June 30, 2018

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2017-003 Bank Reconciliation Preparation

Material Weakness

Condition:

During the test for cash it was discovered the Districts bank reconciliations are not always prepared timely. A sample of 12 revealed 9 reconciliations were not prepared timely. Also, the June 30, 2017 bank reconciliation had an \$851 adjustment without an explanation, during audit fieldwork, the adjustment was removed without explanation.

Criteria

Section 6-20-2-14, NMSA 1978 Cash Control Standards: All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Effect

The District is not in compliance with Section 6-20-2-14, NMSA 1978. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information. Also, cash is subject to errors, fraud, or abuse.

Cause

There is no policy and procedure in place requiring the bank accounts be reconciled timely and reviewed by someone other than the preparer.

Recommendation

I recommend the District implement policies and procedures that require the bank accounts be prepared monthly and reviewed by someone other than the preparer.

Response

New policy effective immediately: Bank statements will be reconciled within 10 days and once reconciled, reports will be generated and given to an independent reviewer for approval and closer.

1. Bank statement received and reconciled by business manager.
2. Bank statement and reconciling documents given to the Superintendent who is the CPO.
3. The Superintendent who is the CPO verifies and closes statement in Visions.

Responsible employee: Business Manager

Timeline: June 30, 2018

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2017-004 Expenditures in Excess of Budget Internal Control & Compliance - Significant Deficiency

Condition

The District over expended its budget in the following fund: Senate Bill 9 Local Fund \$233. The District did not adopt or adjust the budget for this line.

Criteria

Budgetary controls, which include the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget. (NMSA 6-6-6(I))

Effect

Any expenditure in excess of the approved budget indicates a lack of controls in the purchasing process which leads to unauthorized purchases being made with District money.

Cause

The District over expended its budget in the above fund because of inadequate monitoring of the budget.

Recommendation

I recommend the District establish policies and procedures governing the budgetary process and monitoring of the budget to properly prepare and adjust the budget to properly authorize all expenditures.

Response

Requisitions and POs will be approved prior to the purchase of goods/services.

Monthly budget monitoring will occur immediately between the Superintendent who is the CPO and the business manager; taking BAR's to the board as necessary, to ensure no over expenditure of any line item.

Responsible employee: Business Manager

Timeline: June 30, 2018

2017-005 Timely Deposits

Internal Control & Compliance - Significant Deficiency

Condition

The District is not following the 24-hour, one banking day deposit rule as set forth by NMAC 6.20.2.14 (C). Due to the distance the District is from the bank, the District is allowed to make weekly deposits. A sample of 10 deposits revealed 5 were not made weekly.

Criteria

According to NMAC 6.20.2.14 (C) Cash Control Standards- money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the 24-hour requirement the local board may request approval from PED for an alternative plan.

Cause

The District did not have adequate controls in place to ensure deposits were made weekly.

Effect

Monies that are collected and not deposited timely or do not follow the District policies and procedures are subject to possible errors, fraud, or abuse.

Recommendation

I recommend the District conduct internal trainings on the importance and ramifications of not following state statutes and laws.

Response

The secretary and CPO will be cross trained immediately on preparation of deposits and delivery so that business can continue unaffected by an extended absence of the designated depositor.

Responsible employee: Business Manager

Timeline: June 30, 2018

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2017-006 PED Cash Reports

Internal Control & Compliance - Significant Deficiency

Condition

For the year ended June 30, 2017, the beginning cash reported to the Public Education Department (PED) did not agree with the prior years audited cash balances. The District included other accrued assets in the beginning cash balances reported to PED. The audited cash balances differed from the amounts reported to PED as follows: Operational Funds cash was overstated \$127 and Senate Bill 9 – State cash was overstated \$433.

The expenditures reported to PED contained errors. The Operational Fund expenditures was overstated \$553, the Dual Credit Fund expenditures was overstated \$7, and the Senate Bill 9 State Fund expenditures were overstated \$23,548.

Also, the ending cash reported on the PED report contained errors. The Operational Fund ending cash was understated \$23,548, the Dual Credit ending cash was understated \$7.

The ending cash reported to PED did not agree with the Districts June 30, 2017 general ledger. The reimbursable special revenue funds and Senate Bill 9 State Fund that had negative cash balances at June 30, 2017 received a loan from the Operational Fund. The loans totaled \$46,659. The District did not record these loans in the general ledger.

Criteria

6.20.2.11 (B) (6) NMAC and Regulation SBE-6 the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Effect

The information that is reported to PED is incomplete and could lead to inappropriate funding for the District. Also, the Operational Funds cash is overstated and could affect the subsequent years cash available to budget. The Districts general ledger cash accounts did not properly reflect the cash available to each fund.

Cause

The District does not have policies and procedures in place to assure the correct balances are reported to PED. Nor do they have policies and procedures in place to assure the general ledger cash is correct. The District does not have policies and procedures in place that require all reports be reviewed and approved by someone other than the preparer.

Recommendation

I recommend the District develop policies and procedures that assure all reports are reviewed and agreed to the general ledger prior to submission.

Response

Business manager will manually verify and retroactively input the proper beginning balances for FY 2017-2018 and will ensure the accuracy of FY 2018-2019 beginning balances.

All 2017-2018 spending will be encumbered by April 1st to ensure order; receipt and RFR process is complete in time for reimbursement to get approved/denied before the end of the year.

Over/understatement on cash report occurred after making adjustments as directed by auditor due to denial of RFR.

Office will request to submit corrected cash report that ties to the new general ledger.

Responsible employee: Business Manager
Timeline: June 30, 2018

2017-007 Expenditures

Internal Control & Compliance - Significant Deficiency

Condition

During cash disbursements test work, we noted 9 out of 25 instances in which the vendor invoice predated the purchase order and or purchase requisition date. The invoices totaled \$6,091.

Two payments to employees for meals which employee did not sign certifying they were entitled to reimbursement. These invoices totaled \$72.

Two invoices paid to Fort Sumner Municipal Schools for student meals. Both invoices billed the District through the end of the month but were paid prior to the end of the month. Thus, the District paid for goods and services prior to receiving them. The invoices totaled \$2,291.

The District transferred \$3,000 from the Teacherage Fund checking account to a Certificate of Deposit leaving a balance of \$3,166. Then a \$3,457 invoice was paid out of the checking account leaving the fund overdrawn \$291. The Teacherage Fund cash balance remained overdrawn until a tenant paid their rent.

Criteria

Section 6-5-8 NMSA 1978, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation, and the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including purchase order revisions as necessary.

6.20.2.14, NMAC 1978 states the school district shall verify that there is sufficient cash and budget prior to the disbursement of cash.

Effect

The lack of enforcing Section 6-6-3 NMSA 1978 and Section 6-5-8 NMSA 1978 may result in the un-authorized purchases and/or purchases that exceed available resources.

The district is in violation of Section 6-5-8 NMSA 1978, and New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978)

Also, the District spent money that was not available.

Cause

The District does not have policies and procedures in place to verify procurement requirement are followed.

Recommendation

The District should adopt and enforce policies and procedures for the purchase of goods and/or services. The policies and procedures should ensure purchase orders are authorized prior to the purchase of goods and services, and invoices are only paid when all the required documents are in hand, and they should also verify sufficient cash and budget is available prior to making disbursements.

Response

Commencing immediately:

1. Requisitions and POs will be approved prior to the purchase of goods/services.
2. Employee's will not be reimbursed for meals without receipts and certification of entitlement.
3. Invoices will not be paid prior to receiving goods/services.
4. Monthly budget monitoring will occur between the Superintendent who is the CPO and the business manager; taking BAR's to the board as necessary, to ensure no over expenditures on any line item.

Responsible employee: Business Manager

Timeline: June 30, 2018

2017-008 Compensation Not Reported as Wages Internal Control & Compliance - Significant Deficiency

Condition

The test work over expenditures revealed one (1) employee was paid both as an employee and an independent contractor. The employees contract ran from July 1, 2016 to June 30, 2017 of which 80% of his wages was for maintenance. During the school year the maintenance employee was paid as an employee, but during the summer for one job he was paid as an independent contractor. The one job totaled \$768. Also, the District did not issue a 1099-Misc for the independent contractor work.

Criteria

Internal Revenue Service Section 3401(a) defines "wages" for income tax withholding purposes as all remuneration for services performed by an employee for his employer. The pay may be in cash or in other forms. Wages includes but are not limited to salaries, vacation allowances, bonuses, commissions, and fringe benefits. An employee cannot be both an employee and independent contractor for the same employer if they perform the same type of work.

Failure to File Correct Information Returns by the Due Date (Section 6721) IRS Code

If an employer fails to file a correct information return by the due date and cannot show reasonable cause, they may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file electronically, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable. The amount of the penalty is based on when you file the correct information return. The penalty is as follows. \$50 per information return if you correctly file within 30 days (by March 2 if the due date is January 31); maximum penalty \$536,000 per year (\$187,500 for small businesses, defined below). \$100 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$1,609,000 per year (\$536,000 for small businesses). \$260 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$3,218,500 per year (\$1,072,500 for small businesses).

Cause

The District does not have a policy in place requiring all payments to employees for services performed be included in wages.

Effect

The District is not in compliance with Internal Revenue Service Section 3401(a) and Section 6721.

The District could be liable for a penalty for failure to file the 1099-Misc.

Recommendation

All remuneration for services performed by an employee for the District should be reported as wages.

Response

The Business Manager and Superintendent are aware that an employee cannot be considered both an employee and an independent contractor.

Responsible employee: Business Manager
Timeline: June 30, 2018

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2017-009 Request for Reimbursement Disallowed Internal Control & Compliance - Significant Deficiency

Condition

The District failed to submit one (1) Senate Bill 9 State Fund request for reimbursement (RFR) with proper documentation. PED requires proof of payment (ck/stmt) prior to reimbursement. The expenditure check cleared the bank on September 20, 2017, two and one-half months after the year end. Therefore, PED disallowed the reimbursement.

Criteria

PED requires RFR's be submitted with complete decimation.

Cause

The District did not have a policy to verify all RFR are submitted timely and with the proper documents. Since the expenditure check did not clear the bank until September 20, 2017 PED disallowed the reimbursement

Effect

The District was not reimbursed \$23,705.

Recommendation

The District should establish a procedure to verify the RFR's are filed timely and with complete documentation.

Response

All expenditures requiring RFRs for 2017-2018 will be encumbered by April 1st so the business manager and the Superintendent who is the CPO can ensure order; receipt and RFR process is complete in time for reimbursement to get approved/denied before the end of the year.

Responsible employee: Business Manager
Timeline: June 30, 2018

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2017-010 Required Documents Not Posted to the School's Website

Compliance Other

Condition

During the course of the audit, we noted that the District did not have certain required documents posted on its website. The documents not posted include budget status reports, budget adjustment requests, cash reports, voucher reports, and procurement listing reports as applicable.

Criteria

Section 22-8-13.2 NMSA 1978 requires school districts to post at a minimum, the following reports to the School's website:

A report on the budget status of the district;
A statement of any budget adjustment requests;
Cash reports;
Voucher reports;
Reports listing procurement, travel or gas card expenditures and;
Investment reports.

Cause

The School is not posting this information to its website.

Effect

The School does not appear to be in compliance with Section 22-8-13.2 NMSA 1978 resulting in a lack of transparency to the public.

Recommendation

The School should ensure that the required reports are posted to its website in a timely manner.

Response

Section 22-8-13.2 NMSA 1978 will be reviewed by the Superintendent who is the CPO and the business manager. All necessary procedures will be put into place to become compliant as soon as new business manager has the adequate training to do so.

Responsible employee: Business Manager
Timeline: June 30, 2018

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2017-011 Audit Report Filed Late

Compliance Other

Condition

The June 30, 2017 audit report was not submitted to the State Auditor's office timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9, the audited financial statements were due November 15 of the fiscal year audited.

Cause

The audit was submitted to the New Mexico State Auditor April 23, 2018.

Effect

The District is not in compliance with State Auditor Rule 2.2.2.9 for the fiscal year ended June 30, 2017.

Recommendation

The audit needs to be submitted timely.

Response

The new business manager will ensure timely submission of June 30, 2018 audit and each year going forward thereafter.

Responsible employee: Business Manager

Timeline: June 30, 2018

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Bonnie Lightfoot, Superintendent, Bill Noland, board member, Derrick Terrell, Business Manager, Marsha Stowe, staff and Sandra Rush, CPA, in an exit conference on April 23, 2018.

