

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL
DISTRICT NO. 8**

Financial Statements

June 30, 2017



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
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JUNE 30, 2017**

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**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
OFFICIAL ROSTER
JUNE 30, 2017**

BOARD OF EDUCATION

Elizabeth Howells	President
Charles Armijo	Vice President
Albert Chavez	Secretary
Selia Gomez	Member
Becky Spindle	Member

SCHOOL OFFICIALS

Tom Sullivan	Superintendent
Antoinette Young	Director of Finance

AUDIT COMMITTEE

Selia Gomez	Member
Robin Prudencio	Member
Saul Araque	Member
Tom Sullivan	Member
Antoinette Young	Member

FINANCE COMMITTEE

Robert Adams	Member	Ken Chancellor	Member
Rhiannon Chavez	Member	Timothy Fleming	Member
Laraun Harrison	Member	Seana Hicks	Member
Krista Kniffin	Member	Mindy Lingnau	Member
Mathew Page	Member	Conniejo Mitchell	Member
Shirley Payne	Member	Loretta Rivera	Member
Teresa Salazar	Member	Cindy Sims	Member
Debbie Wiebener	Member	Lisa Thomas	Member
Eileen Wood	Member	Antoinette Young	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Education,
The Audit Committee of
Moriarty-Edgewood School District No. 8
and Mr. Wayne Johnson
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, fiduciary activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of Moriarty-Edgewood School District No. 8 (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-14, Schedule of the District's Proportionate Share of the Net Pension Liability on page 52, and the Schedule of District Contributions on page 53, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the combining schedules, budgetary comparison schedules, and the other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Albuquerque, New Mexico

November 13, 2017

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

INTRODUCTION:

This Management Discussion and Analysis of the financial operations of the Moriarty-Edgewood School District for the period ending June 30, 2017, represents the school district's tenth year implementation of the Governmental Accounting Standards Board Statement No. 34 (GASB 34). GASB 34 requires this written analysis as a part of the school district's financial reports and is intended to be an objective and easily readable discussion of the financial performance of the district. For school districts, GASB 34 has had a significant impact in the manner in which the financial statements are prepared, as well as the kinds of statements that are included in the report. There are two statements: a Statement of Net Position which includes all of the assets and liabilities of the district and a Statement of Activities, which is a report that uses a net cost format with expenses reported by functions/programs. The Management Discussion and Analysis as well as the two statements, provide a review of the School District's overall financial activities using the accrual basis of accounting. Fund financial statements are reported on a modified accrual basis of accounting. The reports include a comparison with last fiscal year.

The annual audit report also consists of a series of detailed, audited financial statements and the notes to those statements. Also included in the report is the Independent Auditor's Report, the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Uniform Grant Guidance, and a Schedule of Findings and Questioned Costs.

FINANCIAL HIGHLIGHTS:

- The school district received an A3/underlying rating with a stable outlook from Moody's Investor Services and an Aa1 enhanced rating with a stable rating on the issuance of General Obligation Bonds which helps lower interest rate costs to taxpayers in the district.
- Enrollment continued to decline modestly, but the district's financial position was seriously impaired by legislative decisions during a statewide economic crisis. Moriarty-Edgewood School District had its budget reduced by approximately \$700,000 during FY16-17 essentially wiping out cash reserves and resulting in the district seeking and receiving \$400,000 in emergency supplemental funding for FY17-18. The district is committed to rebuilding its cash to established board policy levels as quickly as possible.
- Continued improvements at Moriarty HS included the renovation of the former cafeteria and adjacent spaces into a Career and Technical Education Center.
- The district is in year two of a three-year contract with Axiom CPA's. Based on the FY 2015-16 audit report, which is sample based, the district had three audit findings which were corrected immediately as noted in this 2016-17 report. The MESD has had an Audit Committee since 2010 and they have worked with the audit firm during the FY 16-17 audit.
- During FY 16-17, the district Business Office continued the annual training for all head secretaries and new principals. The Business Office has added training for all sponsors on the manual for Student Activity Accounts that is utilized in the schools and departments for administration of processing for all receipts and expenditures of activity funds.
- The Moriarty-Edgewood School District has recertified two Business Office staff members as Chief Procurement Officers, in order to have a backup available. The Business Office continues to improve the record keeping of all Capital Assets, as well as making the Purchasing Flowchart available in the Budget Handbooks and on web site.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

Statement of Net Position

As noted above in the Introduction, GASB 34/63 requires that the Statement of Net Position now be included in the financial statements of the Moriarty Edgewood School District audit report. This statement is prepared using the accrual method of accounting. This statement shows that as of June 30, 2017, the school district has Total Net Position of \$10,507,031. At June 30, 2016, Total Net Position was \$10,291,152 for an increase of \$215,879. There is a total of \$6,907,522 of cash and cash equivalents on hand as of June 30, 2017 compared to \$10,991,495 on June 30, 2016 for a decrease of \$4,083,973. Accounts Payable/Accrued Expenses are \$1,522,760 at June 30, 2017 compared to \$1,558,947 for June 30, 2016 for a decrease of \$36,187. Unrestricted Net Position had a deficit of \$32,634,149 at June 30, 2017 compared to a deficit of \$32,421,802 at June 30, 2016. There was a decrease in revenues of \$789,350 as corresponding expenses; the District was able to control other expenditures resulting in a decrease of \$2,222,921 from the prior year. Net Position reflects an increase of \$215,879. In addition, the repayment of long-term debt, and the fact that several new bonds are interest only payments until future years have contributed to the change in net assets.

Assets	June 30, 2017	June 30, 2016
Cash and cash equivalents	\$ 6,907,522	10,991,495
Other Current Assets	1,491,307	1,810,239
Capital Assets	60,003,553	56,682,842
Total Assets	68,402,382	69,484,576
Deferred Outflows of Resources	4,855,879	3,089,778
Liabilities		
Accounts Payable and Accrued Expenses	1,522,760	1,558,947
Long Term Debt	22,610,000	23,245,000
Net Pension Liability	35,108,521	33,660,410
Total Liabilities	59,241,281	24,803,947
Deferred Inflows of Resources	3,509,949	3,818,845
Net Position		
Net Investment in Capital Assets	37,393,553	33,437,842
Restricted	5,747,627	9,275,112
Unrestricted (Deficit)	(32,634,149)	(32,421,802)
Total Net Position	\$ 10,507,031	\$ 10,291,152

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

STATEMENT OF ACTIVITIES

The Statement of (Governmental) Activities is another statement required by GASB 34 and is prepared using the accrual method of accounting. This report complements the Statement of Net Position by showing the overall change in the school district's net assets for the fiscal year ending June 30, 2017. As of June 30, 2017, the total net position is \$10,507,031 which corresponds with the amount in the Statement of Net Position.

One of the most important questions that should be asked about the school district's finances is "Is the school district as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the school district as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the school district's net assets and changes in them. You can think of the school district's net assets-the difference between assets and liabilities-as a way to measure the school district's financial health or financial position. Over time, increases or decreases in the school district's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as the assessed valuation and number of students in the district need to be considered to assess the overall financial health of the school district.

For June 30, 2017, Net Position-Ending totaled \$10,507,031 and at June 30, 2016, the total amount for Net Position-Ending was \$10,291,152 for an increase of \$215,879. The financial condition of the district continues to improve in spite of the continued enrollment decline. There continues to be a significant investment to fund improvements to our buildings and land from district funds and from state funds.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Changes in Net Position

	<u>Years Ended</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues		
Program Revenues		
Charges for Services	\$ 499,184	\$ 401,217
Operating grants	4,739,768	4,904,523
Capital grants and contributions	-	-
Total Program Revenues	<u>5,238,952</u>	<u>5,305,740</u>
General Revenues		
Property Taxes	5,675,530	5,845,756
Grants and contributions not restricted	17,438,066	18,032,529
Unrestricted Investment Earnings	5,360	3,800
Miscellaneous income	118,664	78,097
Total General Revenues	<u>23,237,620</u>	<u>23,960,182</u>
Total Revenues	<u>28,476,572</u>	<u>29,265,922</u>
Expenses		
Instruction	13,417,167	13,725,055
Support Services - Students	2,813,207	2,700,882
Support Services - Instruction	546,870	546,651
Support Services - General Administration	883,534	953,015
Support Services - School Administration	1,117,836	1,189,062
Central Services	638,581	669,321
Operations & Maintenance of Plant	5,572,971	7,223,238
Student Transportation	1,468,140	1,581,532
Other Support Services	5,858	22,947
Food Services	1,332,394	1,359,807
Community Services	19,480	13,462
Bond interest paid	444,655	498,642
Total governmental activities	<u>28,260,693</u>	<u>30,483,614</u>
Change in Net Position	<u>\$ 215,879</u>	<u>\$ (1,217,692)</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

FUND FINANCIAL STATEMENTS

BALANCE SHEET GOVERNMENTAL FUNDS

Fund Financial Statements are based on a modified accrual basis of accounting. The modified accrual basis of accounting records all accounts receivables, accounts payables and accrued salaries and benefits. All of the school district's financial operations/activities are reported here except for Student Activity Funds that are reported in the Statement of Fiduciary Assets & Liabilities.

The Balance Sheet Governmental Funds for at June 30, 2017, the total assets of \$8,662,219 significantly exceed the total liabilities of \$2,433,100 with a fund balance of \$6,229,119. This is a decrease from June 30, 2016 where total assets were \$13,375,095, total liabilities were \$1,873,178 and Fund Balance was \$10,503,929.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

The Statement of Revenue, Expenditures and Changes in Fund Balance. This report guides the reader to a meaningful overall view for the school district's revenues, expenditures and fund balance, and changes to the fund balance. Total revenues for FY 16-17 were \$28,659,407 or \$596,195 less than the FY15-16 total revenues of \$29,255,602. The largest source of revenue is state sources with \$19,385,932 or 68% of the total revenues. State sources decreased by \$460,928 due to a decrease in State Equalization.

Total expenditures for the school district for the year ended June 30, 2017 were \$36,934,218. For the year ended June 30, 2016, total expenditures were \$41,768,083 for a decrease of \$4,833,865. The June 30, 2017 Fund Balance was \$6,229,119 for a decrease of \$3,512,481 from \$10,503,929 at June 30, 2016.

The Statement of Revenue and Expenditures and Changes in Fund Balance clearly indicates that the district has continued to scale back expenditures in the Operational Fund due to the decrease in state funding from the decline in student enrollment and decrease of the unit value. Because of the decline in enrollment and the subsequent decrease in funding, the district has carefully been monitoring staffing levels and expenditure levels in the Operational Fund where the enrollment decline has the largest impact on revenue. There has been a considerable reduction in staffing levels the past four years. The district's enrollment projections indicate that the enrollment decline will continue for at least the next two to three years. The decline in funding from the State Equalization Guarantee is expected to continue since the New Mexico funding formula is based on the number of students enrolled in the district.

THE SCHOOL DISTRICT'S BUDGET

The State of New Mexico public school budget process is defined under New Mexico State Statutes, (Section 22) and the New Mexico Administrative Code (Section 6). To improve the process of developing the annual budget, the Moriarty Edgewood Schools Board of Education strongly encourages the participation and input from all school district patrons, including students, staff, administrators, parents, business, and the community at large. The District Budget Committee consisted of 20+ members representing various stakeholder groups. The group met on a regular basis to develop and make recommendations to the Superintendent and School Board.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

THE SCHOOL DISTRICT'S BUDGET (CONTINUED)

Over the course of the year, the school district Board of Education revises the budget as the need arises by means of a Budget Adjustment Request (BAR). These Budget Adjustment Requests fall into three categories. The first category includes budget adjustments that are approved shortly after the beginning of the year and reflect the actual beginning cash balances (versus the amounts estimated in April of each year) when the board approved the budget. Included in this category are adjustments for actual carryover balances from Special Revenue accounts, such as Food Services, Athletics, state and federal flow through grants and capital outlay funds. The second category includes changes that the board approves from possible Unit Value changes as the Public Education Department funds increases or decreases to the State Equalization Guarantee formula. Other similar changes includes new awards or supplemental awards by the Public Education Department for flow through grants and contracts for which we must have expenditure authority from the PED before funds can be expended. Finally, the third category is budget adjustment requests to transfer budgets from one function to another to prevent budget overruns. The PED controls school district budgets at the function level. The summary of the budget adjustments and is displayed in the Notes to Financial Statements, Note II, Stewardship, Compliance and Accountability, Budgetary Information.

The Statement of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Budgetary Basis) and Actual shows the Original Budget, Final Budget, Actual Amounts, and Variance for each fund of the school district.

For the General Fund, the June 30, 2017 revenue actual amount of \$19,132,378 was higher than the final budgeted revenue of \$18,999,830 by \$132,548. The increase in revenue was due to collection of delinquent taxes. The June 30, 2017 revenue actual amount was \$749,585 lower than the June 30, 2016 revenue actual amount of \$19,881,963. The June 30, 2017 actual expenditures of \$19,907,106 were \$403,416 lower than the final budgeted expenditures of \$20,310,522.

The majority of the savings occurred in FTE in the following budget areas, Direct Instruction, Instructional Support, and Operation and Maintenance of Plant.

CAPITAL ASSETS

As indicated in the financial highlights above, the district worked very hard to improve the records for capital assets. At the end of the year, the school district had \$55,642,021, net of depreciation invested in a broad range of capital assets including, land, buildings, parking lots, athletic fields, school grounds, vehicles, and equipment. This represents a decrease of \$1,040,821 from the year ended June 30, 2016 and is due to depreciation expense and disposals. At the beginning of the year, depreciable assets were valued at \$100,054,448. There were additions of \$6,368,416, for the year, for an ending balance of \$106,184,248. The total of accumulated depreciation is \$50,542,227, leaving the net value to just \$55,642,021. This is an indication that it will be necessary to start budgeting funds for the replacement of aged equipment in the future.

**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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GENERAL LONG TERM DEBT

Article IX, Section 11 of the New Mexico Constitution allows a school district to incur local general obligation debt. The school district can incur such debt for "the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving school grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes". The approval of the debt is subject to a referendum of the local registered voters in the school district. The total debt shall not exceed 6% of the total assessed valuation of taxable property within the school district. The voters in the district have been very supportive of the school district and have voted and passed numerous referendums the past several years. The Moriarty Edgewood School District has maintained a level of indebtedness that approaches the maximum level allowed by law for the past several years. As soon as the district has bonding capacity, the board submits a referendum to the voters to approve the new amounts needed. The district has needed a lot of capital outlay funds the past several years due to the large enrollment growth experienced in early and mid-90's. The district has had to build two new elementary schools, made large additions to two other elementary schools, and built one new middle school. The district has begun to improve its older facilities that have been ignored in past years. Each time the district asks the voters to approve the General Obligation Bond the proposed bonds are structured to avoid a tax increase to property owners.

The district still has considerable needs to renovate and improve health and safety issues throughout the district, expand the facilities at the high school, including the athletic facilities. In addition to funding the projects identified above, the school district will need to have funds available for technology, building maintenance, equipment replacement and to match Public School Critical Outlay Council projects that the district will be applying for and match at approximately 40% of the cost of the projects. The amount of long-term debt at June 30, 2017 was \$22,610,000; it decreased by \$635,000 from year ended June 30, 2016 of \$23,245,000. The amount due within one year is \$5,910,000 in principal. The district has always been able to make the principal and interest payments on a timely basis. At the end of the year, the Debt Service Fund Balance was \$2,802,888. The district does not anticipate any difficulty in making future payments on a timely basis for the principal and interest.

AGENCY FUNDS

The school district, as a custodian, maintains and monitors special funds on behalf of schools and school activity groups. These Agency Funds are maintained by the school district and are intended to benefit a specific activity or interest and are generally raised by students for student use. While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with the Public Education Department regulations, and school district policy.

The Agency Funds Statement of Fiduciary Assets and Liabilities for the year ending June 30, 2017 shows the accumulated assets of all agency funds as \$234,642 or a decrease of \$87,371 from June 30, 2016.

The district developed and implemented a manual for use by schools and departments for the administration, processing of all receipts and expenditures for activity funds; the manual has added new guidelines and regulations yearly. Every year the Business Office holds an annual refresher training of the manual of procedures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FUTURE TRENDS

In subsequent years, the cost of health and medical insurance benefits provided through the New Mexico Public Schools Insurance Authority is expected to continue documenting double-digit inflation increases. These increases will greatly impact the district budget.

The New Mexico Public Schools Insurance Authority also provides general liability, property damage, and worker's compensation coverage for all school districts in New Mexico. In the next several years, it is anticipated school districts will experience double-digit inflationary increases for this coverage. The funding formula often does not cover the premium increases for general liability, property damage and worker's compensation premium; however, due to high claims history of some districts, many districts will realize a budgetary shortfall.

Student enrollment is projected to continue to decline for at least another five (5) years unless there are new major economic developments in our area. A state charter school, located within district boundaries, is in the fifth year of operation and is expected to continue to impact enrollment numbers in future years. Since the Public Education Department school funding formula is primarily driven by the number of students in the district, it is projected that revenue for the Operational Fund will decrease accordingly. Currently, it appears that the loss of students is due primarily to a decrease in the birth rate, to families moving out of the district to secure employment, as well as to charter schools. There is no evidence to substantiate that the enrollment of home school students and students attending private schools would account for the loss of students. It is interesting to note that although the school district is experiencing a loss of students, the local economy continues to indicate a growth in population, and gross receipt tax collections. Assessed Valuations have been increasing the past few years.

The above factors will present challenges and opportunities for the district to carefully evaluate programs, operations, and staffing patterns in order to identify ways to balance the budget in future years. The district administration uses a representative committee serving in a budgetary/advisory capacity. The board of education will continue to seek staff and community input in order to develop long range plans for coping with upcoming budgetary challenges.

Contacting the Moriarty Edgewood Schools

This financial report is designed to provide our community, parents, taxpayers, investors and creditors with an overview of the Moriarty Edgewood School District's financial condition and to provide accountability for the funds the school district receives. If you have questions about this report or about the operations of the Moriarty Edgewood School District, please contact:

Antoinette Young
Director of Finance
Moriarty Edgewood School District P.O. Box 2000
Moriarty, New Mexico 87035
e-mail: antoinette.young@mesd.us

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6,907,522
Receivables:	
Property taxes receivable	1,118,604
Grant	321,147
Inventory	51,556
Total current assets	<u>8,398,829</u>
Noncurrent assets:	
Non-depreciable assets	4,361,532
Depreciable capital assets, net	55,642,021
Total noncurrent assets	<u>60,003,553</u>
Total assets	<u>68,402,382</u>
DEFERRED OUTFLOWS	
Pension related	<u>4,855,879</u>
Total deferred outflows	<u>\$ 4,855,879</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>
LIABILITIES	
Accounts payable	\$ 929,503
Accrued salaries	306,329
Accrued interest	147,725
Accrued compensated absences	139,203
Long-term liabilities other than pensions:	
Due within one year	5,910,000
Due in more than one year	16,700,000
Net Pension Liability	<u>35,108,521</u>
Total liabilities	<u><u>59,241,281</u></u>
DEFERRED INFLOWS	
Deferred gain on debt refunding	137,753
Pension related	<u>3,372,196</u>
Total deferred inflows	<u><u>3,509,949</u></u>
NET POSITION	
Net investment in capital assets	37,393,553
Restricted for:	
Inventories	51,556
Debt service	2,802,888
Capital projects	2,414,999
Special revenue funds	478,184
Unrestricted (deficit)	<u>(32,634,149)</u>
Total net position	<u><u>\$ 10,507,031</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Charges for Service
Primary government		
Governmental activities:		
Instruction	\$ 13,417,167	50,618
Support Services		
Students	2,813,207	238,884
Instruction	546,870	-
General Administration	883,534	-
School Administration	1,117,836	-
Central Services	638,581	-
Operation & Maintenance of Plant	5,572,971	-
Student Transportation	1,468,140	-
Other Support Services	5,858	-
Food Services Operation	1,332,394	209,682
Community Services	19,480	-
Bond Interest	444,655	-
Total Primary Government	\$ 28,260,693	499,184

See Notes to Financial Statements.

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
2,720,087	-	(10,646,462)	
-	-	(2,574,323)	
-	-	(546,870)	
-	-	(883,534)	
-	-	(1,117,836)	
-	-	(638,581)	
-	-	(5,572,971)	
1,131,746	-	(336,394)	
-	-	(5,858)	
887,935	-	(234,777)	
-	-	(19,480)	
-	-	(444,655)	
<u>4,739,768</u>	<u>-</u>	<u>(23,021,741)</u>	

General Revenues:

Taxes:

Property Taxes:

 General purposes 225,555

 Capital projects 909,889

 Debt Service 4,540,086

State Equalization Guarantee 17,438,066

Unrestricted investment earnings 5,360

Miscellaneous income 118,664

Total general revenues 23,237,620

Change in net position 215,879

Net position - beginning 10,291,152

Net position - ending \$ 10,507,031

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Bond Building Fund 31100
ASSETS		
Cash and cash equivalents	\$ 534,909	3,031,959
Receivables:		
Grant	6,659	-
Property Taxes	43,293	-
Due from other funds	263,390	-
Inventory	16,953	-
<i>Total assets</i>	<u>\$ 865,204</u>	<u>3,031,959</u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 72,092	843,604
Accrued payroll liabilities	262,648	-
Due to other funds	-	-
<i>Total liabilities</i>	<u>334,740</u>	<u>843,604</u>
<i>Deferred Inflows - Property Taxes</i>		
Delinquent property taxes	32,019	-
<i>Total Deferred Inflows</i>	<u>32,019</u>	<u>-</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>366,759</u>	<u>843,604</u>
<i>Fund Balance:</i>		
Nonspendable		
Inventories	16,953	-
Restricted for:		
Special revenue funds	-	-
Capital projects funds	-	2,188,355
Debt service	-	-
Unassigned	481,492	-
<i>Total fund balance</i>	<u>498,445</u>	<u>2,188,355</u>
<i>Total liabilities and fund balance</i>	<u>\$ 865,204</u>	<u>3,031,959</u>

See Notes to Financial Statements.

Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
2,655,732	684,922	6,907,522
-	314,488	321,147
877,442	197,869	1,118,604
-	-	263,390
-	34,603	51,556
<u>3,533,174</u>	<u>1,231,882</u>	<u>8,662,219</u>
-	13,807	929,503
-	43,681	306,329
-	263,390	263,390
<u>-</u>	<u>320,878</u>	<u>1,499,222</u>
<u>730,286</u>	<u>171,573</u>	<u>933,878</u>
<u>730,286</u>	<u>171,573</u>	<u>933,878</u>
<u>730,286</u>	<u>492,451</u>	<u>2,433,100</u>
-	34,603	51,556
-	478,184	478,184
-	226,644	2,414,999
2,802,888	-	2,802,888
-	-	481,492
<u>2,802,888</u>	<u>739,431</u>	<u>6,229,119</u>
<u>3,533,174</u>	<u>1,231,882</u>	<u>8,662,219</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund balances - total governmental funds	\$ 6,229,119
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	60,003,553
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds.	4,855,879
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	933,878
Accrued Interest	(147,725)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(139,203)
Deferred gain on debt refunding	(137,753)
General obligation bonds	(22,610,000)
Net pension liability	(35,108,521)
Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,372,196)</u>
Net Position-total Governmental Activities	\$ <u><u>10,507,031</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	General	Bond Building Fund 31100
REVENUES:		
Taxes:		
Property taxes	\$ 231,685	-
Intergovernmental - federal grants	103,138	-
Intergovernmental - state grants	18,682,534	-
Charges for service	50,618	-
Investment and interest income	-	-
Miscellaneous	70,178	92,398
<i>Total revenues</i>	19,138,153	92,398
EXPENDITURES:		
Current:		
Instruction	11,420,286	-
Support Services:		
Students	1,835,347	-
Instruction	485,749	-
General Administration	334,125	-
School Administration	1,034,442	-
Central Services	599,171	-
Operation & Maintenance of Plant	2,957,357	2,067,945
Student Transportation	1,219,002	-
Other Support Services	-	-
Food Services Operations	-	-
Community Service	-	-
Capital outlay	-	5,056,713
Debt service:		
Principal retirement	-	-
Bond interest paid	-	-
Bond issuance costs	-	-
<i>Total expenditures</i>	19,885,479	7,124,658
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(747,326)	(7,032,260)
Other financing sources (uses)		
Sale of bonds	-	4,000,000
Bond discount	-	-
Transfers in	-	-
Transfers out	-	-
<i>Total other financing sources (uses)</i>	-	4,000,000
<i>Net change in fund balances</i>	(747,326)	(3,032,260)
Fund balances, beginning of year	1,245,771	5,220,615
Fund balances, end of year	\$ 498,445	2,188,355

See Notes to Financial Statements.

Debt Service Fund 41000	Other Governmental Funds	Total Governmental Funds
4,588,882	919,073	5,739,640
-	2,688,764	2,791,902
-	703,398	19,385,932
-	448,566	499,184
5,360	-	5,360
-	74,813	237,389
<u>4,594,242</u>	<u>4,834,614</u>	<u>28,659,407</u>
-	971,600	12,391,886
-	754,797	2,590,144
-	18,143	503,892
45,572	438,078	817,775
-	-	1,034,442
-	-	599,171
-	-	5,025,302
-	100,139	1,319,141
-	-	-
-	1,203,163	1,203,163
-	17,165	17,165
-	1,311,703	6,368,416
4,635,000	-	4,635,000
428,721	-	428,721
-	-	-
<u>5,109,293</u>	<u>4,814,788</u>	<u>36,934,218</u>
<u>(515,051)</u>	<u>19,826</u>	<u>(8,274,811)</u>
-	-	4,000,000
-	-	-
-	437,063	437,063
-	(437,063)	(437,063)
-	-	4,000,000
<u>(515,051)</u>	<u>19,826</u>	<u>(4,274,811)</u>
<u>3,317,939</u>	<u>719,605</u>	<u>10,503,930</u>
<u><u>2,802,888</u></u>	<u><u>739,431</u></u>	<u><u>6,229,119</u></u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in fund balances - total governmental funds	\$ (4,274,811)
Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets 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.	
Depreciation expense	(2,928,980)
Capital Outlay	6,368,416
Loss on disposition of assets	(118,725)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(64,110)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Change in accrued interest payable	(15,934)
Change in accrued compensated absences	(11,864)
Bond proceeds	(4,000,000)
Principal payments on bonds	4,635,000
Change in pension liability and related accounts	<u>626,887</u>
Change in Net Position-total Governmental Activities	\$ <u>215,879</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues</i>				
Property taxes	\$ 224,814	224,814	225,910	1,096
Intergovernmental - federal grants	85,000	85,000	103,138	18,138
Inter governmental - state grants	19,347,156	18,655,816	18,682,534	26,718
Charges for service	34,200	34,200	50,618	16,418
Miscellaneous	-	-	70,178	70,178
<i>Total revenues</i>	<u>19,691,170</u>	<u>18,999,830</u>	<u>19,132,378</u>	<u>132,548</u>
<i>Expenditures</i>				
Current:				
Instruction	12,081,299	11,601,244	11,438,540	162,704
Support Services				
Students	1,854,828	1,854,533	1,835,347	19,186
Instruction	482,416	485,749	485,749	-
General Administration	341,945	340,461	334,125	6,336
School Administration	1,083,518	1,064,926	1,034,442	30,484
Central Services	607,178	606,520	599,171	7,349
Operation & Maintenance of Plant	3,123,767	3,072,265	2,957,357	114,908
Student Transportation	1,240,922	1,222,375	1,222,375	-
Other Support Services	62,449	62,449	-	62,449
<i>Total Expenditures</i>	<u>20,878,322</u>	<u>20,310,522</u>	<u>19,907,106</u>	<u>403,416</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,187,152)</u>	<u>(1,310,692)</u>	<u>(774,728)</u>	<u>535,964</u>
<i>Net changes in fund balances</i>	<u>(1,187,152)</u>	<u>(1,310,692)</u>	<u>(774,728)</u>	<u>535,964</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,538,197</u>	<u>1,538,197</u>
<i>Cash or fund balance, end of year</i>	<u>\$ -</u>	<u>(1,310,692)</u>	<u>763,469</u>	<u>2,074,161</u>
<i>Reconciliation to GAAP Basis</i>				
Adjustments to revenues			5,775	
Adjustments to expenditures			21,627	
Adjustments to inventory			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (747,326)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	\$ <u>234,642</u>
<i>Total assets</i>	\$ <u><u>234,642</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	\$ <u>234,642</u>
<i>Total liabilities</i>	\$ <u><u>234,642</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Moriarty-Edgewood School District (District) is a special purpose government corporation governed by an elected five member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education in the Cities of Moriarty and Edgewood, New Mexico and the surrounding areas. 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.

The District's financial statements include all entities over which the Board of Education exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, no component units or fiduciary units were included in the financial statements.

Generally Accepted Accounting Principles (GAAP) requires that financial statements present the District (primary government) and its component units. The District has no component units that are required to be presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity and GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.

1. Blended Component Units

The District does not have any component units reported as blended component units.

2. Discretely Presented Component Units

The District does not have any component units reported as discretely presented component units.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Moriarty-Edgewood School District No. 8's management who is responsible for their integrity and objectivity. The financial statements of the District conform to GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues received during the year but are applicable to subsequent years are reported as deferred inflows of resources. 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. Expenditures incurred during the year that are for the benefit of subsequent years are reported as deferred outflows of resources.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

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

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

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

Capital Outlay-State – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading school facilities. Reported as a capital projects fund.

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

The government also reports the following fund types:

Governmental funds:

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

Fiduciary funds:

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

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

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

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

Assets, Liabilities, and Net Position or Equity

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

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

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10th following the levy and become delinquent after 30 days. Therefore, the District has recorded a delinquent tax receivable and revenue for taxes received within the sixty days following year-end. A receivable and deferred revenue have been recorded for uncollected delinquent taxes. On the government-wide financial statements, the district has recorded delinquent property taxes receivable and revenue for taxes assessed as of year-end that have not be collected, as prescribed in GASB 34. An allowance for refunds and uncollectible amounts has not been recorded.

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

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Buildings & Improvements	20-40 years
Land Improvements	10-20 years
Equipment	5-7 years

Compensated Absences: It is the District's policy to permit employees to accumulate 36 days of earned but unused vacation, which will be paid to employees upon separation from the District's service. The amount for liability has been reported in the government-wide financial statements.

Accumulated sick leave is not payable upon termination and is recorded as expenditures when it is paid.

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

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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 capital projects expenditures.

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 Education Retirement Board (ERB) and additions to/deductions from ERB's fiduciary net position have been determined on the same basis as they are reported by ERB. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net Investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects".

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

The Government-wide Statement of Net Position reports \$10,507,031 of net position of which \$5,747,627 is restricted by enabling legislation.

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

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Revenues

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education, 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$17,438,066 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for 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'. The District recognized \$5,675,530 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.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the "to and from" school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$1,131,746 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) received federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$112,722.

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

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

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 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.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The District did not receive any PSCOC funds during the year.

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, in the event that 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.

During the year ended June 30, 2017, the District received \$892,777 in funds for state SB-9 matching.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgets for the General, Special Revenue, and Capital Projects Funds are prepared by management and are approved by the local Board of Education and the Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts and the state directed activities fund are not budgeted. Additionally, the Wallace Foundation fund (26125) and Breakfast for elementary students special revenue fund (27155) were not budgeted as there was no activity during FY 2017.

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS

At June 30, 2017, the carrying amount of the District's deposits was \$7,142,164 and the bank balance was \$8,503,236. Of this balance \$8,173,991 was covered by federal depository insurance and by collateral held in joint safekeeping by a third party in the entity's name.

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

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. CASH AND TEMPORARY INVESTMENTS

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

NOTE 4. CUSTODIAL CREDIT RISK - DEPOSITS

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools 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.

	Wells Fargo	US Bank	Total
Total amount of deposits	\$ 2,655,732	5,847,506	8,503,236
FDIC coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>\$ 2,405,732</u>	<u>5,597,506</u>	<u>8,003,236</u>
Pledged collateral held by pledging bank's trust department or agent in agency's name	\$ 4,000,000	3,673,991	7,673,991
Collateral requirement (50% of uninsured public funds)	\$ 1,202,866	2,798,752	4,001,618
Pledged Security	4,000,000	3,673,991	7,673,991
Total over (under) collateralized	<u>\$ 2,797,134</u>	<u>875,239</u>	<u>3,672,373</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, none of the District's bank balance of \$8,503,236 was exposed to custodial credit risk as the amount uninsured was collateralized and the collateral was held by the pledging bank's trust department in the District's name.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5. RECEIVABLES

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

	<u>Receivables</u>	
	<u>Property Taxes</u>	<u>Grant</u>
Major Funds:		
General	\$ 43,293	6,659
Capital Improvements	197,869	-
Debt Service	877,442	-
Other Governmental Funds	-	314,488
Total	\$ 1,118,604	321,147

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

Governmental funds reported deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes	
General Fund	\$ 32,019
Capital Improvements SB-9	171,573
Debt Service Fund	730,286
Total deferred / unearned revenue for governmental funds	\$ 933,878

NOTE 6. INTER-FUND RECEIVABLES AND PAYABLES

The inter-fund receivables and payables at June 30, 2017 were:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 263,390	-
Other Governmental Funds	-	263,390
Total	\$ 263,390	263,390

The inter-fund loans were made for the purposes of cash shortfalls within the individual funds. The loans are expected to be repaid within the next fiscal year.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. CAPITAL ASSETS

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

	<u>Balance 06/30/2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 06/30/2017</u>
Capital assets not being depreciated				
Land	\$ 1,464,406	-	-	1,464,406
Water Rights	424,528	-	-	424,528
Construction in progress	2,472,598	-	-	2,472,598
Total capital assets not depreciated	<u>4,361,532</u>	<u>-</u>	<u>-</u>	<u>4,361,532</u>
Capital assets being depreciated				
Land Improvements	3,098,359	-	(1,792)	3,096,567
Buildings and improvements	89,180,040	5,233,313	(91,392)	94,321,961
Furniture, fixtures, and equipment	7,776,049	1,135,103	(145,432)	8,765,720
Total capital assets being depreciated	<u>100,054,448</u>	<u>6,368,416</u>	<u>(238,616)</u>	<u>106,184,248</u>
Less accumulated depreciation for				
Land Improvements	(1,411,501)	(257,902)	545	(1,668,858)
Buildings and improvements	(40,323,682)	(2,352,019)	87,736	(42,587,965)
Furniture, fixtures, and equipment	(5,997,955)	(319,059)	31,610	(6,285,404)
Total accumulated depreciation	<u>(47,733,138)</u>	<u>(2,928,980)</u>	<u>119,891</u>	<u>(50,542,227)</u>
Total capital assets, depreciated net	<u>52,321,310</u>	<u>3,439,436</u>	<u>(118,725)</u>	<u>55,642,021</u>
Total capital assets net	<u>\$ 56,682,842</u>	<u>3,439,436</u>	<u>(118,725)</u>	<u>60,003,553</u>

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

Instruction	\$ 1,397,123
Support Services – Students	292,898
Support Services – Instruction	58,580
Support Services – General Administration	87,869
Support Services – School Administration	117,159
Central Services	58,580
Operations & Maintenance of Plant	585,796
Student Transportation	175,739
Other Support Services	5,858
Food Services	146,449
Community Services	2,929
Total depreciation expense	<u>\$ 2,928,980</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
Compensated Absences: \$	127,339	105,002	(93,138)	139,203	139,203
Bonds Payable:	<u>23,245,000</u>	<u>4,000,000</u>	<u>(4,635,000)</u>	<u>22,610,000</u>	<u>5,910,000</u>
\$	<u><u>23,372,339</u></u>	<u><u>4,105,002</u></u>	<u><u>4,728,138</u></u>	<u><u>22,749,203</u></u>	<u><u>6,049,203</u></u>

Interest expense paid on long-term debt totaled \$428,721 on the Statement of Activities for the year ended June 30, 2017.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the School District boundaries. The details of the bonds and notes as of June 30, 2017 are as follows:

<u>General Obligation Bonds</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Balance</u>	<u>Amount Due Within 1 Year</u>
Series 2004 \$	1,500,000	2.55% to 3.80%	145,000	145,000
Series 2013	5,000,000	1.00% to 2.00%	3,400,000	400,000
Series 2014A	2,000,000	2.50% to 3.00%	2,000,000	-
Series 2014B	6,725,000	2.00% to 3.00%	1,870,000	1,870,000
Series 2015	4,000,000	1.50% to 2.00%	3,800,000	-
Series 2016A	4,000,000	1.81%	4,000,000	100,000
Series 2016B	5,035,000	1.19%	3,395,000	3,395,000
Series 2017	<u>4,000,000</u>	2.47%	<u>4,000,000</u>	<u>-</u>
Total \$	<u><u>32,260,000</u></u>		<u><u>22,610,000</u></u>	<u><u>5,910,000</u></u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. LONG-TERM DEBT (CONTINUED)

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

Year Ending June 30,		Principal	Interest	Total
2018	\$	5,910,000	438,626	6,348,626
2019		775,000	356,238	1,131,238
2020		3,005,000	317,453	3,322,453
2021		2,475,000	261,131	2,736,131
2022		2,355,000	210,619	2,565,619
2023-2027		7,625,000	403,686	8,028,686
2028		465,000	5,742	470,742
Total	\$	22,610,000	1,993,495	24,603,495

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Advanced Refunding – On March 15, 2016, the District issued general obligation refunding bonds of \$5,035,000 (Series 2016B) with an effective interest rate of 1.19% to advance refund the Series 2010 and 2011 (refunded bonds) bonds with a par value of \$5,000,000. After paying issue costs of \$23,000, the net proceeds were \$5,076,250. As a result of the refunding, the District benefited from an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$97,420 or 1.95% of the par value of the refunded bonds.

On December 11, 2014, the District issued general obligation refunding bonds of \$6,725,000 (Series 2014B) with an effective interest rate of 2.47% to advance refund the Series 2001, 2002, 2006, 2008 and a portion of 2009 (refunded bonds) bonds with a par value of \$6,805,000. After paying issue costs of \$25,000, the net proceeds were \$6,905,253. As a result of the refunding, the District benefited from an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$275,506 or 4.05% of the par value of the refunded bonds.

New Debt – The District issued Series 2017 General Obligation Bonds in the amount of \$4,000,000 on January 1, 2017. This bond was issued to complete renovations on a career and education center. The Bonds were authorized at an election held by voters to renew the district's 2 mill capital improvement levy. The 2017 Bonds bear interest at rate of 2.47% and are payable from revenues generated by ad valorem taxes that are levied against all taxable property within the District. The bond series will mature on September 1, 2027.

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$11,864 over the prior year accrual.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

NOTE 10. CONTINGENT LIABILITIES

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

The district is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the district's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the district.

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Plan Description: ERB was created by the State's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. NMERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

A brief summary of Plan coverage provisions is as follows:

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the New Mexico Educational Retirement Board (ERB) and additions to/deductions from ERB's Fiduciary Net Position have been determined on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Contributions. : The contribution requirements of defined benefit plan members and Moriarty-Edgewood School District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from The District were \$1,893,210 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB 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 June 30, 2016. At June 30, 2017, the District reported a liability of \$35,108,521 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District's proportion was 0.487867%, which was a decrease of 0.03181% from its proportion measured as of June 30, 2015.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2017, The District recognized pension expense of \$1,282,699. At the June 30, 2017, The District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportionate share	\$ -	3,038,270
Effect of changes in assumptions	714,669	-
Differences between projected and actual earnings on pension plan earnings on plan investments	2,095,686	-
Differences between expected and actual experience	152,314	333,926
Employer’s current year contributions	<u>1,893,210</u>	<u>-</u>
Ending balance	<u>\$ 4,855,879</u>	<u>3,372,196</u>

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	(1,261,013)
2019	(235,805)
2020	576,237
2021	511,054
Total	<u>\$ (409,527)</u>

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

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	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.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5.5% 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>	7.75%

Discount rate. A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of The Masters Program’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District’s proportionate share of the net pension liability	\$46,500,420	35,108,521	25,656,462

Pension plan fiduciary net position: Detailed information about the ERB’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2016 and 2015 which are publicly available at www.nmerb.org.

Payables to the pension plan. Moriarty Edgewood School District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld.

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

Funding Policy: The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member.

Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

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

The District's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$272,810, \$277,992, and \$294,680, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A.** *Deficit fund balance of individual funds:* The District has no funds reported as a deficit fund balance at June 30, 2017.
- B.** *Excess expenditures over appropriations:* Budgetary authority is at the function level. There were not funds in which expenditures exceeded budget for the year ended June 30, 2017.
- C.** *Designated cash appropriation in excess of available balances:* There were no funds with designated cash in appropriations in excess of available balances for the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF THE SCHOOL'S PROPORATIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2017

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
School's Proportion of the Net Pension Liability (Asset)	0.54%	0.52%	0.00%
School's Proportionate Share of Net Pension Liability (Asset)	\$ 30,849	\$ 33,660	\$ 35,109
School's Covered-Employee Payroll	\$ 14,903	\$ 14,189	\$ 13,639
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	207.00%	237.23%	257.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.54%	63.97%	61.58%

*The amounts presented for each fiscal year were determined as of June 30, 2016

MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF SCHOOL CONTRIBUTIONS
JUNE 30, 2017

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	\$ 1,808	2,053	1,896	-	-	-	-	-	-	-
Contributions in Relation to the Contractually Required Contribution	1,808	2,053	1,896	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-

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

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

1. Changes of Benefit Terms

The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of the financial statement note disclosure *General Information on the Pension Plan*.

2. Changes of Assumptions

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015 ERB implemented the following changes in assumptions for fiscal years 2015 and 2014.

1. Fiscal year 2015 and 2014 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Update the mortality tables to incorporate generational improvements
 - c. Remove population growth assumption for projections
 - d. Population growth per year from 0.50% to zero
2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. COLA assumption of 2.00% per year
 - d. Payroll growth will remain at 3.50%

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - GENERAL FUNDS
JUNE 30, 2017

	Operational Fund 11000	Transportation Fund 13000	Instructional Materials Fund 14000	Total General Funds
ASSETS				
Cash and cash equivalents	\$ 448,977	18,916	67,016	534,909
Accounts receivable				
Property taxes	43,293	-	-	43,293
Due from other governments	6,659	-	-	6,659
Due from other funds	263,390	-	-	263,390
Inventory	-	16,953	-	16,953
<i>Total assets</i>	<u>\$ 762,319</u>	<u>35,869</u>	<u>67,016</u>	<u>865,204</u>
LIABILITIES AND FUND BALANCES				
<i>Liabilities</i>				
Accounts payable	\$ 70,478	1,614	-	72,092
Accrued payroll liabilities	243,732	18,916	-	262,648
<i>Total liabilities</i>	<u>314,210</u>	<u>20,530</u>	<u>-</u>	<u>334,740</u>
<i>Deferred Inflows - Property Taxes</i>				
Delinquent property taxes	32,019	-	-	32,019
<i>Total Deferred Inflows</i>	<u>32,019</u>	<u>-</u>	<u>-</u>	<u>32,019</u>
<i>Total Liabilities and Deferred Inflows</i>	<u>346,229</u>	<u>20,530</u>	<u>-</u>	<u>366,759</u>
<i>Fund balance:</i>				
Nonspendable				
Inventories	-	16,953	-	16,953
Unassigned	416,090	(1,614)	67,016	481,492
<i>Total fund balance</i>	<u>416,090</u>	<u>15,339</u>	<u>67,016</u>	<u>498,445</u>
<i>Total liabilities and fund balance</i>	<u>\$ 762,319</u>	<u>35,869</u>	<u>67,016</u>	<u>865,204</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GENERAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Operational Fund 11000	Transportation Fund 13000	Instructional Materials Fund 14000	Total General Fund
REVENUES:				
Taxes:				
Property taxes	\$ 231,685	-	-	231,685
Intergovernmental - federal grants	103,138	-	-	103,138
Intergovernmental - state grants	17,438,066	1,131,746	112,722	18,682,534
Charges for service	50,618	-	-	50,618
Investment and interest income	-	-	-	-
Miscellaneous	69,122	-	1,056	70,178
<i>Total revenues</i>	<u>17,892,629</u>	<u>1,131,746</u>	<u>113,778</u>	<u>19,138,153</u>
EXPENDITURES:				
Current:				
Instruction	11,277,018	-	143,268	11,420,286
Support Services:				
Students	1,835,347	-	-	1,835,347
Instruction	485,749	-	-	485,749
General Administration	334,125	-	-	334,125
School Administration	1,034,442	-	-	1,034,442
Central Services	599,171	-	-	599,171
Operation & Maintenance of Plant	2,957,357	-	-	2,957,357
Student Transportation	86,099	1,132,903	-	1,219,002
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Community Service	-	-	-	-
<i>Total expenditures</i>	<u>18,609,308</u>	<u>1,132,903</u>	<u>143,268</u>	<u>19,885,479</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(716,679)</u>	<u>(1,157)</u>	<u>(29,490)</u>	<u>(747,326)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>(716,679)</u>	<u>(1,157)</u>	<u>(29,490)</u>	<u>(747,326)</u>
Fund balances, beginning of year	<u>1,132,769</u>	<u>16,496</u>	<u>96,506</u>	<u>1,245,771</u>
Fund balances (deficit), end of year	<u>\$ 416,090</u>	<u>15,339</u>	<u>67,016</u>	<u>498,445</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
OPERATIONAL FUND - 11000
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance
	Original Budget	Final Budget	Actual	
<i>Revenues</i>				
Property taxes	\$ 224,814	224,814	225,910	1,096
Intergovernmental - federal grants	85,000	85,000	103,138	18,138
Inter governmental - state grants	18,028,918	17,449,158	17,438,066	(11,092)
Charges for service	34,200	34,200	50,618	16,418
Miscellaneous	-	-	69,122	69,122
<i>Total revenues</i>	<u>18,372,932</u>	<u>17,793,172</u>	<u>17,886,854</u>	<u>93,682</u>
<i>Expenditures</i>				
Current:				
Instruction	11,937,055	11,429,826	11,295,272	134,554
Support Services				
Students	1,854,828	1,854,533	1,835,347	19,186
Instruction	482,416	485,749	485,749	-
General Administration	341,945	340,461	334,125	6,336
School Administration	1,083,518	1,064,926	1,034,442	30,484
Central Services	607,178	606,520	599,171	7,349
Operation & Maintenance of Plant	3,123,767	3,072,265	2,957,357	114,908
Student Transportation	61,192	86,099	86,099	-
Other Support Services	62,449	62,449	-	62,449
<i>Total Expenditures</i>	<u>19,554,348</u>	<u>19,002,828</u>	<u>18,627,562</u>	<u>375,266</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,181,416)</u>	<u>(1,209,656)</u>	<u>(740,708)</u>	<u>468,948</u>
<i>Net changes in fund balances</i>	<u>(1,181,416)</u>	<u>(1,209,656)</u>	<u>(740,708)</u>	<u>468,948</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,379,078</u>	<u>1,379,078</u>
<i>Cash or fund balance, end of year</i>	<u>\$ (1,181,416)</u>	<u>(1,209,656)</u>	<u>638,370</u>	<u>1,848,026</u>
<i>Reconciliation to GAAP Basis</i>				
Adjustments to revenues			5,775	
Adjustments to expenditures			<u>18,254</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ <u>(716,679)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
TRANSPORTATION FUND - 13000
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues</i>				
Intergovernmental - state grants	\$ 1,179,730	1,131,746	1,131,746	-
<i>Total revenues</i>	<u>1,179,730</u>	<u>1,131,746</u>	<u>1,131,746</u>	<u>-</u>
<i>Expenditures</i>				
Support Services				
Student Transportation	1,179,730	1,136,276	1,136,276	-
<i>Total Expenditures</i>	<u>1,179,730</u>	<u>1,136,276</u>	<u>1,136,276</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>(4,530)</u>	<u>(4,530)</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>(4,530)</u>	<u>(4,530)</u>	<u>-</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>54,787</u>	<u>54,787</u>
<i>Cash or fund balance, end of year</i>	<u>\$ -</u>	<u>(4,530)</u>	<u>50,257</u>	<u>54,787</u>
<i>Reconciliation to GAAP Basis</i>				
Adjustments to revenues			-	
Adjustments to expenditures			3,373	
Adjustments to inventory			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$(1,157)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
INSTRUCTIONAL MATERIALS FUND - 14000
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues</i>				
Intergovernmental - state grants	\$ 138,508	74,912	112,722	37,810
Miscellaneous	-	-	1,056	1,056
<i>Total revenues</i>	<u>138,508</u>	<u>74,912</u>	<u>113,778</u>	<u>38,866</u>
<i>Expenditures</i>				
Current:				
Instruction	<u>144,244</u>	<u>171,418</u>	<u>143,268</u>	<u>28,150</u>
<i>Total Expenditures</i>	<u>144,244</u>	<u>171,418</u>	<u>143,268</u>	<u>28,150</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(5,736)</u>	<u>(96,506)</u>	<u>(29,490)</u>	<u>67,016</u>
<i>Net changes in fund balances</i>	<u>(5,736)</u>	<u>(96,506)</u>	<u>(29,490)</u>	<u>67,016</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>104,332</u>	<u>104,332</u>
<i>Cash or fund balance, end of year</i>	<u>\$ (5,736)</u>	<u>(96,506)</u>	<u>74,842</u>	<u>171,348</u>
<i>Reconciliation to GAAP Basis</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			<u>\$ (29,490)</u>	

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
BOND BUILDING CAPITAL PROJECT FUND - 31100
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues</i>				
Miscellaneous	\$ -	-	92,398	92,398
<i>Total revenues</i>	-	-	92,398	92,398
<i>Expenditures</i>				
Current:				
Capital outlay	5,719,007	10,047,785	7,071,092	2,976,693
<i>Total Expenditures</i>	5,719,007	10,047,785	7,071,092	2,976,693
<i>Excess (deficiency) of revenues over (under) expenditures</i>	(5,719,007)	(10,047,785)	(6,978,694)	3,069,091
<i>Other financing sources (uses)</i>				
Proceeds from bond issues	-	3,930,000	4,000,000	70,000
<i>Total other financing sources (uses)</i>	-	3,930,000	4,000,000	70,000
<i>Net change in fund balances</i>	(5,719,007)	(6,117,785)	(2,978,694)	3,139,091
<i>Cash or fund balance, beginning of year</i>	-	-	7,824,066	7,824,066
<i>Cash or fund balance, end of year</i>	\$ (5,719,007)	(6,117,785)	4,845,372	10,963,157
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			(53,566)	
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)</i>			\$ (3,032,260)	

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
DEBT SERVICE FUND - 41000
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget		
<i>Revenues</i>				
Property taxes	\$ 5,053,841	5,053,841	5,483,440	429,599
Investment and Interest income	-	-	5,360	5,360
	<u>5,053,841</u>	<u>5,053,841</u>	<u>5,488,800</u>	<u>434,959</u>
<i>Expenditures</i>				
Current:				
Support Services				
General Administration	75,000	75,000	45,572	29,428
Debt Service				
Principal retirement	4,635,000	4,635,000	1,592,506	3,042,494
Bond interest paid	418,841	428,721	428,721	-
Reserves	3,042,494	3,042,494	3,042,494	-
	<u>8,171,335</u>	<u>8,181,215</u>	<u>5,109,293</u>	<u>3,071,922</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(3,117,494)</u>	<u>(3,127,374)</u>	<u>379,507</u>	<u>3,506,881</u>
<i>Net change in fund balances</i>	<u>(3,117,494)</u>	<u>(3,127,374)</u>	<u>379,507</u>	<u>3,506,881</u>
<i>Cash or fund balance, beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,167,998</u>	<u>4,167,998</u>
<i>Cash or fund balance, end of year</i>	<u><u>\$ (3,117,494)</u></u>	<u><u>(3,127,374)</u></u>	<u><u>4,547,505</u></u>	<u><u>7,674,879</u></u>
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			\$ (894,558)	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u><u>\$ (515,051)</u></u>	

See Notes to Financial Statements.

NONMAJOR GOVERNMENTAL FUNDS

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS

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

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

ATHLETICS (22000) - This fund provides financing for school athletic activities. Funding is provided by fees from patrons, as well as sales at concession stands.

TITLE I IASA (24101) - To help local education agencies (LEAs) and schools improve the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards. Funding authorization: Elementary and Secondary Education Act of 1965, Title I, Part A, 20 U.S.C. 6301 et seq.

IDEA-B ENTITLEMENT (24106) - Program provides grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 674 as amended, 20U.S.C. 1711-1417 and 1420.

PRESCHOOL IDEA-B (24109) - The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals with Disabilities Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, and 101-476.

IDEA-B CEIS (24112) - Under IDEA 2004, a Local Education Agency ("LEA") may use up to 15 percent of the combined IDEA Part B Basic and Preschool Entitlement subgrants the LEA is allocated for any fiscal year, less any amount reduced by the LEA pursuant to 34 CFR § 300.205, if any, in combination with other amounts (which may include amounts from other than education funds), to develop and implement CEIS. This may include interagency financing structures, for students in kindergarten through grade twelve (with particular emphasis on students in kindergarten through grade three) who are not currently identified as needing special education or related services, but who need additional academic and behavioral support to succeed in a general education environment in accordance with 34 CFR § 300.226(a) and 6.31.2.9(D) NMAC.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS (CONTINUED)

EDUCATION OF HOMELESS (24113) - To ensure that all homeless children and youth have equal access to the same free, appropriate public education available to other children, the Education for Homeless Children and Youth program provides assistance to States, Outlying Areas, and the Department of Interior/Bureau of Indian Education (BIE) to: (1) establish or designate an Office of Coordinator of Education of Homeless Children and Youths; (2) develop and carry out a State plan for the education of homeless children; and (3) make sub grants to local educational agencies to support the education of those children. Authorization: McKinney-Vento Homeless Assistance Act, Title VII, Subtitle B.

FRESH FRUITS AND VEGETABLES (24118) - To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Authority for the creation of this fund is the Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420.

IDEA-B STUDENT SUCCESS (24132) - The purpose of this grant award is to support activities included in the school's Educational Plan for Student Success, or areas in need of improvement, identified through the instructional audit. The program is funded by the United States government, under the Individuals with Disabilities Act, Public Law 108-446 Part B.

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

TITLE XIX MEDICAID (25153) - To provide financial assistance from the Federal government which flows-through the State of New Mexico to school districts, for payments of medical assistance on behalf of cash assistance recipients, children, pregnant women and the aged who meet income and resource requirements, and other categorically-eligible groups. The program is funded by the U.S. government under the Social Security Act, Title XIX, as amended; Public Laws 92-223, 92-602, 93-66, 93-233, 96-499, 97-35, 97-2248, 98-369, 99-272, 99-509, 100-93, 100-202, 100-203, 100-360, 100-436, 100-485, 100-647, 101-166, 101-234, 101-239, 101-508, 101-517, 102-234, 102-170, 102-394, 103-66, 103-14, 103-333, 104-91, 104-191, 104-193, 104-208, and 104-134; Balanced Budget Act of 1997, Public Law 105-33.

WALLACE FOUNDATION (26125) - The purpose of this program is to provide funding to develop the use and understanding of accountability to build effective leaders in the educational system along with improving student achievement. Funds are acquired from federal sources through the New Mexico Department of Finance and Administration. Funding is provided by the Wallace Foundation a private funding for the State Action for Education Leadership Project.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

SPECIAL REVENUE FUNDS (CONTINUED)

DUAL CREDIT INSTRUCTIONAL MATERIALS (27103) - To be used for courses approved by Higher Education Department (HED) and through a college/university for which the district has an approved agreement.

LIBRARY GO BONDS (27107) - Funds to be used for library books and library resources for public school libraries statewide. Library resources include computers, software, projectors, televisions, other related hardware and software, shelving, desks, chairs, and book trucks/carts. Senate Bill 66, Laws of 2012, 2nd Session, Chapter 54, Section 10.B.(3).

READS TO LEAD (27114) - Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade—giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

K-3 PLUS (27166) - The K-3 Plus program provides funding for additional educational time for students in kindergarten through third grade with at least 25 instructional days, beginning up to two months earlier than the regular school year. K-3 Plus programming for students with disabilities should be paid for by K-3 Plus funds. Additional services, as required by Individual Education Plan (IEP), can be paid for by district's special education budget. It is important to note that school districts must meet the Maintenance of Effort requirements at 34 CFR § 300.203, of the Individuals with Disabilities Education Act (IDEA) regulations. The expenditure levels for special education and related services must be maintained or must exceed the previous year, unless a district has allowable exceptions under 34 CAFR § 300.204. School districts can only use IDEA funds for the excess cost of providing special education and related services for students with disabilities. Funding under this award must be used as specified by legislation. All expenditures must be in accordance with fiscal regulations and the approved application through the Literacy and Early Childhood Bureau of the Public Education Department.

School Bus (27178) – The purpose of this fund is to account for a program, funded by the Public Education Department, to purchase school buses statewide. Funding is authorized by the Laws of 2013, SB-60, Section 53.

NM Grown Fruits & Vegetables (27183) – The purpose of this fund is to account for a state grant received for the purchase of New Mexico grown fresh fruits and vegetables.

DAIRY MAX (29102) - The goal of the awards program is to call attention to the importance of alternate school breakfast. Offering breakfast outside of the classroom increases participation by providing service for children who arrive late or who prefer to socialize rather than eat, and by helping to remove the potential social stigma that the program is meant for low-income students.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

CAPITAL OUTLAY FUNDS

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

CAPITAL IMPROVEMENTS SB-9 (31700 and 31701) – This fund provides financing for the purchase of equipment and capital improvements to School District property. Funding is received from a 2 mill property tax levy and interest earned on investments, under New Mexico Senate Bill 9.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Food Service 21000	Athletics 22000	Title I 24101
ASSETS			
Cash and cash equivalents	\$ 141,343	206,998	8,369
Receivables:			
Grant	26,156	302	66,512
Property Taxes	-	-	-
Due from other funds	-	-	-
USDA commodities inventory	28,588	-	-
Food Inventory	6,015	-	-
<i>Total assets</i>	<u>\$ 202,102</u>	<u>207,300</u>	<u>74,881</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 3,106	-	-
Accrued payroll liabilities	13,778	-	8,368
Due to other funds	-	-	66,512
<i>Total liabilities</i>	<u>16,884</u>	<u>-</u>	<u>74,880</u>
<i>Deferred Inflows - Property Taxes</i>			
Delinquent property taxes	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and deferred inflows</i>	<u>16,884</u>	<u>-</u>	<u>74,880</u>
<i>Fund balance:</i>			
Nonspendable			
Inventories	34,603	-	-
Restricted for:			
Special revenue funds	150,615	207,300	1
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>185,218</u>	<u>207,300</u>	<u>1</u>
<i>Total liabilities and fund balance</i>	<u>\$ 202,102</u>	<u>207,300</u>	<u>74,881</u>

See Notes to Financial Statements.

Entitlement IDEA Fund 24106	Preschool IDEA-B 24109	IDEA-B CEIS 24112	Education of Homeless 24113	Fresh Fruits and Vegetables 24118
16,393	231	79	-	48
98,528	3,111	27,746	576	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>114,921</u>	<u>3,342</u>	<u>27,825</u>	<u>576</u>	<u>48</u>
170	-	-	-	-
16,393	231	79	-	-
<u>96,529</u>	<u>3,111</u>	<u>27,746</u>	<u>576</u>	<u>-</u>
<u>113,092</u>	<u>3,342</u>	<u>27,825</u>	<u>576</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
<u>113,092</u>	<u>3,342</u>	<u>27,825</u>	<u>576</u>	<u>-</u>
-	-	-	-	-
1,829	-	-	-	48
-	-	-	-	-
<u>1,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>
<u>114,921</u>	<u>3,342</u>	<u>27,825</u>	<u>576</u>	<u>48</u>

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	IDEA-B Student Success 24132	Title II Teacher Quality 24154	Title XIX Medicaid 25153
ASSETS			
Cash and cash equivalents	\$ -	933	98,194
Receivables:			
Grant	1,101	19,913	22,641
Property Taxes			
Due from other funds	-	-	-
USDA commodities inventory	-	-	-
Food Inventory	-	-	-
<i>Total assets</i>	<u>\$ 1,101</u>	<u>20,846</u>	<u>120,835</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ -	-	764
Accrued payroll liabilities	-	933	2,876
Due to other funds	1,101	19,913	-
<i>Total liabilities</i>	<u>1,101</u>	<u>20,846</u>	<u>3,640</u>
<i>Deferred Inflows - Property Taxes</i>			
Delinquent property taxes	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and deferred inflows</i>	<u>1,101</u>	<u>20,846</u>	<u>3,640</u>
<i>Fund balance:</i>			
Nonspendable			
Inventories	-	-	-
Restricted for:			
Special revenue funds	-	-	117,195
Unassigned	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>-</u>	<u>117,195</u>
<i>Total liabilities and fund balance</i>	<u>\$ 1,101</u>	<u>20,846</u>	<u>120,835</u>

See Notes to Financial Statements.

Wallace Foundation 26125	Dual Credit Instructional Materials 27103	Dual Libraries GO Bond 2012 27107	Reads to Lead 27114
227	1	-	1,023
-	746	-	35,746
-	-	-	-
-	-	-	-
-	-	-	-
<u>227</u>	<u>747</u>	<u>-</u>	<u>36,769</u>
-	-	-	-
-	-	-	1,023
-	746	-	35,746
-	746	-	36,769
-	-	-	-
-	-	-	-
-	746	-	36,769
-	-	-	-
227	1	-	-
-	-	-	-
<u>227</u>	<u>1</u>	<u>-</u>	<u>-</u>
<u>227</u>	<u>747</u>	<u>-</u>	<u>36,769</u>

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	K-3 Plus 27166	2013 School Bus 27178	NM Grown Fresh Fruits and Vegetables 27183	Dairy Max 29102	Total Non-Major Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ -	-	-	968	474,807
Receivables:					
Grant	-	-	-	-	303,078
Property Taxes	-	-	-	-	-
Due from other funds	-	-	-	-	-
USDA commodities inventory	-	-	-	-	28,588
Inventory	-	-	-	-	6,015
<i>Total assets</i>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>812,488</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts payable	\$ -	-	-	-	4,040
Accrued payroll liabilities	-	-	-	-	43,681
Due to other funds	-	-	-	-	251,980
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,701</u>
<i>Deferred Inflows - Property Taxes</i>					
Delinquent property taxes	-	-	-	-	-
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities and deferred inflows</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,701</u>
<i>Fund balance:</i>					
Nonspendable					
Inventories	-	-	-	-	34,603
Restricted for:					
Special revenue funds	-	-	-	968	478,184
Unassigned	-	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>512,787</u>
<i>Total liabilities and fund balance</i>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>968</u>	<u>812,488</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Special Capital Outlay - State 31400	Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ -	-	210,115	210,115	684,922
Receivables:					
Grant	11,410	-	-	11,410	314,488
Property Taxes	-	-	197,869	197,869	197,869
Due from other funds	-	-	-	-	-
USDA commodities inventory	-	-	-	-	28,588
Food Inventory	-	-	-	-	6,015
<i>Total assets</i>	<u>\$ 11,410</u>	<u>-</u>	<u>407,984</u>	<u>419,394</u>	<u>1,231,882</u>
LIABILITIES AND FUND BALANCES					
<i>Liabilities:</i>					
Accounts payable	\$ -	-	9,767	9,767	13,807
Accrued payroll liabilities	-	-	-	-	43,681
Due to other funds	11,410	-	-	11,410	263,390
<i>Total liabilities</i>	<u>11,410</u>	<u>-</u>	<u>9,767</u>	<u>21,177</u>	<u>320,878</u>
<i>Deferred Inflows - Property Taxes</i>					
Delinquent property taxes	-	-	171,573	171,573	171,573
<i>Total deferred inflows</i>	<u>-</u>	<u>-</u>	<u>171,573</u>	<u>171,573</u>	<u>171,573</u>
<i>Total liabilities and deferred inflows</i>	<u>11,410</u>	<u>-</u>	<u>181,340</u>	<u>192,750</u>	<u>492,451</u>
<i>Fund balance:</i>					
Nonspendable					
Inventories	-	-	-	-	34,603
Restricted for:					
Special revenue funds	-	-	-	-	478,184
Capital project funds	-	-	226,644	226,644	226,644
Unassigned	-	-	-	-	-
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>-</u>	<u>226,644</u>	<u>226,644</u>	<u>739,431</u>
<i>Total liabilities and fund balance</i>	<u>11,410</u>	<u>-</u>	<u>407,984</u>	<u>419,394</u>	<u>1,231,882</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Food Service 21000	Athletics 22000	Title I 24101
REVENUES:			
Taxes:			
Property taxes	\$ -	-	-
Intergovernmental - federal grants	836,509	-	575,321
Intergovernmental - state grants	51,426	-	-
Charges for service	209,682	238,884	-
Miscellaneous	72,861	74	-
<i>Total revenues</i>	<u>1,170,478</u>	<u>238,958</u>	<u>575,321</u>
EXPENDITURES:			
Current:			
Instruction	-	144,652	246,848
Support Services:			
Students	-	-	170,074
Instruction	-	-	-
General Administration	-	-	158,398
Student Transportation	-	-	-
Food Services Operations	1,158,197	-	-
Community Service	-	-	-
<i>Total expenditures</i>	<u>1,158,197</u>	<u>144,652</u>	<u>575,320</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>12,281</u>	<u>94,306</u>	<u>1</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	12,281	94,306	1
Fund balances, beginning of year	172,937	112,994	-
Fund balances, end of year	<u>\$ 185,218</u>	<u>207,300</u>	<u>1</u>

See Notes to Financial Statements.

Entitlement IDEA Fund 24106	Preschool IDEA-B 24109	IDEA-B CEIS 24112	Education of Homeless 24113	Fresh Fruits and Vegetables 24118
-	-	-	-	-
678,279	41,083	42,130	11,646	40,984
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
678,279	41,083	42,130	11,646	40,984
251,316	2,799	717	-	-
208,727	18,232	40,102	11,646	-
-	-	-	-	-
190,009	20,052	1,311	-	-
9,533	-	-	-	-
-	-	-	-	40,984
17,165	-	-	-	-
676,750	41,083	42,130	11,646	40,984
1,529	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,529	-	-	-	-
300	-	-	-	48
1,829	-	-	-	48

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	IDEA-B Student Success 24132	Title II Teacher Quality 24154	Title XIX Medicaid 25153
REVENUES:			
Taxes:			
Property taxes	\$ -	-	-
Intergovernmental - federal grants	58,819	112,062	291,931
Intergovernmental - state grants	-	-	-
Charges for service	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>58,819</u>	<u>112,062</u>	<u>291,931</u>
EXPENDITURES:			
Current:			
Instruction	58,819	24,456	-
Support Services:			
Students	-	40,391	190,706
Instruction	-	-	-
General Administration	-	47,215	20,318
Student Transportation	-	-	-
Food Services Operations	-	-	-
Community Service	-	-	-
<i>Total expenditures</i>	<u>58,819</u>	<u>112,062</u>	<u>211,024</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>80,907</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	80,907
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>36,288</u>
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>117,195</u>

See Notes to Financial Statements.

Wallace Foundation 26125	Dual Credit Instructional Materials 27103	Dual Libraries GO Bond 2012 27107	Reads to Lead 27114
-	-	-	-
-	-	-	-
-	11,007	5,723	231,713
-	-	-	-
-	-	-	-
-	11,007	5,723	231,713
-	11,006	-	160,928
-	-	-	70,785
-	-	5,723	-
-	-	-	-
-	-	-	-
-	-	-	-
-	11,006	5,723	231,713
-	1	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1	-	-
227	-	-	-
227	1	-	-

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	K-3 Plus 27166	2013 School Bus 27178	NM Grown Fresh Fruits and Vegetables 27183
REVENUES:			
Taxes:			
Property taxes	\$ -	-	-
Intergovernmental - federal grants	-	-	-
Intergovernmental - state grants	69,126	89,800	3,982
Charges for service	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>69,126</u>	<u>89,800</u>	<u>3,982</u>
EXPENDITURES:			
Current:			
Instruction	60,126	-	-
Support Services:			
Students	4,134	-	-
Instruction	3,285	-	-
General Administration	775	-	-
Student Transportation	806	89,800	-
Food Services Operations	-	-	3,982
Community Service	-	-	-
<i>Total expenditures</i>	<u>69,126</u>	<u>89,800</u>	<u>3,982</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

See Notes to Financial Statements.

Dairy Max 29102	Total Non-Major Special Revenue Funds
-	-
-	2,688,764
-	462,777
-	448,566
-	72,935
-	<u>3,673,042</u>
9,933	971,600
-	754,797
-	9,008
-	438,078
-	100,139
-	1,203,163
-	17,165
9,933	<u>3,493,950</u>
<u>(9,933)</u>	<u>179,092</u>
-	-
-	-
-	-
(9,933)	179,092
10,901	333,695
<u>968</u>	<u>512,787</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Total Special Capital Outlay - State 31400	Total Capital Improvements SB-9 31700
REVENUES:		
Taxes:		
Property taxes	\$ -	(20,673)
Intergovernmental - federal grants	-	-
Intergovernmental - state grants	185,352	55,269
Charges for service	-	-
Miscellaneous	-	-
	<u>185,352</u>	<u>34,596</u>
<i>Total revenues</i>		
EXPENDITURES:		
Current:		
Instruction	-	-
Support Services:		
Students	-	-
Instruction	-	-
General Administration	-	-
Student Transportation	-	-
Food Services Operations	-	-
Community Service	-	-
Capital Outlay	185,352	(16,557)
	<u>185,352</u>	<u>(16,557)</u>
<i>Total expenditures</i>		
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>51,153</u>
Other financing sources (uses)		
Transfers in	-	-
Transfers out	-	(437,063)
	<u>-</u>	<u>(437,063)</u>
<i>Total other financing sources (uses)</i>		
<i>Net change in fund balances</i>	-	(385,910)
Fund balances, beginning of year	-	385,910
Fund balances, end of year	<u>\$ -</u>	<u>-</u>

See Notes to Financial Statements.

Capital Improvements SB-9 Local 31701	Total Non-Major Capital Projects Funds	Total Non-Major Governmental Funds
939,746	919,073	919,073
-	-	2,688,764
-	240,621	703,398
-	-	448,566
1,878	1,878	74,813
<u>941,624</u>	<u>1,161,572</u>	<u>4,834,614</u>
-	-	971,600
-	-	754,797
9,135	9,135	18,143
-	-	438,078
-	-	100,139
-	-	1,203,163
-	-	17,165
<u>1,142,908</u>	<u>1,311,703</u>	<u>1,311,703</u>
<u>1,152,043</u>	<u>1,320,838</u>	<u>4,814,788</u>
<u>(210,419)</u>	<u>(159,266)</u>	<u>19,826</u>
437,063	437,063	437,063
-	(437,063)	(437,063)
<u>437,063</u>	<u>-</u>	<u>-</u>
226,644	(159,266)	19,826
-	385,910	719,605
<u>226,644</u>	<u>226,644</u>	<u>739,431</u>

OTHER SCHEDULES

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2017

Activity Fund	ASSETS	Balance June 30, 2016	Receipts	Disbursements	Balance June 30, 2017
23100	Mountain View Elementary School	\$ 608	-	-	608
23200	Moriarty Elementary School	21,927	13,746	14,316	21,357
23300	South Mountain Elementary School	13,599	4,530	7,691	10,438
23400	Moriarty Middle School	13,148	9,087	9,255	12,980
23500	Moriarty High School	202,792	263,394	341,168	125,018
23700	Route 66 Elementary School	17,737	13,061	12,671	18,127
23800	District Office	17,809	15,970	19,699	14,080
23900	Edgewood Middle School	34,393	34,162	36,521	32,034
	Pooled cash and investments	\$ <u>322,013</u>	<u>353,950</u>	<u>441,321</u>	<u>234,642</u>
	LIABILITIES				
	Deposits held for others	\$ <u>322,013</u>	<u>353,950</u>	<u>441,321</u>	<u>234,642</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2017

	US Bank	Wells Fargo Bank	Total
Funds on Deposit			
General Operating Account	\$ -	5,847,506	5,847,506
Debt Service Account	2,655,732	-	2,655,732
<i>Total on deposit:</i>	<u>2,655,732</u>	<u>5,847,506</u>	<u>8,503,238</u>
Less: FDIC insurance	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
<i>Total uninsured public funds:</i>	<u><u>\$ 2,405,732</u></u>	<u><u>5,597,506</u></u>	<u><u>8,003,238</u></u>
Pledged Collateral Required:			
50% on deposits	\$ 1,202,866	2,798,753	4,001,619
<i>Pledged Collateral Required:</i>	<u>1,202,866</u>	<u>2,798,753</u>	<u>4,001,619</u>
Pledged Collateral at June 30, 2017	<u>4,000,000</u>	<u>3,673,991</u>	<u>7,673,991</u>
<i>Total over (under) collateralized:</i>	<u><u>\$ 2,797,134</u></u>	<u><u>875,238</u></u>	<u><u>3,672,372</u></u>

Safekeeper	Security type, Maturity Date, Identifier			
Federal Home Loan Bank of Cincinnati	Letter of Credit No. 519911, expires 5/1/2018	4,000,000	-	4,000,000
Bank of New York Mellon	FNMA 03/01/41, CUSIP#3138E14X2	-	3,673,991	3,673,991
		<u>\$ 4,000,000</u>	<u>3,673,991</u>	<u>7,673,991</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2017**

Bank Account Type	US Bank	Wells Fargo Bank	Totals
Operational - Checking	\$ -	5,847,506	5,847,506
AP Clearing - Checking	-	-	-
Debt Service - Checking	<u>2,655,732</u>	<u>-</u>	<u>2,655,732</u>
Total On Deposit	2,655,732	5,847,506	8,503,238
Reconciling Items	<u>-</u>	<u>(1,361,074)</u>	<u>(1,361,074)</u>
Reconciled Balance June 30, 2017	<u>\$ 2,655,732</u>	<u>4,486,432</u>	<u>7,142,164</u>
Plus: Petty Cash			\$ -
Less: Fiduciary Funds Cash			<u>(234,642)</u>
Cash per Government-wide Financial Statements			<u>\$ 6,907,522</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
CASH RECONCILIATION
JUNE 30, 2017**

	Operational Account 11000	Transportation Account 13000	Instructional Materials 14000
Cash, June 30, 2016	\$ 1,180,806	37	96,506
Add:			
2016-17 revenues	17,880,723	1,131,746	113,779
Repayment of loans	-	-	-
Loans from other funds	-	-	-
Total cash available	19,061,529	1,131,783	210,285
Less:			
2016-17 expenditures	(18,592,894)	(1,131,765)	(143,269)
Repayment of loans	-	-	-
Transfers to/from other funds	-	(18)	-
Loans to other funds	(263,390)	-	-
Change due to held checks and liabilities	-	-	-
Cash, JUNE 30, 2017	\$ <u>205,245</u>	<u>-</u>	<u>67,016</u>
Fund Balance Reconciliations to GAAP Basis:			
Audit reclassifications to cash	243,732	18,916	-
Cash per Books	<u>448,977</u>	<u>18,916</u>	<u>67,016</u>
Fund Balance Reconciliation to GAAP Basis:			
Modified Accrual Adjustments	(32,887)	(3,577)	-
Fund Balance, Modified Accrual Basis	\$ <u>416,090</u>	<u>15,339</u>	<u>67,016</u>

See Notes to Financial Statements.

Food Services Account 21000	Athletics 22000	Non-Instructional 23000	Federal Flowthrough 24000	Federal Direct 25000
138,184	113,494	322,006	(440,215)	21,693
1,144,321	238,656	349,388	1,798,549	284,591
-	-	-	-	-
-	-	-	-	-
1,282,505	352,150	671,394	1,358,334	306,284
(1,154,940)	(145,152)	(436,752)	(1,573,773)	(210,966)
-	-	-	-	-
-	-	-	-	-
-	-	-	215,488	-
-	-	-	-	-
<u>127,565</u>	<u>206,998</u>	<u>234,642</u>	<u>49</u>	<u>95,318</u>
<u>13,778</u>	<u>-</u>	<u>-</u>	<u>26,004</u>	<u>2,876</u>
<u>141,343</u>	<u>206,998</u>	<u>234,642</u>	<u>26,053</u>	<u>98,194</u>
<u>43,875</u>	<u>302</u>	<u>-</u>	<u>(24,175)</u>	<u>19,001</u>
<u>185,218</u>	<u>207,300</u>	<u>234,642</u>	<u>1,878</u>	<u>117,195</u>

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
CASH RECONCILIATION
JUNE 30, 2017**

	Local Grants 26000	State Flowthrough 27000	Local or State 29000	Bond Building 31100
Cash, June 30, 2016	\$ 227	(134,562)	10,901	6,117,785
Add:				
2016-17 revenues	-	509,420	-	4,092,398
Repayment of loans	-	-	-	-
Loans from other funds	-	-	-	-
Total cash available	<u>227</u>	<u>374,858</u>	<u>10,901</u>	<u>10,210,183</u>
Less:				
2016-17 expenditures	-	(411,349)	(9,933)	(7,178,224)
Repayment of loans	-	-	-	-
Transfers to/from other funds	-	-	-	-
Loans to other funds	-	36,492	-	-
Change due to held checks and liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, JUNE 30, 2017	<u>\$ 227</u>	<u>1</u>	<u>968</u>	<u>3,031,959</u>
Fund Balance Reconciliations to GAAP Basis:				
Audit reclassifications to cash	<u>-</u>	<u>1,023</u>	<u>-</u>	<u>-</u>
Cash per Books	<u>227</u>	<u>1,024</u>	<u>968</u>	<u>3,031,959</u>
Fund Balance Reconciliation to GAAP Basis:				
Modified Accrual Adjustments	<u>-</u>	<u>(1,023)</u>	<u>-</u>	<u>(843,604)</u>
Fund Balance, Modified Accrual Basis	<u>\$ 227</u>	<u>1</u>	<u>968</u>	<u>2,188,355</u>

See Notes to Financial Statements.

Special Capital Outlay State 31400	Capital Improvement State 31700	Capital Improvement Local 31701	Debt Service 41000	Total
-	381,794	-	3,202,463	11,011,119
173,942	55,269	915,328	4,562,563	33,250,673
-	-	-	-	-
-	-	-	-	-
173,942	437,063	915,328	7,765,026	44,261,792
(185,352)	-	(1,142,276)	(5,109,294)	(37,425,939)
-	-	-	-	-
-	(437,063)	437,063	-	(18)
11,410	-	-	-	-
-	-	-	-	-
-	-	210,115	2,655,732	6,835,835
-	-	-	-	306,329
-	-	210,115	2,655,732	7,142,164
-	-	16,529	147,156	(678,403)
-	-	226,644	2,802,888	6,463,761
			Agency:	(234,642)
			Total Fund Balance, Modified Accrual Basis \$	6,229,119

COMPLIANCE SECTION

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

To the Board of Education,
The Audit Committee of
Moriarty-Edgewood School District No. 8
and Mr. Wayne Johnson
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, fiduciary activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of Moriarty-Edgewood School District No. 8 (the “District”), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Axiom".

Albuquerque, New Mexico

November 13, 2017

FEDERAL FINANCIAL ASSISTANCE

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

To the Board of Education,
The Audit Committee of
Moriarty-Edgewood School District No. 8
and Mr. Wayne Johnson
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the Moriarty-Edgewood School District No. 8 (the “District”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2017. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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



Albuquerque, New Mexico
November 13, 2017

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor or Pass-Through Grantor/Program Title</u>	<u>Pass-through Number</u>	<u>Federal CFDA</u>	<u>Cluster Programs</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:				
<i>Pass - Through Program From:</i>				
New Mexico Department of Education				
<u>Child Nutrition Cluster</u>				
USDA National School Lunch Program	21000	10.555	610,682	
USDA School Breakfast Program	21000	10.553	<u>225,827</u>	
Total Child Nutrition Cluster				836,509
 Fresh Fruits and Vegetables	 24118	 10.582		 40,984
 New Mexico Human Services Department				
USDA Commodities Program	21000	10.550		<u>72,860</u>
 Total U.S. Department of Agriculture				 <u>950,353</u>
 U.S. Department of Education				
<i>Pass - Through Program From:</i>				
New Mexico Department of Education				
<u>Special Education (IDEA) Cluster</u>				
IDEA B - Entitlement	24106	84.027	693,143	
IDEA B - Pre School	24109	84.173	41,314	
IDEA B - CEIS	24112	84.027	42,209	
IDEA B - Student Success	24132	84.276A	<u>58,819</u>	
Total Special Education (IDEA) Cluster				835,485
 Title I	 24101	 84.010		 583,688
Education Of Homeless	24113	84.196		11,646
Title II Teacher Quality	24154	84.367		<u>112,995</u>
Total U.S. Department of Education				<u>1,543,814</u>
 U.S. Department of Health and Human Services				
<i>Pass - Through Program From:</i>				
New Mexico Department of Health				
Title XIX Medicaid	25153	93.778		<u>213,900</u>
 Total Federal Financial Assistance				 \$ <u><u>2,708,067</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017**

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Moriarty-Edgewood School District No. 8 (the "District") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in the Schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Sub Recipients

The District did not provide any federal awards to sub-recipients during the year.

3. Non-cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch program. The value of commodities received for the year ended June 30, 2017 was \$72,860 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.555. Commodities are recorded as revenues and expenditures in the food service fund.

4. Indirect Costs Rate

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the District's federal award programs have been charged with indirect costs, based upon a rate established by the State of New Mexico, and the District has elected not to use the 10% de minimis indirect costs rate allowed under the Uniform Guidance applied to overall expenditures.

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified Yes None Reported

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
10.555/10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

2016-001	Lack of Controls over Disbursements (Other Matter)	Resolved
2016-002	Working Condition Fringe Benefits (Other Matter)	Resolved
2016-003	Over Expenditure of Budget (Noncompliance in Accordance with New Mexico State Audit Rule)	Resolved

**STATE OF NEW MEXICO
MORIARTY-EDGEWOOD SCHOOL DISTRICT NO. 8
EXIT CONFERENCE
JUNE 30, 2017**

An exit conference was conducted on November 9, 2017 with the following individuals:

Moriarty-Edgewood School District:

Tom Sullivan, Superintendent
Antoinette Young, Director of Finance
Priscilla Ortiz, Comptroller
Selia Gomez, Board of Education Member
Robin Prudencio, Audit Committee Member
Elizabeth Howells, Board of Education Member

Axiom Certified Public Accountants and Business Advisors, LLC:

Jaime Rumbaoa, CPA, Partner

Axiom Certified Public Accountants and Business Advisors, LLC prepared the GAAP-basis financial statements and footnotes of Moriarty-Edgewood School District from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.