

State of New Mexico

# MOSQUERO MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2015

(WITH AUDITOR'S REPORT THEREON)

*"To educate the students of the  
Mosquero Municipal School District to  
be the best people they can be."*

**RICE & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS**

STATE OF NEW MEXICO

MOSQUERO MUNICIPAL SCHOOLS

AUDIT REPORT

For The Year Ended June 30, 2015

(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
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STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Official Roster  
Year Ended June 30, 2015

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Jack Chatfield	President
Mr. Victor R. Vigil	Vice-President
Ms. Amanda Culbertson	Secretary
Mr. Boyd Hazen	Member
Mr. Floyd Padilla	Member

School Officials

Mr. Bill Ward	Superintendent
Ms. Darla King	Business Manager

# *Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

## INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller  
New Mexico State Auditor  
and  
Board of Education  
Mosquero Municipal Schools  
Mosquero, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Title I, REAP, Read2Lead, Bond Building, Capital Improvements SB-9 and Debt Service Funds of the Mosquero Municipal Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Mosquero Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Mosquero Municipal Schools non-major governmental and fiduciary funds and the budgetary comparisons for the Major Capital Project and Debt Service Funds and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mosquero Municipal Schools, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Title I, REAP, Read2Lead, Bond Building, Capital Improvements SB-9 and Debt Service Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Mosquero Municipal Schools, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

### *Adoption of New Accounting Pronouncement*

As discussed in Note 15 to the financial statements, effective July 1, 2014, the School District adopted Governmental Accounting Standards Board Statement (GASB) No. 68 *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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 Mosquero Municipal Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons for the Major Capital Project and Debt Service Funds and non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds and the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

Schedule IV, the Schedule of Vendor Information, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them. Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015 on our consideration of the Mosquero Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 Mosquero Municipal Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico  
November 6, 2015

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Net Position  
 June 30, 2015

Statement 1  
 Page 1 of 2

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 697,783
Accounts receivable	16,524
Due from grantor	69,615
Inventory	1,970
Total current assets	785,892
Non-current assets	
Capital assets (depreciable)	14,451,725
Less accumulated depreciation	(3,862,586)
Total non-current assets	10,589,139
Total assets	11,375,031
 <b>Deferred outflows of resources</b>	
Change in proportion	38,196
Employer contributions subsequent to the measurement date	90,459
Total deferred outflows of resources	128,655
Total assets and deferred outflows of resources	\$ 11,503,686

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Net Position  
 June 30, 2015

Statement 1  
 Page 2 of 2

**LIABILITIES**

Current liabilities	
Accounts payable	\$ -
Revenues not yet earned	139
security deposit payable	200
Accrued interest	212,274
Current portion of long-term liabilities	<u>525,000</u>
Total current liabilities	<u>737,613</u>
Long-term obligations:	
Net pension liability	1,315,735
Compensated absences	17,758
Non-current portion of long-term liabilities	<u>6,210,000</u>
Total long-term liabilities	<u>7,543,493</u>
Total liabilities	<u>8,281,106</u>

**Deferred inflows of resources**

Actuarial experience	19,604
Investment experience	119,631
Change in proportion	<u>-</u>
Total deferred inflows of resources	<u>139,235</u>

**NET POSITION**

Net investment in capital assets	3,641,865
Restricted for:	
Cafeteria fund (inventory)	1,970
Capital outlay	336,294
Debt service	357,805
Special grants	8,799
Unrestricted	<u>(1,263,468)</u>
Total net position	<u>1,003,345</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 11,503,666</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Activities  
 Year Ended June 30, 2015

Statement 2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>EXPENSES:</b>					
<b>Governmental activities:</b>					
Direct instruction	\$ 716,207	\$ 3,699	\$ 107,768	\$ -	\$ (604,748)
Instructional support	950,939	13,725	195,528	-	(741,686)
Food services	42,894	7,648	11,027	-	(24,219)
Depreciation - unallocated	520,753	-	-	-	(520,753)
Interest on long-term obligations	<u>224,478</u>	-	-	-	<u>(224,478)</u>
Total governmental activities	<u>2,455,271</u>	<u>25,072</u>	<u>314,315</u>	-	<u>(2,115,884)</u>
<b>General revenues:</b>					
<b>Taxes</b>					
Property taxes, levied for general purposes					27,563
Property taxes, levied for capital projects					110,904
Property taxes, levied for debt service					395,018
Copper production taxes, general purposes					2,800
Copper production taxes, capital projects					55,218
Copper production taxes, debt service					39,238
Oil and gas taxes, general purposes					13,805
Oil and gas taxes, capital projects					11,200
Oil and gas taxes, debt service					178,505
Federal and State aid not restricted to specific purpose General					1,275,606
Interest and investment earnings					<u>4,223</u>
Sub-total, general revenues					<u>2,111,080</u>
Change in net position					(4,804)
Net position - beginning of year					4,400,552
Restatement					<u>(1,312,403)</u>
Net position - beginning of year - restated					<u>3,088,149</u>
Net position - end of year					<u>\$ 3,083,345</u>

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

STATE OF NEW MEXICO  
 NORTHERN MUNICIPAL SCHOOLS  
 Selected Fund - All Governmental Funds  
 June 30, 2015

Statement 3

	General	Title I	NEAP	Read2 Lead	Bond Refunding	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>									
Cash on deposit	\$ 14,000	\$ -	\$ -	\$ -	\$ -	\$ 332,822	\$ 145,701	\$ 5,252	\$ 697,783
Accounts receivable, collectible	868	-	-	-	-	1,472	12,184	-	16,524
Due from grantor	-	15,452	19,477	23,989	-	-	-	26,697	69,615
Inventory, at cost	-	-	-	-	-	-	-	1,970	1,970
Due from other funds	69,615	-	-	-	-	-	-	-	69,615
<b>Total assets</b>	<b>\$ 84,491</b>	<b>\$ 15,452</b>	<b>\$ 19,477</b>	<b>\$ 23,989</b>	<b>\$ -</b>	<b>\$ 336,294</b>	<b>\$ 357,885</b>	<b>\$ 17,919</b>	<b>\$ 855,507</b>
<b>LIABILITIES</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200
Security deposit payable	200	-	-	-	-	-	-	139	139
Revenues not yet earned	-	-	-	-	-	-	-	-	-
Due to other funds	-	15,452	19,477	23,989	-	-	-	10,697	69,615
<b>Total liabilities</b>	<b>200</b>	<b>15,452</b>	<b>19,477</b>	<b>23,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,836</b>	<b>69,954</b>
<b>FUND BALANCES</b>									
Nonspendable	-	-	-	-	-	-	-	1,970	1,970
Restricted	3,686	-	-	-	-	336,294	357,885	5,113	702,978
Committed	-	-	-	-	-	-	-	-	-
Assigned	80,605	-	-	-	-	-	-	-	80,605
Unassigned	-	-	-	-	-	-	-	-	-
<b>Total fund balance</b>	<b>84,291</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>336,294</b>	<b>357,885</b>	<b>7,083</b>	<b>785,551</b>
<b>Total liabilities and fund balance</b>	<b>\$ 84,491</b>	<b>\$ 15,452</b>	<b>\$ 19,477</b>	<b>\$ 23,989</b>	<b>\$ -</b>	<b>\$ 336,294</b>	<b>\$ 357,885</b>	<b>\$ 17,919</b>	<b>\$ 855,507</b>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2015

Statement 4

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

Total fund balances - governmental funds	\$	785,553
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	14,451,725	
Accumulated depreciation	<u>(3,862,586)</u>	
		10,589,139

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows of resources related to employer contributions subsequent to the measurement date		90,459
Deferred outflows of resources related to changes in proportion		38,196
Deferred inflows of resources related to actuarial experience		(19,604)
Deferred inflows or resources related to investment experience		(119,631)

Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Net pension liability		(1,315,735)
Bonds Payable		(6,735,000)
Accrued interest on bonds		(17,758)
Compensated absences payable		<u>(212,274)</u>
Total net position - governmental activities	\$	<u>3,083,345</u>

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



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenues, Expenditures and Changes in  
 Fund Balances - All Governmental Funds  
 Year Ended June 30, 2015

Statement 5

	General	Title I	REAP	Read2 Lead	Bond Building	Capital Improvements 88-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>									
Property Taxes	\$ 27,563	\$ -	\$ -	\$ -	\$ -	\$ 110,904	\$ 395,018	\$ -	\$ 533,485
Copper production taxes	2,800	-	-	-	-	55,218	39,238	-	97,256
Oil and gas taxes	13,805	-	-	-	-	11,200	175,505	-	200,510
Charges for services	13,725	-	-	-	-	-	-	11,347	25,072
Local sources	1,636	-	-	-	-	-	-	-	1,636
State sources	1,472,978	-	-	50,000	-	-	-	1,073	1,524,051
Federal sources	-	15,452	19,477	-	-	-	-	29,305	64,234
Earnings from investments	106	-	-	-	4,117	-	-	-	4,223
<b>Total revenues</b>	<u>1,532,513</u>	<u>15,452</u>	<u>19,477</u>	<u>50,000</u>	<u>4,117</u>	<u>177,322</u>	<u>609,761</u>	<u>41,725</u>	<u>2,450,467</u>
<b>EXPENDITURES</b>									
Current:									
Direct instruction	594,993	15,452	19,477	50,000	-	-	-	21,560	701,482
Instructional support	895,547	-	-	-	-	47,090	7,229	1,073	950,939
Food services	23,187	-	-	-	-	-	-	19,707	42,894
Capital outlay	50,767	-	-	-	3,086,458	223,307	-	-	3,360,472
Debt service:									
Bonds	-	-	-	-	-	-	325,000	-	325,000
Interest	-	-	-	-	-	-	259,562	-	259,562
<b>Total expenditures</b>	<u>1,564,434</u>	<u>15,452</u>	<u>19,477</u>	<u>50,000</u>	<u>3,086,458</u>	<u>270,397</u>	<u>591,791</u>	<u>42,340</u>	<u>5,640,349</u>
Excess (deficiency) revenue over expenditures	(31,821)	-	-	-	(3,082,341)	(93,075)	17,970	(615)	(3,109,882)
<b>OTHER FINANCING SOURCES (USES)</b>									
Sale of bonds	-	-	-	-	1,100,000	-	-	-	1,100,000
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>
Net change in fund balances	(31,821)	-	-	-	(1,982,341)	(93,075)	17,970	(615)	(2,089,882)
Fund balance beginning of year	116,112	-	-	-	1,982,341	429,369	339,915	7,698	2,875,435
Fund balance end of year	<u>\$ 84,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,294</u>	<u>\$ 357,885</u>	<u>\$ 7,083</u>	<u>\$ 785,559</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 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, 2015

Statement 6

Total net change in fund balances - governmental funds \$ (2,089,882)

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

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 capital outlays exceeds depreciation in the period

Land sales	(300)	
Capital outlays	3,368,472	
Depreciation expense	<u>(520,753)</u>	
Excess of depreciation expense over capital outlay		2,839,419

In the Statement of Activities, certain operating expenses are measured by the amounts incurred during the year. In the fund financial statements, however, expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). The (increases) decreases in the liabilities for the year were:

Accrued interest payable		35,084
Compensated absences payable		<u>(513)</u>

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

Pension contributions		90,459
Pension expense		<u>(104,371)</u>

The issuance of long-term debt (e.g. bonds) provides current financial resources to government funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds

Proceeds of bond issue		(1,100,000)
Repayment of long-term debt		<u>325,000</u>

Change in net position of governmental activities		<u>\$ (6,804)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 50,666	\$ 50,666	\$ 44,716	\$ (5,950)
Charges for services	7,675	7,675	13,725	6,050
Local sources	50	50	1,636	1,586
State sources	1,446,507	1,504,054	1,472,976	(31,076)
Federal sources	-	-	-	-
Earnings from investments	<u>120</u>	<u>120</u>	<u>106</u>	<u>(14)</u>
Total revenues	<u>\$ 1,505,018</u>	<u>\$ 1,562,565</u>	<u>\$ 1,533,161</u>	<u>\$ (29,404)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 557,628	\$ 565,490	\$ 594,993	\$ (29,503)
Instructional support	945,449	882,331	895,547	(13,216)
Food services	32,240	32,240	23,187	9,053
Capital outlay	<u>6,260</u>	<u>59,787</u>	<u>50,707</u>	<u>9,080</u>
Total expenditures	<u>\$ 1,541,577</u>	<u>\$ 1,539,848</u>	<u>\$ 1,564,434</u>	<u>\$ (24,586)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 36,559</u>	<u>\$ 54,237</u>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Title I  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 974	\$ 15,453	\$ 9,638	\$ 5,815
Total revenues	<u>\$ 974</u>	<u>\$ 15,453</u>	<u>\$ 9,638</u>	<u>\$ 5,815</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 974	\$ 15,453	\$ 15,452	\$ 1
Total expenditures	<u>\$ 974</u>	<u>\$ 15,453</u>	<u>\$ 15,452</u>	<u>\$ 1</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 REAP  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ 3,183	\$ 3,183	\$ -	\$ 3,183
Total revenues	<u>\$ 3,183</u>	<u>\$ 3,183</u>	<u>\$ -</u>	<u>\$ 3,183</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 3,183	\$ 3,183	\$ 19,477	\$ (16,294)
Total expenditures	<u>\$ 3,183</u>	<u>\$ 3,183</u>	<u>\$ 19,477</u>	<u>\$ (16,294)</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Read2Lead  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ 50,000	\$ 52,754	\$ 2,754
Total revenues	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 52,754</u>	<u>\$ 2,754</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 50,000	\$ 50,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2015

ASSETS	
Cash	\$ <u>27,861</u>
Total Assets	\$ <u>27,861</u>
LIABILITIES	
Deposits held for others	\$ <u>27,861</u>
Total Liabilities	\$ <u>27,861</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mosquero Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2000. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

The Mosquero Municipal Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its



own taxes or set rates or charges, and issue bonded debt. The District also has no component units as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

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

Special Revenue Fund - Title I - Title ESEA Fund - The Title I project provides remedial instruction in the language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the chapter 1, Part A, 20 U.S.C. 2701 et seq.

Special Revenue Fund - REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM) - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Financing and authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

Special Revenue Fund - Read2Lead - To account for resources received to provide funds to support a reading K-3 Formative coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

Notes to Financial Statements (continued)

Capital Projects Fund - Bond Building - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

Capital Projects Fund - Capital Improvements SB-9 - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also, for resources received from State of New Mexico Severance Tax Bonds.

Debt Service Fund - Debt Service - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - Accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Government funds as non-major. The include:

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds - To account for resources received for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the School District and levied specifically for this purpose.

C. Measurement Focus and Basis of Accounting

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions.

### **Program Revenues**

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

### **Allocation of Indirect Expenses**

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, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

### **Fund Financial Statements (FFS)**

#### **Governmental Funds**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

#### **REVENUES**

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

Entitlements and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Sales and use taxes (which include oil/gas taxes and equipment taxes) are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

#### **EXPENDITURES**

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore not accrued.

#### **OTHER FINANCING SOURCES (USES)**

Transfers between funds are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, etc.) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

#### **Fiduciary Funds**

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 economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

#### **D. Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with accounting principles generally accepted in the United States of America (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on this non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board

## Notes to Financial Statements (continued)

- submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
  3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
  4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
  5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
  6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
  7. Legal budget control for expenditures is by function.
  8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Mosquero Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

### E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Net Position or Fund Equity

1. **Cash & Cash Equivalents**

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.

The District is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

2. **Investments**

All money not immediately necessary for the public uses of the District may be invested in:

(a) Bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (\$1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within the last five years preceding; or

(b) Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investments.

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

3. **Accounts Receivable**

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Notes to Financial Statements (continued)

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Taxes	\$ 868	\$ 15,656	\$ -	\$ 16,524
Intergovernmental	-	58,918	10,697	69,615
	<u>\$ 868</u>	<u>\$ 74,574</u>	<u>\$ 10,697</u>	<u>\$ 86,139</u>

4. Inventories

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District does not capitalize interest in regards to its capital assets. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	50 years
Buildings & building improvements	20 to 50 years
Furniture & equipment	3 to 15 years
Auto/Vehicle	2 to 15 years

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

## 6. Compensated Absences

All 12-month or full time employees earn vacation and sick leave in amounts varying with tenure and classification. Employees cannot accumulate more than 20 days of vacation leave. Upon retirement, unused vacation leave up to 20 days is paid to employees. No reimbursement or accrual is made for unused sick leave.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employee's right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

## 7. Long-Term Liabilities

For government-wide reporting, the costs associated with bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

For fund financial reporting issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as an other financing source.

## 8. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:



Notes to Financial Statements (continued)

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purpose specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District's Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District's Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification

Notes to Financial Statements (continued)

is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**9. Restricted Net Assets**

The governmental activities financial statements utilize a net assets presentation. Net assets are categorized as follows:

Net Investment in capital assets - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net assets that have third party limitations on their use.

Unrestricted net position - This category reflects net assets of the District not restricted for any project or other purposes.

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

**10. 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 is 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.

**11. 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 the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of

Notes to Financial Statements (continued)

revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**12. Deferred Inflows of Resource**

In addition to liabilities, the balance sheet reports 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. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**13. Deferred Outflows of Resource**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

**14. Pensions**

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

Wells Fargo Bank Investments	<u>\$ 1,067,803</u>
Total amount on deposit	\$ 1,067,803
Outstanding checks	(377,679)
Due from REC	5,295
Deposit in transit	<u>30,225</u>
Total per financial statements	<u>\$ 725,644</u>

At June 30, 2015, the carrying amount of the School Districts deposits was \$725,644 and the bank balance was \$1,067,803. Of this balance \$250,000 was covered by federal depository insurance and \$408,901 was covered by collateral. The remaining \$288,152 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30, 2015	\$ 1,067,803
Less F.D.I.C.	<u>(250,000)</u>
Uninsured Funds	817,803
50% Collateral Requirement	408,901
Pledged Collateral	<u>(529,651)</u>
Excess of Pledged Collateral	<u>\$ 120,750</u>

**Custodial Credit Risk - Deposits -** Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$817,803 of the School's bank balance of \$1,067,803 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 288,152
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>529,651</u>
Total	<u>\$ 817,803</u>

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.

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

Notes to Financial Statements (continued)

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. The collateral pledged is shown as follows:

<u>Wells Fargo Northwest, NA</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FG #312942KP9	9-1-40	\$ 131,134
FG #3132J8P20	4-1-43	73,398
FN #318W7GH1	3-1-43	85,533
FN #3138X0A24	7-1-43	47,123
FN #3138X0ZA9	7-1-43	3,168
FN #3138X1HU3	7-1-43	94,260
FN #3138X3XX5	9-1-43	74,558
FN #31418AV47	8-1-43	<u>20,477</u>
		<u>\$ 529,651</u>

As of June 30, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$1,067,803</u>	Less than 6 months

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

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>
Governmental activities:				
Land	\$ 47,354	\$ 10,000	\$ (300)	57,054
Total not being depreciated	<u>47,354</u>	<u>10,000</u>	<u>(300)</u>	<u>57,054</u>
Land improvements	804,102	173,646	-	977,750
Buildings & building improvements	8,940,653	3,054,081	-	11,994,734
Vehicles	336,720	46,486	-	383,206
Equipment	955,939	76,257	-	1,032,196
Furniture	6,785	-	-	6,785
Total	<u>11,044,199</u>	<u>3,350,472</u>	<u>-</u>	<u>14,394,671</u>
Less accumulated depreciation:				
Land improvements	(146,224)	(52,844)	-	(199,068)
Buildings & building improvements	(2,240,719)	(394,198)	-	(2,634,917)
Vehicles	(222,093)	(29,239)	-	(251,332)
Equipment	(726,011)	(44,473)	-	(770,484)
Furniture	(6,785)	-	-	(6,785)
Total	<u>(3,341,832)</u>	<u>(520,754)</u>	<u>-</u>	<u>(3,862,586)</u>
Governmental activities Capital assets, net	<u>\$ 7,702,367</u>	<u>\$ 2,829,718</u>	<u>\$ (300)</u>	<u>\$ 10,509,139</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	\$ 5,960,000	\$ 1,100,000	\$ 325,000	\$ 6,735,000	\$ 525,000
Compensated Absences	17,245	513	-	17,758	-
<b>Total</b>	<b>\$ 5,977,245</b>	<b>\$ 1,100,513</b>	<b>\$ 325,000</b>	<b>\$ 6,752,758</b>	<b>\$ 525,000</b>

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund, Transportation Fund and Cafeteria Fund.

The current portion of the compensated absences is estimated at zero since there are no anticipated retirements or terminations.

The following is a summary of bond transactions of the district for the year ended June 30:

General obligation bonds payable, June 30, 2014	\$ 5,960,000
Bonds paid	(325,000)
Bonds issued	<u>1,100,000</u>
 General obligation bonds payable, June 30, 2015	 <u>\$ 6,735,000</u>

The details of the bond issues and the remaining retirement schedule are summarized below. The bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to school buildings and improving school grounds. For the purpose of providing the necessary funds to meet the interest and principal as they become due, there is annually assessed, levied, and collected a tax upon all of the taxable property within the school district.

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2003	07-01-03	\$ 300,000	2.90% - 4.00%	\$ 40,000
2004	08-27-04	\$ 260,000	1.05768%-1.25616%	70,000
2007	05-11-07	\$ 500,000	2.27% - 2.37%	200,000
2008	06-15-08	\$ 325,000	3.25% - 4.40%	225,000
2010	08-15-10	\$1,800,000	2.00% - 3.40%	1,275,000
2011	10-15-11	\$1,000,000	2.50% - 3.70%	925,000
2013	10-15-13	\$2,900,000	3.125%- 4.125%	2,900,000
2014	10-28-14	\$1,100,000	2.20% - 2.80%	1,100,000
				<b><u>\$6,735,000</u></b>

Notes to Financial Statements (continued)

The annual requirements to amortize the general obligation bonds as of June 30, 2010, including interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 525,000	\$ 212,274	\$ 737,274
2017	545,000	198,552	743,552
2018	515,000	183,880	698,880
2019	355,000	167,316	522,316
2010	540,000	154,688	694,688
2021-2025	2,955,000	509,758	3,464,758
2026-2028	<u>1,300,000</u>	<u>65,725</u>	<u>1,365,725</u>
	<u>\$6,735,000</u>	<u>\$1,492,193</u>	<u>\$8,227,193</u>

B. Operating Leases

The District did not have any operating leases during the fiscal year.

C. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.

5. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School 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 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined" (in Chapter 22, Section 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-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,275,606 in state equalization guarantee distributions during the year ended June 30, 2015.

Notes to Financial Statements (continued)

C. Transportation Distribution

Money in the transportation distribution of the public school fund 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 the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$194,455 in transportation distribution during the year ended June 30, 2015.

D. SB-9 State Match

The Director shall distribute to any school district that has imposed a tax under the Public School Capital 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.

The District received \$0 in state SB-9 matching during the year ended June 30, 2015.



Notes to Financial Statements (continued)

E. 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 district 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.

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

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

During the year ended June 30, 2015, the District received \$0 in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2015, the District received \$13,725 in instructional materials allocation.

G. 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 operated under its own budget, which has been approved by the Federal Department or the flow-through agency (usually the New Mexico Department of Education). The various budgets are approved by the Local School Board and the New Mexico Department of Education.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

6. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

7. DUE FROM GRANTOR

The amount shown as due from grantor represents federal, state and local expenditures in excess of revenues. Most federal, state or local projects earn revenue as expenditures are incurred and are subsequently reimbursed by the grantor.

8. HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE #3

The School District is a member of the High Plains Regional Educational Cooperative #3. The High Plains Regional Educational Cooperative #3 issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that audit report can be obtained by writing to the High Plains Regional Educational Cooperative #3, 144 South First Street, Raton, New Mexico, 87740.

9. INSURANCE COVERAGE

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

Workers Compensation  
Property and Automobile Liability and Physical Damage  
Liability and Civil Rights and Personal Injury  
Contract School Bus Coverage; and  
Crime

10. RISK MANAGEMENT

The school is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

Notes to Financial Statements (continued)

11. SURETY BOND

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

12. BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as agency funds. During the year ended June 30, the following changes occurred in the agency fund.

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<b>ASSETS</b>				
Cash	\$ 20,941	\$ 66,444	\$ (59,524)	\$ 27,861
Total assets	<u>\$ 20,941</u>	<u>\$ 66,444</u>	<u>\$ (59,524)</u>	<u>\$ 27,861</u>
<b>LIABILITIES</b>				
Deposits held for others:				
General activity	\$ 2,121	\$ 16,964	\$ (17,133)	\$ 1,952
Yearbook	440	849	-	1,297
FFA	19	17,702	(15,168)	2,633
Media	2,642	1,858	(2,672)	1,828
Harding County Round-Up	9,306	11,056	(12,500)	7,862
Senior Class	3	2,034	(2,037)	-
Families	2,130	2,150	(2,041)	1,439
Arena	-	6,300	-	6,300
Paint the Town	3,293	1,398	(2,295)	2,396
5th & 6th Grade Class	130	816	(946)	-
3rd & 4th Grade Class	-	2,616	(2,456)	160
District III FFA	849	2,621	(1,476)	1,994
Total liabilities	<u>\$ 20,941</u>	<u>\$ 66,444</u>	<u>\$ (59,524)</u>	<u>\$ 27,861</u>

13. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	General	Title I	IDEA-B Entitlement	Read 2Lead	
Revenues per modified accrual basis	\$ 1,532,613	\$ 15,452	\$ 19,477	\$ 50,000	
Receivables	(548)	-	-	-	
Deferred revenues/Due from grantor	-	(5,814)	(19,477)	2,754	
Revenues per budgetary basis	<u>\$ 1,532,065</u>	<u>\$ 9,638</u>	<u>\$ -</u>	<u>\$ 52,754</u>	
Expenditures per modified accrual basis	\$ 1,564,434	\$ 15,452	\$ 19,477	\$ 50,000	
Accounts payable	-	-	-	-	
Expenditures per modified budgetary basis	<u>\$ 1,564,434</u>	<u>\$ 15,452</u>	<u>\$ 19,477</u>	<u>\$ 50,000</u>	
	Bond Building	Capital Improvements SE-9	Debt Service	Non-Major Special Revenue	Non-Major Debt Service
Revenues per modified accrual basis	\$ 4,117	\$ 17,732	\$ 609,761	\$ 41,725	\$ -
Receivables	-	2,197	3,841	-	-
Deferred revenues/Due from grantor	-	-	-	3,194	-
Revenues per budgetary basis	<u>\$ 4,117</u>	<u>\$ 19,929</u>	<u>\$ 613,602</u>	<u>\$ 44,919</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 3,086,458	\$ 270,397	\$ 591,791	\$ 42,340	\$ -
Inventory	-	-	-	3,105	-
Expenditures per modified budgetary basis	<u>\$ 3,086,458</u>	<u>\$ 270,397</u>	<u>\$ 591,791</u>	<u>\$ 45,445</u>	<u>\$ -</u>

15. 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. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

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

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

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

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

**Contributions.** The contribution requirements of defined benefit plan members and the 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, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the school district were \$90,459 for the year ended June 30, 2015.

**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, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the school district reported a liability of \$1,315,735 for its proportionate share of the net pension liability. The school 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, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the school district's proportion was 0.02306 percent, which was an increase of 0.00082 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the school district recognized pension expense of \$104,371. At June 30, 2015, the school district reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Notes to Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 19,604
Net difference between projected and actual earnings on pension plan investments	-	119,631
Changes in proportion and differences between the school district contributions and proportionate share of contributions	38,196	-
School district's contributions subsequent to the measurement date	<u>90,459</u>	<u>-</u>
Total	<u>\$ 128,655</u>	<u>\$ 139,235</u>

\$90,459 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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:

2016	\$ (23,444)
2017	(23,444)
2018	(24,219)
2019	(29,901)
2020	-
Thereafter	-

**Actuarial assumptions.** As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

Notes to Financial Statements (continued)

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	<u>2014 Long-Term Expected Real Rate of Return</u>	<u>2013 Long-Term Expected Real Rate of Return</u>
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

**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. 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 school district's proportionate share of the net pension liability to changes in the discount rate.**

The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Discount</u> <u>Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
School district's proportionate share of the net pension liability	\$ 1,790,209	\$ 1,315,735	\$ 919,607

**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, 2014 and 2013 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** The 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 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2015 the School District owed the ERB 77,439 for the contributions withheld in the month of June 2015.

**16. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

**Plan Description.** Mosquero Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA 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.



Notes to Financial Statements (continued)

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 employers effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years.

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) 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](http://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, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Mosquero Municipal Schools contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$13,016, \$12,715 and \$12,132, respectively, which equal the required contributions for each year.

Notes to Financial Statements (continued)

17. FUND BALANCES CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented here.

<u>Fund Balances</u>	<u>General Fund</u>	<u>Bond Building</u>	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
<b>Nonspendable:</b>						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 1,970	\$ 1,970
Total nonspendable	-	-	-	-	1,970	1,970
<b>Restricted for:</b>						
Teacherae units	2,917	-	-	-	-	2,917
Transportation services	170	-	-	-	-	170
Instructional materials	599	-	-	-	-	599
Capital improvements	-	-	336,294	-	-	336,294
Debt service payments	-	-	-	357,885	267	358,152
Athletic services	-	-	-	-	781	781
Cafeteria services	-	-	-	-	4,065	4,065
State mandated cash reserves	1,682	-	-	-	-	1,682
Total restricted	5,368	-	336,294	357,885	5,113	704,660
<b>Committed to:</b>						
Other purposes	-	-	-	-	-	-
Total committed	-	-	-	-	-	-
<b>Unassigned:</b>	78,923	-	-	-	-	78,923
Total Fund Balances	\$ 84,291	\$ -	\$ 336,294	\$ 357,885	\$ 7,083	\$ 785,553

18. BUDGET VIOLATIONS

The Operational Fund had a budget overrun of \$24,586 overall. The Debt Service Fund had an overall budget overrun of \$18,432. The Capital Projects Bond Building Fund had an overall budget overrun of \$2,950,072. The REAP Fund by \$16,294, Athletics Fund by \$245, the Cafeteria Fund by \$1,694 and IDEA-B Entitlement by \$1,589.

19. NET POSITION RESTATEMENT

The School District had a prior period adjustment of \$1,312,403 of which was required for the implementation of GASB Statement No. 68. The adjustment reflects a beginning net pension liability of \$1,396,003 and a beginning deferred outflow of resources - employer contributions subsequent to the measurement date of \$83,600.

**OTHER MAJOR FUNDS BUDGETS**

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Bond Building Fund  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ -	\$ -
Earnings on investments	<u>-</u>	<u>-</u>	<u>4,117</u>	<u>4,117</u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,117</u>	<u>\$ 4,117</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>\$ 136,386</u>	<u>\$ 136,386</u>	<u>\$ 3,086,458</u>	<u>\$ (2,950,072)</u>
Total expenditures	<u>\$ 136,386</u>	<u>\$ 136,386</u>	<u>\$ 3,086,458</u>	<u>\$ (2,950,072)</u>
<b>OTHER FINANCING SOURCES</b>				
Bond Proceeds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
Total other financing sour	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 136,386</u>	<u>\$ 136,386</u>		

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Capital Improvements - SB-9 Fund  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 203,381	\$ 203,381	\$ 179,519	\$ (23,862)
Local sources	-	-	-	-
State sources	-	-	-	-
Earnings on investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 203,381</u></b>	<b><u>\$ 203,381</u></b>	<b><u>\$ 179,519</u></b>	<b><u>\$ (23,862)</u></b>
<b>EXPENDITURES</b>				
Capital outlay	<u>\$ 662,665</u>	<u>\$ 662,665</u>	<u>\$ 270,397</u>	<u>\$ 392,268</u>
<b>Total expenditures</b>	<b><u>\$ 662,665</u></b>	<b><u>\$ 662,665</u></b>	<b><u>\$ 270,397</u></b>	<b><u>\$ 392,268</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 459,284</u></b>	<b><u>\$ 459,284</u></b>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service Fund  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 572,358	\$ 572,358	\$ 613,602	\$ 41,244
Total revenues	<u>\$ 572,358</u>	<u>\$ 572,358</u>	<u>\$ 613,602</u>	<u>\$ 41,244</u>
<b>EXPENDITURES</b>				
Instructional support	\$ 1,000	\$ 1,000	\$ 7,229	\$ (6,229)
Bonds paid	325,000	325,000	325,000	
Coupons Paid	<u>247,359</u>	<u>247,359</u>	<u>259,562</u>	<u>(12,203)</u>
Total expenditures	<u>\$ 573,359</u>	<u>\$ 573,359</u>	<u>\$ 591,791</u>	<u>\$ (18,432)</u>
BUDGETED CASH BALANCE	<u>\$ 1,001</u>	<u>\$ 1,001</u>		

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

**NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2015

Statement A-1

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash on deposit	\$ 4,985	\$ 267	\$ 5,252
Taxes receivable	-	-	-
Due from grantor	10,697	-	10,697
Inventory, at cost	<u>1,970</u>	<u>-</u>	<u>1,970</u>
Total assets	<u>\$ 17,652</u>	<u>\$ 267</u>	<u>\$ 17,919</u>
<b>LIABILITIES</b>			
Cash overdraft	\$ 10,697	\$ -	\$ 10,697
Revenues not yet earned	<u>139</u>	<u>-</u>	<u>139</u>
Total liabilities	<u>10,836</u>	<u>-</u>	<u>10,836</u>
<b>FUND BALANCE</b>			
Nonspendable	1,970	-	1,970
Restricted	<u>4,846</u>	<u>267</u>	<u>5,113</u>
Total fund balance	<u>6,816</u>	<u>267</u>	<u>7,083</u>
Total liabilities and fund balance	<u>\$ 17,652</u>	<u>\$ 267</u>	<u>\$ 17,919</u>

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



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in  
 Fund Balances - By Fund Type  
 Year Ended June 30, 2014

	Special Revenue Funds	Debt Service Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	11,347	-	11,347
Local sources	-	-	-
State sources	1,073	-	1,073
Federal sources	29,305	-	29,305
Earnings from investments	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>41,725</u>	<u>-</u>	<u>41,725</u>
<b>EXPENDITURES</b>			
Current:			
Direct instruction	21,560	-	21,560
Instructional support	1,073	-	1,073
Food services	<u>19,707</u>	<u>-</u>	<u>19,707</u>
Total expenditures	<u>42,340</u>	<u>-</u>	<u>42,340</u>
Net change in fund balances	(615)	-	(615)
Fund balance beginning of year	<u>7,431</u>	<u>267</u>	<u>7,698</u>
Fund balance end of year	<u>\$ 6,816</u>	<u>\$ 267</u>	<u>\$ 7,083</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Combined Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Governmental Fund Types - Non-Major  
 Special Revenue Funds  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 7,200	\$ 7,200	\$ 11,347	\$ 4,147
Local sources	550	550	-	(550)
State sources	6,058	7,858	2,547	(5,311)
Federal sources	27,705	28,584	31,025	2,441
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 41,513</u></b>	<b><u>\$ 44,192</u></b>	<b><u>\$ 44,919</u></b>	<b><u>\$ 727</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 19,039	\$ 19,918	\$ 21,560	\$ (1,642)
Instructional support	6,058	7,858	5,200	2,658
Food services	16,991	16,991	18,685	(1,694)
<b>Total expenditures</b>	<b><u>\$ 42,088</u></b>	<b><u>\$ 44,767</u></b>	<b><u>\$ 45,445</u></b>	<b><u>\$ (678)</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 575</u></b>	<b><u>\$ 575</u></b>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Combined Statement of Revenue and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Governmental Fund Types - Non-Major  
 Debt Service Fund  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by management directive.

**IDEA-B ENTITLEMENT** - To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**IDEA-B - PRESCHOOL** - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**GO BOND STUDENT LIBRARY** - To account for resources received to provide funding for library resource acquisitions, including library books. Financing and authority is from General Obligation Bonds, SB-66, Chapter 54, Section 10, Paragraph B(3), Laws of 2012.

**NM GEAR UP** - To encourage eligible entities to provide supportive services to elementary and middle schools, and secondary school students who are at risk of dropping out of school; and information to students and their parents about the advantages of obtaining a postsecondary education and the college financing options for the students and their parents. Authorization granted through Higher Education Act, Title IV, Part A, Subpart 2, Chapter 2, 20 U.S.C. 1070a-21-1070a-28.

**SUN SAFETY** - To account for resources received to provide Sun Safety/Skin cancer prevention education to students in grades Kindergarten through Sixth grade using curricula that are evidence-based. Funding is provided by Comprehensive Cancer Program, Public Health Division, New Mexico Department of Health.

**FUEL UP TO PLAY 60** - To account for resources received to improve students awareness of the importance of healthy eating and increased physical activity.

**ATHLETICS FUND** - This fund provides financing for school athletic activities. Funding is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2015

Statement B-1  
Page 1 of 2

	<u>IDBA-B Entitlement</u>	<u>IDBA-B Preschool</u>	<u>GOBond Student Library</u>	<u>Gear Up Program</u>
<b>ASSETS</b>				
Cash on deposit	\$ -	\$ -	\$ -	\$ -
Due from grantor	4,403	1,759	4,127	-
Inventory, at cost	-	-	-	-
<b>Total assets</b>	<u>\$ 4,403</u>	<u>\$ 1,759</u>	<u>\$ 4,127</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Cash overdraft	\$ 4,403	\$ 1,759	\$ 41,277	\$ -
Revenues not yet earned	-	-	-	-
<b>Total liabilities</b>	<u>4,403</u>	<u>1,759</u>	<u>41,277</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balance</b>	<u>\$ 4,403</u>	<u>\$ 1,759</u>	<u>\$ 41,277</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2015

Statement B-1  
Page 2 of 2

	Sun Safety	Fuel Up to Play 60	Athletics	Cafeteria	Totals
<b>ASSETS</b>					
Cash on deposit	\$ -	\$ 139	\$ 781	\$ 4,065	\$ 4,985
Due from grantor	408	-	-	-	10,697
Inventory, at cost	-	-	-	1,970	1,970
<b>Total assets</b>	<b>\$ 408</b>	<b>\$ 139</b>	<b>\$ 781</b>	<b>\$ 6,035</b>	<b>\$ 17,652</b>
<b>LIABILITIES</b>					
Cash overdraft	\$ 408	\$ -	\$ -	\$ -	\$ 47,847
Revenues not yet earned	-	139	-	-	139
<b>Total liabilities</b>	<b>408</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>47,986</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	1,970	1,970
Restricted	-	-	781	4,065	4,846
<b>Total fund balance</b>	<b>-</b>	<b>-</b>	<b>781</b>	<b>6,035</b>	<b>6,816</b>
<b>Total liabilities and fund balance</b>	<b>\$ 408</b>	<b>\$ 139</b>	<b>\$ 781</b>	<b>\$ 6,035</b>	<b>\$ 54,802</b>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

Statement B-2  
Page 1 of 2

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	IDEA-B Entitlement	IDEA-B Preschool	GOBond Student Library	Gear Up Program
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	16,407	1,871	-	-
<b>Total revenues</b>	<u>16,407</u>	<u>1,871</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Direct instruction	16,407	1,871	-	-
Instructional support	-	-	-	-
Food services	-	-	-	-
<b>Total expenditures</b>	<u>16,407</u>	<u>1,871</u>	<u>-</u>	<u>-</u>
 Net change in fund balance	 -	 -	 -	 -
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds

Statement B-2  
Page 2 of 2

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	Sun Safety	Fuel Up to Play 60	Athletics	Cafeteria	Totals
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ 3,699	\$ 7,648	\$ 11,347
Local sources	-	-	-	-	-
State sources	1,073	-	-	-	1,073
Federal sources	-	-	-	11,027	11,027
<b>Total revenues</b>	<u>1,073</u>	<u>-</u>	<u>3,699</u>	<u>18,675</u>	<u>41,725</u>
<b>EXPENDITURES</b>					
Direct instruction	-	-	3,282	-	21,560
Instructional support	1,073	-	-	-	1,073
Food services	-	-	-	19,707	19,707
<b>Total expenditures</b>	<u>1,073</u>	<u>-</u>	<u>3,282</u>	<u>19,707</u>	<u>42,340</u>
<b>Net change in fund balance</b>	-	-	417	(1,032)	(615)
<b>Fund balance at beginning of year</b>	<u>-</u>	<u>-</u>	<u>364</u>	<u>7,067</u>	<u>7,431</u>
<b>Fund balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ 6,035</u>	<u>\$ 6,816</u>

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



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Special Revenue - IDEA-B Entitlement  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 14,323	\$ 14,818	\$ 17,986	\$ 3,168
Total revenues	<u>\$ 14,323</u>	<u>\$ 14,818</u>	<u>\$ 17,986</u>	<u>\$ 3,168</u>
EXPENDITURES				
Direct instruction	\$ 14,323	\$ 14,818	\$ 16,407	\$ (1,589)
Total expenditures	<u>\$ 14,323</u>	<u>\$ 14,818</u>	<u>\$ 16,407</u>	<u>\$ (1,589)</u>
REVENUES				
Budgetary basis			\$ 17,986	
(Decrease) in due from grantor			<u>(1,579)</u>	
Modified accrual basis			<u>\$ 16,407</u>	

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Special Revenue - IDEA-B Preschool  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Federal sources	\$ 1,679	\$ 2,063	\$ 2,012	\$ (51)
Total revenues	<u>\$ 1,679</u>	<u>\$ 2,063</u>	<u>\$ 2,012</u>	<u>\$ (51)</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,679	\$ 2,063	\$ 1,871	\$ 192
Total expenditures	<u>\$ 1,679</u>	<u>\$ 2,063</u>	<u>\$ 1,871</u>	<u>\$ 192</u>
<b>REVENUES</b>				
Budgetary basis			\$ 2,012	
(Decrease) in due from grantor			<u>(141)</u>	
Modified accrual basis			<u>\$ 1,871</u>	

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Special Revenue - GO Bond Student Library  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 6,058	\$ 6,058	\$ -	\$ (6,058)
Total revenues	<u>\$ 6,058</u>	<u>\$ 6,058</u>	<u>\$ -</u>	<u>\$ (6,058)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ 6,058	\$ 6,058	\$ 4,127	\$ 1,931
Total expenditures	<u>\$ 6,058</u>	<u>\$ 6,058</u>	<u>\$ 4,127</u>	<u>\$ 1,931</u>
<b>REVENUES</b>				
Budgetary basis			\$ -	
Increase in due from grantor			<u>4,127</u>	
Modified accrual basis			<u>\$ 4,127</u>	

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Gear Up Program  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ -	\$ -	\$ 807	\$ 807
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 807</u>	<u>\$ 807</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>REVENUES</b>				
Budgetary basis			\$ 807	
(Decrease) in due from grantor			<u>(807)</u>	
Modified accrual basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Special Revenue - Sun Safety  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State sources	\$ -	\$ 1,800	\$ 1,740	\$ (60)
Total revenues	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 1,740</u>	<u>\$ (60)</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ 1,800	\$ 1,073	\$ 727
Total expenditures	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 1,073</u>	<u>\$ 727</u>
<b>REVENUES</b>				
Budgetary basis			\$ 1,740	
(Decrease) in due from grantor			<u>(667)</u>	
Modified accrual basis			<u>\$ 1,073</u>	

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Fuel Up to Play 60  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Athletics  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 2,200	\$ 2,200	\$ 3,699	\$ 1,499
Local sources	<u>550</u>	<u>550</u>	<u>-</u>	<u>(550)</u>
Total revenues	<u>\$ 2,750</u>	<u>\$ 2,750</u>	<u>\$ 3,699</u>	<u>\$ 949</u>
<b>EXPENDITURES</b>				
Direct instruction	<u>\$ 3,037</u>	<u>\$ 3,037</u>	<u>\$ 3,282</u>	<u>\$ (245)</u>
Total expenditures	<u>\$ 3,037</u>	<u>\$ 3,037</u>	<u>\$ 3,282</u>	<u>\$ (245)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 287</u>	<u>\$ 287</u>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Non-Major Special Revenue - Cafeteria  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for services	\$ 5,000	\$ 5,000	\$ 7,648	\$ 2,648
Federal sources	<u>11,703</u>	<u>11,703</u>	<u>11,027</u>	<u>(676)</u>
Total revenues	<u>\$ 16,703</u>	<u>\$ 16,703</u>	<u>\$ 18,675</u>	<u>\$ 1,972</u>
<b>EXPENDITURES</b>				
Food services	<u>\$ 16,991</u>	<u>\$ 16,991</u>	<u>\$ 18,685</u>	<u>\$ (1,694)</u>
Total expenditures	<u>\$ 16,991</u>	<u>\$ 16,991</u>	<u>\$ 18,685</u>	<u>\$ (1,694)</u>
<b>BUDGETED CASH BALANCE</b>	<u>\$ 288</u>	<u>\$ 288</u>		
<b>EXPENDITURES</b>				
Budgetary basis			\$ 18,685	
Decrease in inventory			<u>1,022</u>	
Modified accrual basis			<u>\$ 19,707</u>	

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



**NON-MAJOR DEBT SERVICE FUND**

**EDUCATIONAL TECHNOLOGY BONDS** - To account for resources received for the purpose of paying technology bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Debt Service Funds  
Combining Balance Sheet  
June 30, 2015

Statement C-1

	<u>Educational  Technology  Debt  Service</u>
<b>ASSETS</b>	
Cash on deposit	\$ 267
Taxes receivable	<u>          -</u>
Total assets	<u><b>\$ 267</b></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$          -</u>
Total liabilities	<u>          -</u>
<b>FUND BALANCE</b>	
Restricted	<u>          267</u>
Total fund balance	<u>          267</u>
Total liabilities and fund balance	<u><b>\$ 267</b></u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Non-Major Debt Service Funds  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2015

Statement C-2

	Educational Technology Debt Service
REVENUES	
Taxes	\$ -
Charges for services	-
Local sources	-
State sources	-
Federal sources	-
Earnings from investments	-
	-
Total revenues	-
EXPENDITURES	
Current:	
Instructional support	-
Debt service:	
Bonds	-
Interest	-
	-
Total expenditures	-
Net change in fund balances	-
Fund balance beginning of year	267
Fund balance end of year	\$ 267

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Statement of Revenue and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Debt Service Fund  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Instructional support	\$ -	\$ -	\$ -	\$ -
Bonds	-	-	-	-
Interest	-	-	-	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

### GENERAL FUND

**OPERATIONAL FUND** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TEACHERAGE FUND** - To account for resources received from the rental of School owned facilities.

**TRANSPORTATION FUND** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Combining Balance Sheet  
General Fund  
June 30, 2015

Statement D-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
<b>ASSETS</b>					
Cash on deposit	\$ 79,737	\$ 3,117	\$ 170	\$ 599	\$ 83,623
Accounts receivable, collectible	868	-	-	-	868
Total assets	\$ 80,605	\$ 3,117	\$ 170	\$ 599	\$ 84,491
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	-	200	-	-	200
Total liabilities	-	200	-	-	200
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	-	-
Restricted	-	2,917	170	599	3,686
Unassigned	80,605	-	-	-	80,605
Total fund balance	80,605	2,917	170	599	84,291
Total liabilities and fund balance	\$ 80,605	\$ 3,117	\$ 170	\$ 599	\$ 84,491

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Combining Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 General Fund  
 Year Ended June 30, 2015

	Operational	Teacherage	Transportation	Instructional Materials	Total
<b>REVENUES</b>					
Property taxes	\$ 27,563	\$ -	\$ -	\$ -	\$ 27,563
Copper production taxes	2,800	-	-	-	2,800
Oil and gas taxes	13,805	-	-	-	13,805
Charges for services	-	13,725	-	-	13,725
Local sources	1,636	-	-	-	1,636
State sources	1,275,606	-	194,455	2,917	1,472,978
Federal sources	-	-	-	-	-
Earnings from investments	106	-	-	-	106
<b>Total revenues</b>	<u>1,321,516</u>	<u>13,725</u>	<u>194,455</u>	<u>2,917</u>	<u>1,532,613</u>
<b>EXPENDITURES</b>					
Direct instruction	592,398	-	-	2,595	594,993
Instructional support	626,824	13,871	254,852	-	895,547
Food service	23,187	-	-	-	23,187
Capital outlay	-	4,221	46,486	-	50,707
<b>Total expenditures</b>	<u>1,242,409</u>	<u>18,092</u>	<u>301,338</u>	<u>2,595</u>	<u>1,564,434</u>
Net change in fund balance	79,107	(4,367)	(106,883)	322	(31,821)
Fund balance at beginning of year	1,498	7,284	107,053	277	116,112
Fund balance at end of year	<u>\$ 80,605</u>	<u>\$ 2,917</u>	<u>\$ 170</u>	<u>\$ 599</u>	<u>\$ 84,291</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
General Fund - Operational Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 50,666	\$ 50,666	\$ 44,716	\$ (5,950)
Charges for services	-	-	-	-
Local sources	50	50	1,636	1,586
State sources	1,188,934	1,256,072	1,275,606	19,534
Federal sources	-	-	-	-
Earnings from investments	120	120	106	(14)
<b>Total revenues</b>	<b><u>\$ 1,239,770</u></b>	<b><u>\$ 1,306,908</u></b>	<b><u>\$ 1,322,064</u></b>	<b><u>\$ 15,156</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 557,628	\$ 565,490	\$ 592,398	\$ (26,908)
Instructional support	670,701	670,701	626,824	43,877
Food services	32,240	32,240	23,187	9,053
<b>Total expenditures</b>	<b><u>\$ 1,260,569</u></b>	<b><u>\$ 1,268,431</u></b>	<b><u>\$ 1,242,409</u></b>	<b><u>\$ 26,022</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 20,799</u></b>	<b><u>\$ 38,477</u></b>		
<b>REVENUES</b>			\$ 1,322,064	
Budgetary basis			(548)	
(Decrease) in receivables				
			<b><u>\$ 1,321,516</u></b>	
Modified accrual basis				

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



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 General Fund - Teacherage Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	7,675	7,675	13,725	6,050
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 7,675</u></b>	<b><u>\$ 7,675</u></b>	<b><u>\$ 13,725</u></b>	<b><u>\$ 6,050</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	17,175	17,175	13,871	3,304
Food services	-	-	-	-
Capital outlay	6,260	6,260	4,221	2,039
<b>Total expenditures</b>	<b><u>\$ 23,435</u></b>	<b><u>\$ 23,435</u></b>	<b><u>\$ 18,092</u></b>	<b><u>\$ 5,343</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 15,760</u></b>	<b><u>\$ 15,760</u></b>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 General Fund - Transportation Fund  
 Statement of Revenues and Expenditures  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	257,573	247,982	194,455	(53,527)
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 257,573</u></b>	<b><u>\$ 247,982</u></b>	<b><u>\$ 194,455</u></b>	<b><u>\$ (53,527)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	257,573	194,455	254,852	(60,397)
Food service	-	-	-	-
Capital outlay	-	53,527	46,406	7,041
<b>Total expenditures</b>	<b><u>\$ 257,573</u></b>	<b><u>\$ 247,982</u></b>	<b><u>\$ 301,338</u></b>	<b><u>\$ (53,356)</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 General Fund - Instructional Materials Fund  
 Statement of Revenues and Expenditures -  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	-	-	2,917	2,917
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,917</b>	<b>\$ 2,917</b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ 2,595	\$ (2,595)
Instructional support	-	-	-	-
Food services	-	-	-	-
<b>Total expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,595</b>	<b>\$ (2,595)</b>
<b>BUDGETED CASH BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>		

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
 Mosquero Municipal Schools  
 Schedule of Proportionate Share of the Net Pension Liability  
 Educational Retirement Board (ERB) Pension Plan  
 Last 10 Fiscal Years\*

	<u>2014</u>
Mosquero Municipal School District's proportion of net pension liability (asset)	0.02306%
Mosquero Municipal School District's proportionate share of the net pension liability (asset)	\$ 1,315,734
Mosquero Municipal School District's covered-employee payroll	\$ 635,743
Mosquero Municipal School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentate of the total pension liability	66.54%

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

See Independent Auditor's Report  
 See notes to required supplementary information

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

	<u>2015</u>
Contractually required contributions	\$ 90,459
Contributions in relation to the contractually required Contribution	<u>90,459</u>
Contribution deficiency (excess)	<u>\$ -</u>
Mosquero Municipal School District's covered-employee payroll	\$ 650,783
Contribution as a percentage of covered-employee payroll	13.90%

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

See Independent Auditor's Report  
 See notes to required supplementary information

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Notes to Required Supplementary Information  
June 30, 2015

*Changes in benefit terms.*

The COLA and retirement eligibility benefit changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure Pension Plan - Educational Retirement Board, General Information on the Pension Plan.

*Changes of assumptions.*

Per the ERB FY14 annual audit Management Discussion and Analysis, ERB conducts an actuarial experience study every two years. The actuarial experience study, presented to the Board of Trustees on April 26, 2013, compiled data for the six year period ending June 30, 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.75% to 4.25%
  - b. Lower payroll growth from 3.75% to 3.5%
  - c. Minor changes to demographic assumptions
  - d. Population growth per year from 0.75% to 0.50%
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%

See also the Actuarial Assumptions subsection of the financial statement note disclosure Pension Plan - Educational Retirement Board, General Information on the Pension Plan

See Independent Auditor's Report  
See notes to required supplementary information

**SUPPLEMENTARY INFORMATION**



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS  
 Schedule of Cash Receipts and  
 Disbursements - All Funds by  
 School District Classification  
 Year Ended June 30, 2015

Schedule III

	Operational	Teacherage	Transportation	Instructional Materials	Food Services	Athletics	Non- instructional
Cash balance, June 30, 2014	\$ 82	\$ 7,484	\$ 107,053	\$ 277	\$ 4,075	\$ 364	\$ 20,941
Cash Receipts, 2014-2015	1,322,064	13,725	194,455	2,917	18,675	3,699	66,444
Cash Disbursements, 2014-2015	(1,242,409)	(18,092)	(301,338)	(2,595)	(18,685)	(3,282)	(59,524)
Cash balance, June 30, 2015	<u>\$ 79,737</u>	<u>\$ 3,117</u>	<u>\$ 170</u>	<u>\$ 599</u>	<u>\$ 4,065</u>	<u>\$ 781</u>	<u>\$ 27,861</u>

	Local	State	Federal Projects	Bond Building	Capital Improvement SB-9	Debt Service	Educational Technology Bonds
Cash balance, June 30, 2014	\$ 139	\$ (28,625)	\$ (17,520)	\$ 1,982,341	\$ 423,700	\$ 323,890	\$ 267
Cash Receipts, 2014-2015	-	55,301	29,636	1,104,117	179,519	613,602	-
Cash Disbursements, 2014-2015	-	(55,200)	(53,207)	(3,086,458)	(278,397)	(591,791)	-
Cash balance, June 30, 2015	<u>\$ 139</u>	<u>\$ (28,524)</u>	<u>\$ (41,091)</u>	<u>\$ -</u>	<u>\$ 332,822</u>	<u>\$ 345,701</u>	<u>\$ 267</u>

Mesquero Municipal Schools  
 SCHEDULE OF VENDOR INFORMATION  
 (for Purchases Exceeding \$60,000 excluding GRT)  
 For the Year Ended June 30, 2015

Prepared by (Agency Staff Name): Darla King

Title: Business Manager

Date: September 30, 2015

<u>RFB#/RFQ#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State/Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
N/A	Purchase	CES	\$ 933,072	\$ -	CES, PO Box 92223, Albuquerque NM	In-State	N	Roping Arena
N/A	Purchase	CES	\$ 100,246	\$ -	CES, PO Box 92223, Albuquerque NM	In-State	N	Patio for Teacherage
N/A	Purchase	Priefert	\$ 69,257	\$ -	Priefert, PO Box 1540, Mt. Pleasant, TX 75456	Out-of-State	N	Roping Arena Equipment
N/A	Purchase	Homes Direct	\$ 87,765	\$ -	Homes Direct of Abq, 2710 Karsten Ct. SW, Albuquerque, NM 87102	In-State	N	New Teacherage
N/A	Purchase	Homes Direct	\$ 132,805	\$ -	Homes Direct of Abq, 2710 Karsten Ct. SE, Albuquerque, NM 87102	In-State	N	New Teacherage
N/A	Service	Wheeler Bus Service	\$ 141,432	\$ 164,524	Dennis Wheeler, Sr. 1804 Bueyeros Highway Bueyeros, NM 88415	In-State	N	School Bus Contractor
N/A	Service	Tastak Services	\$ 71,862	\$ -	Tastak Services 690 Tequesquite Lane Albert, NM 87733	In-State	N	Basic Network Maintenance Services
N/A	Service	High Plains Regional Education Cooperative	\$ 100,444	\$ 102,298	High Plains Regional Educational Cooperative 101 N 2nd Street Raton, NM 87740	In-State	N	Services related to Audiologists, Speech Therapists, Psychologists and Therapists

*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

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Albuquerque, NM 87112

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

INDEPENDENT AUDITOR'S REPORT

Mr. Timothy Keller  
New Mexico State Auditor  
and  
Board of Education  
Mosquero Municipal Schools  
Mosquero, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Title I, Bond Building, Capital Improvements SB-9 and Debt Service Funds of the Mosquero Municipal Schools, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Mosquero Municipal Schools basic financial statements, and the combining and individual funds and the related budgetary comparison of the non-major funds, presented as supplemental information, and have issued our report thereon dated November 6, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mosquero Municipal Schools internal control over financial reporting as a basis for designing our auditing procedures 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 Mosquero Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mosquero Municipal Schools internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mosquero Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying Status of Findings as Budget Overruns (2013-001), Chief Procurement Officer (2015-001), Teacherages Purchased without Bids (2015-002), Architect Services Approved without Formal Bids (2015-003), Continued Purchases without Adequate Revenue Resources (2015-004 and Change Orders not Approved by the Board (2015-005).

#### Mosquero Municipal Schools Response to Findings

Mosquero Municipal Schools responses to the findings identified in our audit are described in the accompanying Status of Comments. Mosquero Municipal Schools responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 Mosquero Municipal Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers, LLP*

Albuquerque, New Mexico  
November 6, 2015

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS  
Status of Findings  
June 30, 2015

**Prior Year Audit Findings:**

1. Budget Overruns (2013-001) - Repeated.

**Current Year Audit Findings:**

1. Chief Procurement Officer (2015-001)
2. Teacherages Purchased without Bids (2015-002)
3. Architect Services Approved without Formal Bids (2015-003)
4. Continued Purchases without Adequate Revenue Resources (2015-004)
5. Change Orders not Approved by the Board (2015-005)

Budget Overrun - Other Matter  
(2013-001)

CONDITION                    The School District overspent the final approved budgets of the following funds. Operational Fund by \$24,586 overall, REAP by \$16,294, IDEA-B Entitlement by \$1,589, Athletics by \$245, Cafeteria by \$1,694, Bond Building Fund \$2,950,072 overall and the Debt Service Fund by \$18,432 overall. The School District has not made any progress in resolving this condition as of June 30, 2015.

CRITERIA                    NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.

CAUSE                        Management did not review the budgets quarterly and request the necessary budget adjustments before the required deadline set by the Public Education Department.

EFFECT                      The School District had the adequate cash to pay the additional expenditures but not the required budget authority from PED.

RECOMMENDATION            Management should review its budget quarterly and request all budget adjustments requests to ensure budgets by Fund are not overspent.

RESPONSE                    Budgets will be monitored quarterly by the Superintendent and a budget adjustment request will be submitted in a timely manner as soon as possible.

Chief Procurement Officer - Other Matter  
(2015-001)

CONDITION As of July 1, 2015, the district did not have a Chief Procurement Officer.

CRITERIA According to NM State Statute 13-1-95.2 only certified chief procurement officers may approve procurement pursuant to the Procurement Code.

CAUSE Management did not ensure that someone attended the certification program before July 1, 2015 and become certified.

EFFECT Management did not comply with NM State Statute 13-1-95.2.

RECOMMENDATION Management should ensure that someone attend the next certification program and become certified.

RESPONSE The Superintendent, along with the Business Manager, will review and resolve this situation by June 30, 2016.

Teacherages Purchased without Bids - Other Matter  
(2015-002)

CONDITION                    The School District purchased a new Teacherage for \$87,765 and a new Superintendent Teacherage for \$132,805 without obtaining formal bids.

CRITERIA                    According to NMSA 1978 13-1-102, competitive sealed bids are required for purchases over \$60,000.

CAUSE                        Management did not ensure this process occurred.

EFFECT                      The School District did not follow the requirements of NMSA 1978 13-1-102.

RECOMMENDATION            Management of the School District should ensure that competitive sealed proposals are received for all purchases so the School District complies with NMSA 1978 13-1-102.

RESPONSE                    The Superintendent will review all purchases to ensure competitive sealed bids are obtained.



Architect Services Approved without Formal Bids - Other Matter  
(2015-003)

CONDITION                    The School District purchased Architect Services for \$62,940 without obtaining formal bids as required by NMSA 1978 13-1-102.

CRITERIA                     According to NMSA 1978 13-1-102, competitive sealed bids are required for purchases over \$50,000.

CAUSE                        Management did not ensure this process occurred.

EFFECT                        The School District did not follow the requirements of NMSA 1978 13-1-102.

RECOMMENDATION             Management of the School District should ensure that competitive sealed proposals are received for all purchases so the School District complies with NMSA 1978 13-1-102.

RESPONSE                     The Superintendent will review all purchases to ensure competitive sealed bids are obtained.

Continued Purchases without Adequate Revenue Resources -  
Other Matter  
(2015-004)

CONDITION	Management approved additional construction and purchase of two teacherages without ensuring there was enough Bond revenues to cover these purchases only after the Roping Arena was finished and paid for (of which the Bond issue was issued for).
CRITERIA	Management cannot create debt without a revenue source to pay for that debt.
CAUSE	Management kept purchasing without ensuring there was enough revenues to cover these purchases.
EFFECT	The Bond Building Fund has now been depleted of all revenues. Thus, to finish paying for the roping arena, the School District must use Operational monies or SB-9 monies of which were not budgeted for at the beginning of the 2015-2016 fiscal year.
RECOMMENDATION	All purchases must be reviewed to ensure the School District has enough cash to purchase the goods/services.
RESPONSE	All bond monies have been spent. All future bond issues will be monitored by the Superintendent.

Change Orders not Approved by the Board - Other Matter  
(2015-005)

CONDITION                    The Board did not approve the change orders for the Roping Arena or the change order to add a porch and garage to the Superintendent's Teacherage.

CRITERIA                    All changes to construction contracts are to be made by a change order and approved by the Board. This is to ensure the change is required and necessary and that sufficient resources to pay for the change are available.

CAUSE                        Management did not ensure that the Board approved these change orders.

EFFECT                      Changes to major construction contracts occurred without Board approval.

RECOMMENDATION            All future construction contract changes must be done by change order and approved by the Board.

RESPONSE                    The Board is approving change orders during the current fiscal year.

### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2015 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

### EXIT CONFERENCE

An exit conference was held at the School District on November 6, 2015 to discuss the current audit report. In attendance were Ms. Darla King, Business Manager, Mr. Billy Ward, Superintendent, Ms. Amanda Culbertson, Board Secretary, Mr. Victor R. Vigil, Board Vice-President and Ms. Pamela A. Rice, CPA, Contract Auditor.