

**STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION**

**JUNE 30, 2016**

*Woodard, Cowen & Co.*

Certified Public Accountants

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

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STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

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STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

OFFICIAL ROSTER

JUNE 30, 2016

BOARD OF EDUCATION

Jack Chatfield	President
Victor R. Vigil	Vice President
Amanda Culbertson	Secretary
Floyd Padilla	Member
Boyd Hazen	Member

SCHOOL OFFICIALS

Bill Ward	Superintendent
Darla King	Business Manager

# Woodard Cowen & Co.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
The Board of Education  
Mosquero Municipal Schools  
Mosquero, New Mexico

### Report on the 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 fund and major special revenue funds of Mosquero Municipal Schools (District) as of and for the year ended June 30, 2016, 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 Mosquero Municipal Schools non-major governmental, fiduciary funds and the budgetary comparisons for the major 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, 2016 as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453  
Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

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 Mosquero Municipal Schools, as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparison statements for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund and the fiduciary funds of Mosquero Municipal Schools, as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons statements for the major debt service funds and all non-major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Mosquero Municipal Schools have omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the omission of the Management Discussion and Analysis.

Accounting principles generally accepted in the United States of America require that the *Schedule of Proportionate Share of the Net Pension Liability* on page 74, the *Schedule of Contributions* on page 75, with the notes to the required supplementary information on page 75 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 this required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on Mosquero Municipal School's financial statements, the combining and individual fund financial statements and budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as "other supplemental information" in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except schedule 6, 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 schedules listed as "other supplemental information" in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information, schedule 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of Mosquero Municipal School's internal control over financial reporting and 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 Mosquero Municipal School's internal control over financial reporting and compliance.

*Woodard, Cowen & Co*

Clovis, New Mexico  
November 7, 2016



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 326,087
Property taxes receivable	11,267
Due from other governments	58,018
Inventories	1,981
Total current assets	<u>397,353</u>
Non-current assets:	
Capital assets, net	<u>10,563,302</u>
Total non-current assets	<u>10,563,302</u>
Total assets	<u>10,960,655</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred outflows related to pensions	<u>167,156</u>
Total deferred outflows	<u>167,156</u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	97,867
Compensated absences	4,819
Accrued interest payable	47,653
Current portion of long term debt	545,000
Total current liabilities	<u>695,339</u>
Non-current liabilities:	
Non-current portion of long term debt	5,665,000
Net pension liability	1,482,646
Total non-current liabilities	<u>7,147,646</u>
Total liabilities	<u>7,842,985</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unavailable revenue	569
Deferred inflows related to pensions	42,657
Total deferred inflows	<u>43,226</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	4,353,302
Restricted:	
Debt Service	236,456
Unrestricted	<u>(1,348,158)</u>
Total net position	<u>\$ 3,241,600</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Governmental activities:					
Instruction	\$ 969,606	\$ 2,439	\$ 68,038	\$ -	\$ (899,129)
Support Services	-	-	-	-	-
Support Services Students	205,517	-	7,025	-	(198,492)
Support Services Instruction	2,473	-	408	-	(2,065)
Support Services General Administration	232,731	-	-	-	(232,731)
Support Services School Administration	42,192	-	-	-	(42,192)
Central Services	103,127	-	-	-	(103,127)
Operation and Maintenance of Plant	317,835	7,432	-	-	(310,403)
Student Transportation	209,432	-	150,402	-	(59,030)
Other Support Services	-	-	-	-	-
Food Services Operations	108,773	6,877	11,266	-	(90,630)
Bond Interest Paid	50,195	-	-	-	(50,195)
Amortization - Unallocated	-	7,660	742	-	8,402
<b>Total governmental activities</b>	<b>\$ 2,241,881</b>	<b>\$ 24,408</b>	<b>\$ 237,881</b>	<b>\$ -</b>	<b>(1,979,592)</b>
General revenues:					
Property Taxes:					
					42,255
					670,902
					169,758
					1,254,760
					-
					39
					133
					<u>2,137,847</u>
					Change in net position 158,255
					Net position - beginning <u>3,083,345</u>
					Net position - ending <u>\$ 3,241,600</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

BALANCE SHEET-- GOVERNMENTAL FUNDS

June 30, 2016

	<u>GENERAL</u>	<u>NM READS TO LEAD K-3</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,183	\$ -
Accounts Receivable		
Property Taxes Receivable	537	-
Federal	-	-
State	-	37,905
Inventories	-	-
Due from Other Funds	58,018	-
<b>TOTAL ASSETS</b>	<u>\$ 93,738</u>	<u>\$ 37,905</u>
<b>LIABILITIES AND OTHER CREDITS</b>		
Accounts Payable	\$ -	\$ -
Due to Other Funds	-	37,905
Accrued Interest Payable	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>37,905</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>		
Nonspendable	-	-
Restricted	11,918	-
Committed	-	-
Assigned	-	-
Unassigned	81,820	-
<b>TOTAL FUND BALANCE</b>	<u>93,738</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 93,738</u>	<u>\$ 37,905</u>

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

EXHIBIT C

SB-9	DEBT SERVICE	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 13,919	\$ 275,527	\$ 1,458	\$ 326,087
2,148	8,582	-	11,267
-	-	15,578	15,578
-	-	4,535	42,440
-	-	1,981	1,981
-	-	-	58,018
<u>\$ 16,067</u>	<u>\$ 284,109</u>	<u>\$ 23,552</u>	<u>\$ 455,371</u>
\$ 97,867	\$ -	\$ -	\$ 97,867
-	-	20,113	58,018
-	47,653	-	47,653
<u>97,867</u>	<u>47,653</u>	<u>20,113</u>	<u>203,538</u>
-	-	569	569
-	-	569	569
-	-	1,981	1,981
(81,800)	236,456	889	167,463
-	-	-	-
-	-	-	-
-	-	-	81,820
<u>(81,800)</u>	<u>236,456</u>	<u>2,870</u>	<u>251,264</u>
<u>\$ 16,067</u>	<u>\$ 284,109</u>	<u>\$ 23,552</u>	<u>\$ 455,371</u>

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STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT D

RECONCILIATION OF THE BALANCE SHEET  
ALL GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION

JUNE 30, 2016

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

Fund Balances - total governmental funds	\$ 251,264
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,563,302
Deferred outflows related to pensions not reported in the funds	167,156
Net pension liability not reported in the funds	(1,482,646)
Deferred inflows related to pensions not reported in the funds	(42,657)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	
Bonds Payable	(6,210,000)
Compensated Absences	(4,819)
	<hr/>
Net position of governmental activities	<u>\$ 3,241,600</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCE-- GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	GENERAL	NM READS TO LEAD K-3
<b>REVENUE</b>		
Federal Programs	\$ -	\$ -
State Programs	153,476	47,522
Local Programs	-	-
State Equalization	1,254,760	-
Service Revenues	15,092	-
Taxes	42,255	-
Interest	39	-
Other revenue sources	133	-
TOTAL REVENUES	<u>1,465,755</u>	<u>47,522</u>
<b>EXPENDITURES</b>		
Current		
Instruction	613,764	47,522
Support Services	-	-
Support Services Students	157,189	-
Support Services Instruction	-	-
Support Services General Administration	158,789	-
Support Services School Administration	35,997	-
Central Services	77,496	-
Operation and Maintenance of Plant	242,234	-
Student Transportation	150,572	-
Other Support Services	-	-
Food Services Operations	20,267	-
Capital Outlay	-	-
Debt Service		
Principal	-	-
Interest and Fiscal Charge	-	-
TOTAL EXPENDITURES	<u>1,456,308</u>	<u>47,522</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>9,447</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In/ Transfers (Out)	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>9,447</b>	<b>-</b>
<b>FUND BALANCE</b>		
June 30, 2015	<u>84,291</u>	<u>-</u>
<b>FUND BALANCE</b>		
June 30, 2016	<u>\$ 93,738</u>	<u>\$ -</u>

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

EXHIBIT E

SB-9	DEBT SERVICE	NON MAJOR GOVERNMENTAL FUNDS	Total GOVERNMENTAL FUNDS
\$ -	\$ -	\$ 35,513	\$ 35,513
-	-	1,370	202,368
-	-	-	-
-	-	-	1,254,760
-	-	9,316	24,408
169,758	670,902	-	882,915
-	-	-	39
-	-	-	133
<u>169,758</u>	<u>670,902</u>	<u>46,199</u>	<u>2,400,136</u>
-	-	21,398	682,684
-	-	-	-
-	-	7,025	164,214
-	-	408	408
1,213	4,863	-	164,865
-	-	-	35,997
-	-	-	77,496
-	-	-	242,234
-	-	-	150,572
-	-	-	-
-	-	21,581	41,848
586,639	-	-	586,639
-	525,000	-	525,000
-	262,468	-	262,468
<u>587,852</u>	<u>792,331</u>	<u>50,412</u>	<u>2,934,425</u>
(418,094)	(121,429)	(4,213)	(534,289)
-	-	-	-
<u>(418,094)</u>	<u>(121,429)</u>	<u>(4,213)</u>	<u>(534,289)</u>
336,294	357,885	7,083	785,553
<u>\$ (81,800)</u>	<u>\$ 236,456</u>	<u>\$ 2,870</u>	<u>\$ 251,264</u>



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STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT F

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE -  
ALL GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

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

Net change in fund balance - total governmental funds	\$ (534,289)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year	
Capital Outlay	517,741
Depreciation	(543,578)
Expenses in Statement of Activities which do not require use of current financial resources i.e. Compensated Absences	12,939
Prior year accrued bond interest	212,273
Pension related expense	(31,831)
Bond Principal	525,000
Change in Net Position	<u>\$ 158,255</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT G

COMBINED STATEMENT OF REVENUE AND EXPENDITURES--BUDGET  
(NON-GAAP) AND ACTUAL--GENERAL FUND

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	1,227,614	1,395,492	1,408,236	12,744
Local Programs	66,879	66,879	57,850	(9,029)
<b>TOTAL REVENUE</b>	<u>1,294,493</u>	<u>1,462,371</u>	<u>\$ 1,466,086</u>	<u>\$ 3,715</u>
BUDGETED CASH BALANCE	<u>105,731</u>	<u>105,731</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 1,400,224</u>	<u>\$ 1,568,102</u>		
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 596,053	\$ 613,529	\$ 613,764	\$ (235)
Support Services	-	-	-	-
Support Services Students	159,305	159,305	157,189	2,116
Support Services Instruction	-	-	-	-
Support Services General Administration	158,146	158,146	158,789	(643)
Support Services School Administration	33,799	33,799	35,997	(2,198)
Central Services	79,355	79,355	77,496	1,859
Operation and Maintenance of Plant	269,406	269,406	242,435	26,971
Student Transportation	-	150,402	150,572	(170)
Other Support Services	76,798	76,798	-	76,798
Food Services Operations	27,362	27,362	20,267	7,095
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,400,224</u>	<u>\$ 1,568,102</u>	<u>\$ 1,456,509</u>	<u>\$ 111,593</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT H

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--NM READS TO LEAD K-3

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	50,000	50,000	33,605	(16,395)
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>50,000</u>	<u>50,000</u>	<u>\$ 33,605</u>	<u>\$ (16,395)</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 50,000</u>	<u>\$ 50,000</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 50,000	\$ 50,000	\$ 47,522	\$ 2,478
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 47,522</u>	<u>\$ 2,478</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT I

STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--SB-9

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	9,335	13,284	-	(13,284)
Local Programs	227,906	227,906	171,082	(56,824)
<b>TOTAL REVENUE</b>	<u>237,241</u>	<u>241,190</u>	<u>\$ 171,082</u>	<u>\$ (70,108)</u>
<b>BUDGETED CASH BALANCE</b>	<u>379,454</u>	<u>379,454</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 616,695</u>	<u>\$ 620,644</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	1,581	1,581	1,213	368
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	615,114	619,063	488,772	130,291
<b>TOTAL EXPENDITURES</b>	<u>\$ 616,695</u>	<u>\$ 620,644</u>	<u>\$ 489,985</u>	<u>\$ 130,659</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT J

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	<u>Agency Funds</u>
ASSETS	
Cash on Deposit	\$ 22,825
TOTAL ASSETS	<u>\$ 22,825</u>
LIABILITIES	
Due To Student Groups	\$ 22,825
TOTAL LIABILITIES	<u>\$ 22,825</u>

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

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STATE OF NEW MEXICO  
MOSQUERO MUNICIPALSCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Implementation of New Accounting Policies

For the fiscal year 2004 the Mosquero Municipal Schools has implemented GASB Statements No. 33 (GASB 33), Accounting and Financial Reporting for Non-exchange Transactions, GASB Statement No. 34 (GASB 34), Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments, GASB Statement No. 37 (GASB 37), Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus and GASB Statement No. 38 (GASB 38), Certain Financial Statements Disclosure. At July 1, 2000, there was no effect on fund balance as a result of implementing GASB 33, GASB 34, GASB 37 and GASB 38.

Under GASB Statement 33, property taxes are impressed non-exchange revenue. Assets from impressed non-exchange transactions are reported when the School District has an enforceable legal claim to the asset. The enforceable legal claim date for property taxes is the assessment date. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after thirty (30) days.

GASB – 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

B. Reporting Entity

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

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

The District does not have any component units required to be disclosed.

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Government-wide and fund financial statements (continued)

Items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Grant revenues and deferrals are recognized in accordance with GASB33.

The government reports the following major governmental funds:

**GENERAL FUNDS** - The general fund is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund. It includes Operational, Teacherage, Transportation and Instructional Materials.

**NM READS TO LEAD K-3** – to account for funds to implement early childhood education in reading. Fund and authority provided by the NM PED.

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

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector guidance. As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

GASB 63 requires certain financial reporting of deferred outflows of resources, deferred inflows of resources, and net position and GASB 65 helps to identify items which were previously reported as assets and liabilities that are now reported as deferred resources.

Deferred outflows of resources is a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net assets by the government that is applicable to a future reporting period.

E. Assets, liabilities, and net position or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments.

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

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

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

1. Deposits and investments (continued)

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

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

2. Receivables and payables

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

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. The assessed valuation for the 2016 fiscal year was \$115,053,300. Mill levy rates are set by the State of New Mexico each year for the General Fund, SB - 9 Capital Improvements Fund and Debt Service Fund. Taxes are payable in two equal installments on November 10th and April 10th following the levy and become delinquent after 30 days.

3. Inventories

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

4. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 (amount not rounded) and an estimated useful life in excess of two years. The District is capitalizing qualifying software, library books, and assets constructed by district personnel as required. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are to be capitalized as projects are constructed.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

4. Capital assets (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-50
Land Improvements	50
Equipment & Furniture	3-15
Auto/Vehicle	2-15

5. Compensated absences

It is the policy of Mosquero Municipal Schools to permit all 12-month or full time employees to 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 accumulated compensated absences balance at June 30, 2016 was \$4,819. Compensated absences are expended in the fund in which the liability is incurred. The general fund has been used to liquidate compensated absences in prior years. The summary in-changes in compensated absences is as follows:

<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amounts due</u> <u>in One Year</u>
<u>\$ 17,758</u>	<u>\$ -</u>	<u>\$ (12,939)</u>	<u>\$ 4,819</u>	<u>\$ 4,819</u>

6. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are reported as expenditures in the year of issuance.

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

7. Fund equity

For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position use is either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; 2) imposed by law through constitutional provisions or enabling legislation. Total restricted net position of \$236,456 is comprised of Debt Service \$236,456.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, liabilities, and net position or equity (continued)

8. Indirect Costs

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

9. Salaries and Wages

The School District pays all salaries and wages due teachers on or before June 30th of each year.

10. Estimates

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

11. Revenues

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,254,760 in state equalization guarantee distributions during the year ended June 30, 2016.

Transportation Distribution: School districts in the State of New Mexico received student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$150,402 in transportation distributions during the year ended June 30, 2016.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund *balance total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of the \$6,210,000 difference is as follows:

Bonds Payable	<u>\$6,210,000</u>
Net adjustment to reduce fund balance -- total governmental funds to arrive at net position -- governmental activities	<u>\$6,210,000</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(25,837) difference is as follows:

Capital Outlay	\$ 517,741
Depreciation expense	<u>( 543,578)</u>
Net adjustment to increase net changes in fund balances -- total government funds to arrive at changes in net position of governmental activities	<u>\$ ( 25,837)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$525,000 difference is as follows:

Principal repayments: General obligation debt	<u>\$ 525,000</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 525,000</u>

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

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

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

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

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

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

- In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
- In May or June, the budget is approved by the Board of Education
- The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called for.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
- The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
- Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.
- The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. The appropriated budget for the year ended June 30, 2016 was properly amended by the Board through the year. New Mexico state law prohibits a Governmental Agency to exceed an individual line item. These amendments resulted in the following changes:

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, (continued)

A. Budgetary information (continued)

	Original Budget	Final Budget
General Fund	\$ 1,400,224	\$ 1,568,102
Special Revenue Funds	\$ 724,270	\$ 729,157
Debt Service Funds	1,216,005	1,216,005
	<u>\$ 3,340,499</u>	<u>\$ 3,513,264</u>

B. Deficit fund equity

At June 30, 2016 deficit fund balances consisted of: SB-9 \$(81,800).

The District is evaluating the need to transfer cash from the operational fund to eliminate the deficit balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and temporary investments

At June 30, 2016, the carrying amount of the District's deposits was \$348,912 and the bank balance was \$434,840. Of this balance \$250,000 was covered by federal depository insurance and \$120,175 was covered by collateral held in joint safekeeping by a third party in the entities name.

Collateral requirements are as follows:

Wells Fargo Bank	Total Deposits	\$ 434,840
	Less: FDIC coverage	<u>(250,000)</u>
	Uninsured Public Funds	184,840
Pledged collateral held by pledging bank's agent in the District's name		<u>120,175</u>
Uninsured and un-collateralized		<u>\$ 64,665</u>

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one half of the amount on deposit with the institution. The collateral pledged is listed on Schedule 2 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (continued)

A. Cash and temporary investments (continued)

Investments held by the New Mexico State Treasurer are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the direct obligations of the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk. The pool does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.

The State Treasurer issues a separate, publicly available audited financial report that includes disclosure of the collateral pledged to secure State Treasurer cash and investments.

B. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, the government bank balance was 65% collateralized. As of June 30, 2016, \$64,665 of the government's bank balance of \$434,840 was exposed to custodial credit risk.

Uninsured and un-collateralized \$ 64,665

C. Receivables

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

	General	Reads to Lead K-3	SB-9	Debt Service	Non Major Governmental	TOTAL
Taxes:						
Property	\$ 537	\$ -	\$ 2,148	\$ 8,582	\$ -	\$ 11,267
Intergovernmental Grants:						
Federal	\$ -	\$ -	\$ -	\$ -	\$ 15,578	\$ 15,578
State	-	37,905	-	-	4,535	42,440
	<u>\$ 537</u>	<u>\$ 37,905</u>	<u>\$ 2,148</u>	<u>\$ 8,582</u>	<u>\$ 20,113</u>	<u>\$ 69,285</u>

Receivables are considered fully collectible.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (continued)

C. Receivables (continued)

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

	<u>Unavailable</u>
Grant draw downs prior to meeting all eligibility requirements	\$ <u>569</u>
Total deferred/unearned revenue for government funds	\$ <u>569</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 57,054	\$ -	\$ -	\$ 57,054
Capital assets, being depreciated:				
Land improvements	977,750	-	-	977,750
Buildings & building improvements	11,994,734	517,741	-	12,512,475
Furniture & Fixtures	6,785	-	-	6,785
Vehicles	383,206	-	-	383,206
Equipment	1,032,196	-	-	1,032,196
Total Capital Assets being depreciated	14,394,671	517,741	-	14,912,412
Less accumulated depreciation for:				
Land improvements	199,068	53,340	-	252,408
Buildings & building improvements	2,634,917	420,086	-	3,055,003
Furniture & Fixtures	6,785	-	-	6,785
Vehicles	251,332	26,256	-	277,588
Equipment	770,484	43,896	-	814,380
Total accumulated depreciation	3,862,586	543,578	-	4,406,164
Total Capital assets, being depreciated, net	10,532,085	(25,837)	-	10,506,248
Governmental activities capital assets, net	<u>\$ 10,589,139</u>	<u>\$ (25,837)</u>	<u>\$ -</u>	<u>\$ 10,563,302</u>

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (continued)

D. Capital Assets (continued)

Depreciation expense was charged to function/programs of the School District as follows:

Instruction	\$	199,132
Support Services		-
Support Services Students		41,303
Support Services Instruction		2,065
Support Services General Administration		67,866
Support Services School Administration		6,195
Central Services		25,631
Operation and Maintenance of Plant		75,601
Student Transportation		58,860
Other Support Services		-
Food Services Operations		66,925
Total	\$	<u>543,578</u>

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-Term Debt

Governmental Activities Bonds Payable

A summary in changes in long-term obligations follows:

	Balance 7-1-2014	Bonds Issued	Bonds Redeemed	Balance 6-30-2015	Amounts due within One Year
7/1/2003 \$300,000 GO Building Bonds due in annual installments of \$35,000 to \$40,000 through October 2015, interest at 2.90% to 4.00%	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
3/27/2004 \$260,000 GO Building Bonds due in annual installments of \$30,000 to \$35,000 through October 2016, interest at 1.05768% to 1.25816%	70,000	-	35,000	35,000	35,000
5/11/2007 \$500,000 GO Building Bonds due in annual installments of \$50,000 to \$100,000 through April 2017, interest at 2.27% to 2.37%	200,000	-	100,000	100,000	100,000
6/15/2008 \$325,000 GO Building Bonds due in annual installments of \$10,000 to \$155,000 through June 2018, interest at 3.25% to 4.40%	225,000	-	20,000	205,000	50,000
8/15/2010 \$1,800,000 GO Building Bonds due in annual installments of \$125,000 to \$250,000 through August 2020 and the final payment of \$75,000 in August 2021, interest at 2.00% to 3.40%	1,275,000	-	150,000	1,125,000	150,000
10/15/2011 \$1,000,000 GO Building Bonds due in annual installments of \$25,000 to \$100,000 through October 2026, interest at 2.50% to 3.70%	925,000	-	25,000	900,000	50,000
10/15/2013 \$2,900,000 GO Building Bonds due in annual installments of \$50,000 to \$500,000 through October 2027, interest at 3.125% to 4.125%	2,900,000	-	50,000	2,850,000	50,000
10/28/2014 \$1,100,000 GO Building Bonds due in annual installments of \$30,000 to \$155,000 through October 2024, interest at 2.20% to 2.80%	1,100,000	-	105,000	995,000	110,000
Total	<u>\$ 6,735,000</u>	<u>\$ -</u>	<u>\$ 525,000</u>	<u>\$ 6,210,000</u>	<u>\$ 545,000</u>

STATE OF NEW MEXICO  
MOSQUERO MUNICIPALSCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-Term Debt (continued)

Governmental Activities - Bonds Payable (continued)

Go Bond indebtedness typically has been liquidated using Deb Service Funds. The annual requirements to amortize all bonded debt outstanding as of June 30, 2016, including interest of \$1,279,923 are shown below:

	<u>Governmental Activities</u>	
	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2017	\$ 545,000	\$ 198,553
6/30/2018	515,000	183,880
6/30/2019	355,000	167,316
6/30/2020	540,000	154,688
6/30/2021	545,000	138,795
2022-2026	2,910,000	412,465
2027-2028	800,000	24,226
TOTAL	<u>\$6,210,000</u>	<u>\$ 1,279,923</u>

Legal Debt Margin

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on these criteria, the maximum general obligation debt permissible is \$6,903,198 including \$6,210,000 debt outstanding based on the June 30, 2016 valuation.

V. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico.

The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions.

The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or reinsurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2016.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

B. Contingent liabilities

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

C. Pension Plan – Education Retirement Board

Summary of Significant Accounting Policies

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.

General Information about the Pension Plan

Plan Description – Substantially all of the Mosquero Municipal School District's (District) full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities, and some state agency employees) and beneficiaries. ERB issues a separate, publicly available financial report that includes the financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

Funding Policy

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.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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 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 District were \$91,227 for the year ended June 30, 2016.

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the District reported a liability of \$1,482,646 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District's proportion was .02289 percent, which was a decrease of .00017 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$123,058. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance	\$ 128,655	\$ 139,235
Changes in proportion	-	7,472
Changes of assumptions	50,996	-
Net difference between projected and actual earnings on pension plan investments	-	(82,370)
Differences between expected and actuarial experience	-	14,787
2015 Actual employer contributions	(90,459)	-
2016 Actual employer contributions	91,227	-
Net amortization of deferred amounts from changes in proportion	(13,263)	(36,436)
Rounding	-	(31)
Total	<u>\$ 167,156</u>	<u>\$ 42,657</u>

\$91,227 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	6,908
2018	6,128
2019	(357)
2020	20,593
Thereafter	Unavailable

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



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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	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 base 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:

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
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%

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	<u>\$ 1,995,000</u>	<u>\$ 1,482,646</u>	<u>\$ 1,052,216</u>

Pension plan fiduciary net position - Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

Payables to the pension plan – The District has no payables to the pension plan.

D. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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 MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

D. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](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 30,2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, that 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 School District's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$13,126, \$13,016 and \$12,715 respectively, which equal the required contributions for each year.

E. Overspent Budgets

At June 30, 2016 the District had six funds which had overspent budgets that consisted of the following:

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
Transportation	Student Transportation	\$ 170
Instructional Materials	Instruction	1,528
Food Services	Food Services Operations	6,195
Athletics	Instruction	861
Sun Safety	Instruction	962
Debt Service	SS General Administration	663

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 MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

F. Inter-fund Receivables

Cash overdrafts are inter-fund receivables and considered to be short-term borrowings from general funds to cover current year operating expenditures and will be paid back within the next year. At June 30, 2016 they consisted of the following:

Due To	
Operational	\$ 58,018
Total Due To	<u>\$ 58,018</u>
Due From	
IDEA-B Entitlement	\$ 9,837
IDEA-B Preschool	1,618
Medicaid Title XIX	4,123
2012 GO Bond	4,535
NM Reads to Lead K-3	37,905
Total Due From	<u>\$ 58,018</u>

G. Permanent Transfers

Transfers are used to move revenue from the fund that statute or budget requires them to be collected in, to the fund that statute or budget requires them to be expend in. These transfers are not routine in nature and are not consistent with the activities of the fund making transfer. At June 30, 2016 there were no permanent transfers.

H. Restatement of Beginning Net Position for Governmental Funds

There were no restatements to the District's Net Position for the fiscal year June 30, 2016.

I. Restatements of Beginning Fund Balances

There were no adjustments made to the District's beginning fund balances for the fiscal year June 30, 2016.

J. High Plains Regional Educational Cooperative #3

The District is a member of the High Plains Regional Educational Cooperative #3 (REC 3). REC 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 Education Cooperative #3, 144 South First Street, Raton, New Mexico, 87740.

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JUNE 30, 2016

V. OTHER INFORMATION (continued)

K. Fund Balances Classified

GASB 54 includes a prescribed hierarchy based on the extent to which a city is bound by constraints for the use of the funds reported in governmental funds. GASB 54 provides the classification as non-spendable, restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The following definitions are provided in GASB 54:

Non-spendable - These funds are not available for expenditures based on legal or contractual requirements.

Restricted - These funds are governed by externally enforceable restrictions.

Committed - Fund balances in this category are limited by the government's highest level of decision making (in this case the School Board). Any changes of this designation must be done in the same manner that it was implemented.

Assigned - For funds to be assigned, there must be an intended use which can be established by the School Board or an official delegated by the board, such as a superintendent.

Unassigned - This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the General Fund. If it is, the assigned fund balance must be adjusted.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are as follows:

Fund Balances	Operational	SB-9	Debt Service	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Inventory	\$ -	\$ -	\$ -	\$ 1,981	\$ 1,981
Total Nonspendable	-	-	-	1,981	1,981
<b>Restricted for:</b>					
Teacherage	10,577	-	-	-	10,577
Transportation	-	-	-	-	-
Instructional Materials	1,341	-	-	-	1,341
Special Revenue Funds	-	(81,800)	-	622	(81,178)
Debt Service	-	-	236,456	267	236,723
Total Restricted	11,918	(81,800)	236,456	889	167,463
<b>Unassigned</b>	81,820	-	-	-	81,820
<b>Total Fund Balances</b>	<b>\$ 93,738</b>	<b>\$ (81,800)</b>	<b>\$ 236,456</b>	<b>\$ 2,870</b>	<b>\$ 251,264</b>

STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

L. Reconciliation of Budgetary and GAAP Basis Amounts

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>
<b>REVENUES</b>				
Budgetary Basis	\$ 1,297,518	\$ 15,092	\$ 150,402	\$ 3,074
Add:				
Current Year Receivables & Other Credits	537	-	-	-
Deduct:				
Prior Year Receivables & Other Debits	<u>868</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>REVENUE --GAAP BASIS</b>	<u><u>\$ 1,297,187</u></u>	<u><u>\$ 15,092</u></u>	<u><u>\$ 150,402</u></u>	<u><u>\$ 3,074</u></u>
<b>EXPENDITURES</b>				
Budgetary Basis	\$ 1,295,972	\$ 7,633	\$ 150,572	\$ 2,332
Add:				
Current Year Payables & Other Debits	-	-	-	-
Deduct:				
Prior Year Payables & Other Credits	<u>-</u>	<u>201</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES --GAAP BASIS</b>	<u><u>\$ 1,295,972</u></u>	<u><u>\$ 7,432</u></u>	<u><u>\$ 150,572</u></u>	<u><u>\$ 2,332</u></u>

<u>Food Services</u>	<u>Athletics</u>	<u>Title I</u>	<u>Entitlement</u>	<u>Preschool</u>	<u>Title XIX Medicaid</u>
\$ 18,143	\$ 2,439	\$ 15,452	\$ 10,171	\$ 1,759	\$ 8,197
-	-	-	9,837	1,618	4,123
-	-	15,452	4,404	1,759	5,295
<u>\$ 18,143</u>	<u>\$ 2,439</u>	<u>\$ -</u>	<u>\$ 15,604</u>	<u>\$ 1,618</u>	<u>\$ 7,025</u>
\$ 21,592	\$ 3,214	\$ -	\$ 15,604	\$ 1,618	\$ 7,025
-	-	-	-	-	-
11	-	-	-	-	-
<u>\$ 21,581</u>	<u>\$ 3,214</u>	<u>\$ -</u>	<u>\$ 15,604</u>	<u>\$ 1,618</u>	<u>\$ 7,025</u>



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

V. OTHER INFORMATION (continued)

L. Reconciliation of Budgetary and GAAP Basis Amounts (continued)

	<u>REAP</u>	<u>2012 GO Bonds</u>	<u>NM Reads to Lead K-3</u>
<b>REVENUES</b>			
Budgetary Basis	\$ 19,477	\$ -	\$ 33,605
Add:			
Current Year Receivables & Other Credits	-	408	37,905
Deduct:			
Prior Year Receivables & Other Debits	<u>19,477</u>	<u>-</u>	<u>23,988</u>
<b>REVENUE --GAAP BASIS</b>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 47,522</u>
<b>EXPENDITURES</b>			
Budgetary Basis	\$ -	\$ 408	\$ 47,522
Add:			
Current Year Payables & Other Debits	-	-	-
Deduct:			
Prior Year Payables & Other Credits	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES --GAAP BASIS</b>	<u>\$ -</u>	<u>\$ 408</u>	<u>\$ 47,522</u>

<u>Sun Safety</u>	<u>Fuel up to Play 60</u>	<u>SB - 9</u>	<u>Debt Service</u>	<u>Ed Tech Debt Service</u>
\$ 1,800	\$ -	\$ 171,082	\$ 674,504	\$ -
-	-	2,148	8,582	-
<u>838</u>	<u>-</u>	<u>3,472</u>	<u>12,184</u>	<u>-</u>
<u>\$ 962</u>	<u>\$ -</u>	<u>\$ 169,758</u>	<u>\$ 670,902</u>	<u>\$ -</u>
\$ 962	\$ -	\$ 489,985	\$ 744,678	\$ -
-	-	97,867	47,653	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 962</u>	<u>\$ -</u>	<u>\$ 587,852</u>	<u>\$ 792,331</u>	<u>\$ -</u>

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## GENERAL FUND

To account for resources traditionally associated with governments, which are not required to be accounted for in any other fund.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-1

COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2016

	Operational	Teachergage	Transportation	Instructional Materials	TOTALS
<b>ASSETS</b>					
Cash and cash equivalents	\$ 23,265	\$ 10,577	\$ -	\$ 1,341	\$ 35,183
Accounts Receivable					
Property Taxes Receivable	537	-	-	-	537
Federal	-	-	-	-	-
State	-	-	-	-	-
Inventories	-	-	-	-	-
Due from Other Funds	58,018	-	-	-	58,018
<b>TOTAL ASSETS</b>	<b>\$ 81,820</b>	<b>\$ 10,577</b>	<b>\$ -</b>	<b>\$ 1,341</b>	<b>\$ 93,738</b>
<b>LIABILITIES AND OTHER CREDITS</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>					
Nonspendable	-	-	-	-	-
Restricted	-	10,577	-	1,341	11,918
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	81,820	-	-	-	81,820
<b>TOTAL FUND BALANCE</b>	<b>81,820</b>	<b>10,577</b>	<b>-</b>	<b>1,341</b>	<b>93,738</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 81,820</b>	<b>\$ 10,577</b>	<b>\$ -</b>	<b>\$ 1,341</b>	<b>\$ 93,738</b>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-2

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE -- GENERAL FUND

Year Ended June 30, 2016

	Operational	Teachera	Transportation	Instructional Materials	TOTALS
<b>REVENUE</b>					
Federal Programs	\$ -	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	150,402	3,074	153,476
Local Programs	-	-	-	-	-
State Equalization	1,254,760	-	-	-	1,254,760
Service Revenues	-	15,092	-	-	15,092
Taxes	42,255	-	-	-	42,255
Interest	39	-	-	-	39
Other revenue sources	133	-	-	-	133
<b>TOTAL REVENUES</b>	<b>1,297,187</b>	<b>15,092</b>	<b>150,402</b>	<b>3,074</b>	<b>1,465,755</b>
<b>EXPENDITURES</b>					
Current					
Instruction	611,432	-	-	2,332	613,764
Support Services	-	-	-	-	-
Support Services Students	157,189	-	-	-	157,189
Support Services Instruction	-	-	-	-	-
Support Services General Administration	158,789	-	-	-	158,789
Support Services School Administration	35,997	-	-	-	35,997
Central Services	77,496	-	-	-	77,496
Operation and Maintenance of Plant	234,802	7,432	-	-	242,234
Student Transportation	-	-	150,572	-	150,572
Other Support Services	-	-	-	-	-
Food Services Operations	20,267	-	-	-	20,267
Capital Outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>1,295,972</b>	<b>7,432</b>	<b>150,572</b>	<b>2,332</b>	<b>1,456,308</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>1,215</b>	<b>7,660</b>	<b>(170)</b>	<b>742</b>	<b>9,447</b>
Other Financing Sources (Uses)					
Transfer In/Transfers (Out)	-	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,215</b>	<b>7,660</b>	<b>(170)</b>	<b>742</b>	<b>9,447</b>
<b>FUND BALANCE</b>					
June 30, 2015	80,605	2,917	170	599	84,291
Restatements	-	-	-	-	-
June 30, 2015 as restated	80,605	2,917	170	599	84,291
<b>FUND BALANCE June 30, 2016</b>	<b>\$ 81,820</b>	<b>\$ 10,577</b>	<b>\$ -</b>	<b>\$ 1,341</b>	<b>\$ 93,738</b>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-3

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--GENERAL FUND--OPERATIONAL

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Residential/Non-Residential Taxes	\$ 56,754	\$ 56,754	\$ 42,586	\$ (14,168)
Interest Income	100	100	39	(61)
Royalties	25	25	10	(15)
Refunds Prior Year	-	-	123	123
State Equalization	1,227,614	1,244,286	1,254,760	10,474
<b>TOTAL REVENUE</b>	<u>1,284,493</u>	<u>1,301,165</u>	<u>\$ 1,297,518</u>	<u>\$ (3,647)</u>
BUDGETED CASH BALANCE	<u>101,146</u>	<u>101,146</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 1,385,639</u>	<u>\$ 1,402,311</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 596,053	\$ 612,725	\$ 611,432	\$ 1,293
Support Services	-	-	-	-
Support Services Students	159,305	159,305	157,189	2,116
Support Services Instruction	-	-	-	-
Support Services General Administration	158,146	158,146	158,789	(643)
Support Services School Administration	33,799	33,799	35,997	(2,198)
Central Services	79,355	79,355	77,496	1,859
Operation and Maintenance of Plant	254,821	254,821	234,802	20,019
Student Transportation	-	-	-	-
Other Support Services	76,798	76,798	-	76,798
Food Services Operations	27,362	27,362	20,267	7,095
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,385,639</u>	<u>\$ 1,402,311</u>	<u>\$ 1,295,972</u>	<u>\$ 106,339</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-4

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--GENERAL FUND--TEACHERAGE

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	10,000	10,000	15,092	5,092
<b>TOTAL REVENUE</b>	<u>10,000</u>	<u>10,000</u>	<u>\$ 15,092</u>	<u>\$ 5,092</u>
<b>BUDGETED CASH BALANCE</b>	<u>4,585</u>	<u>4,585</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 14,585</u>	<u>\$ 14,585</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	14,585	14,585	7,633	6,952
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 14,585</u>	<u>\$ 14,585</u>	<u>\$ 7,633</u>	<u>\$ 6,952</u>

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



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-5

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--GENERAL FUND--TRANSPORTATION

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	150,402	150,402	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>150,402</u>	<u>\$ 150,402</u>	<u>\$ -</u>
 <b>BUDGETED CASH BALANCE</b>	 <u>-</u>	 <u>-</u>		
 <b>TOTAL REVENUE &amp; CASH</b>	 <u>\$ -</u>	 <u>\$ 150,402</u>		
 <b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	150,402	150,572	(170)
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 150,402</u>	<u>\$ 150,572</u>	<u>\$ (170)</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A-6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--GENERAL FUND--INSTRUCTIONAL MATERIALS

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	804	3,074	2,270
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>804</u>	<u>\$ 3,074</u>	<u>\$ 2,270</u>
<b>BUDGETED CASH BALANCE</b>				
	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ -</u>	<u>\$ 804</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ 804	\$ 2,332	\$ (1,528)
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ 804</u>	<u>\$ 2,332</u>	<u>\$ (1,528)</u>

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

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## SPECIAL REVENUE FUNDS

FOOD SERVICES - to account for 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, New Mexico Statutes Annotated, State Law 22-13-13.

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

TITLE I – Special Revenue - to provide remedial instruction in 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 elementary and Secondary Education Act of 1965, Title 1, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

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

IDEA B PRE-SCHOOL--to account for revenue received under the Preschool Public Act P.L. 99-457 for the purpose of providing special educational services to the developmentally delayed preschool children. This fund is federally funded and is restricted to expenditure by grant application. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund.

MEDICAID TITLE XIX – Special Revenue - This fund is used for reimbursement of health-related services of Medicaid eligible students receiving related services, for administrative time study, and for a statement of service costs study. Authorized by the Social Security Act.

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

2012 GO BOND STUDENT LIBRARY FUND – to fund school for library resource acquisitions, including library books for public school libraries. Fund and authority provided by Senate Bill 66, Chapter 54, Section 10, paragraph B(3), Laws of 2012.

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 student awareness of the importance of healthy eating and increased physical activity.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

COMBINING BALANCE SHEET--NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

June 30, 2016

	Food Services	Athletics	Title I	IDEA- B Entitlement
<b>ASSETS</b>				
Cash and cash equivalents	\$ 616	\$ 6	\$ -	\$ -
Accounts Receivable				
Property Taxes Receivable	-	-	-	-
Federal	-	-	-	9,837
State	-	-	-	-
Inventories	1,981	-	-	-
Due from Other Funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,597</b>	<b>\$ 6</b>	<b>\$ -</b>	<b>\$ 9,837</b>
<b>LIABILITIES AND OTHER CREDITS</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	9,837
Accrued Interest Payable	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,837</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	-	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>				
Nonspendable	1,981	-	-	-
Restricted	616	6	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>2,597</b>	<b>6</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 2,597</b>	<b>\$ 6</b>	<b>\$ -</b>	<b>\$ 9,837</b>

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

EXHIBIT B-1

IDEA- B Preschool	Medicaid Title XIX	R.E.A.P.	2012 GC Bond Student Library Fund	Sun Safety	Fuel up to Play 60	Total Non-Major Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 430	\$ 139	\$ 1,191
-	-	-	-	-	-	-
1,618	4,123	-	-	-	-	15,578
-	-	-	4,535	-	-	4,535
-	-	-	-	-	-	1,981
-	-	-	-	-	-	-
<u>\$ 1,618</u>	<u>\$ 4,123</u>	<u>\$ -</u>	<u>\$ 4,535</u>	<u>\$ 430</u>	<u>\$ 139</u>	<u>\$ 23,285</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,618	4,123	-	4,535	-	-	20,113
-	-	-	-	-	-	-
<u>1,618</u>	<u>4,123</u>	<u>-</u>	<u>4,535</u>	<u>-</u>	<u>-</u>	<u>20,113</u>
-	-	-	-	430	139	569
-	-	-	-	<u>430</u>	<u>139</u>	<u>569</u>
-	-	-	-	-	-	1,981
-	-	-	-	-	-	622
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,603
<u>\$ 1,618</u>	<u>\$ 4,123</u>	<u>\$ -</u>	<u>\$ 4,535</u>	<u>\$ 430</u>	<u>\$ 139</u>	<u>\$ 23,285</u>

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

Year Ended June 30, 2016

	Food Services	Athletics	Title I	IDEA- B Entitlement
<b>REVENUE</b>				
Federal Programs	\$ 11,266	\$ -	\$ -	\$ 15,604
State Programs	-	-	-	-
Local Programs	-	-	-	-
State Equalization	-	-	-	-
Service Revenues	6,877	2,439	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Premium on Bond	-	-	-	-
Other revenue sources	-	-	-	-
<b>TOTAL REVENUES</b>	<b>18,143</b>	<b>2,439</b>	<b>-</b>	<b>15,604</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	-	3,214	-	15,604
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	21,581	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>21,581</b>	<b>3,214</b>	<b>-</b>	<b>15,604</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>(3,438)</b>	<b>(775)</b>	<b>-</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>				
Transfer In/Transfers (Out)	-	-	-	-
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(3,438)</b>	<b>(775)</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE</b>				
June 30, 2015	6,035	781	-	-
Restatements	-	-	-	-
June 30, 2015 as restated	6,035	781	-	-
<b>FUND BALANCE</b>				
June 30, 2016	\$ 2,597	\$ 6	\$ -	\$ -

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

EXHIBIT B-2

IDEA- B Preschool	Medicaid Title XIX	R.E.A.P.	2012 GO Bond Student Library Fund	Sun Safety	Fuel up to Play 60	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ 1,618	\$ 7,025	\$ -	\$ -	\$ -	\$ -	\$ 35,513
-	-	-	408	962	-	1,370
-	-	-	-	-	-	-
-	-	-	-	-	-	9,316
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,618</u>	<u>7,025</u>	<u>-</u>	<u>408</u>	<u>962</u>	<u>-</u>	<u>46,199</u>
1,618	-	-	-	962	-	21,398
-	-	-	-	-	-	-
-	7,025	-	-	-	-	7,025
-	-	-	408	-	-	408
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	21,581
-	-	-	-	-	-	-
<u>1,618</u>	<u>7,025</u>	<u>-</u>	<u>408</u>	<u>962</u>	<u>-</u>	<u>50,412</u>
-	-	-	-	-	-	(4,213)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(4,213)
-	-	-	-	-	-	6,816
-	-	-	-	-	-	-
-	-	-	-	-	-	6,816
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,603</u>



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-3

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--FOOD SERVICES

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ 10,000	\$ 10,000	\$ 11,266	\$ 1,266
State Programs	-	-	-	-
Local Programs	5,000	5,000	6,877	1,877
<b>TOTAL REVENUE</b>	<u>15,000</u>	<u>15,000</u>	<u>\$ 18,143</u>	<u>\$ 3,143</u>
<b>BUDGETED CASH BALANCE</b>	<u>397</u>	<u>397</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 15,397</u>	<u>\$ 15,397</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	15,397	15,397	21,592	(6,195)
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 15,397</u>	<u>\$ 15,397</u>	<u>\$ 21,592</u>	<u>\$ (6,195)</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-4

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--ATHLETICS

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	2,300	2,300	2,439	139
<b>TOTAL REVENUE</b>	<u>2,300</u>	<u>2,300</u>	<u>\$ 2,439</u>	<u>\$ 139</u>
<b>BUDGETED CASH BALANCE</b>	<u>53</u>	<u>53</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 2,353</u>	<u>\$ 2,353</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 2,353	\$ 2,353	\$ 3,214	\$ (861)
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,353</u>	<u>\$ 2,353</u>	<u>\$ 3,214</u>	<u>\$ (861)</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-5

STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--TITLE I

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ 974	\$ 878	\$ 15,452	\$ 14,574
State Programs	-	-	-	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>974</u>	<u>878</u>	<u>\$ 15,452</u>	<u>\$ 14,574</u>
 <b>BUDGETED CASH BALANCE</b>	 <u>-</u>	 <u>-</u>		
 <b>TOTAL REVENUE &amp; CASH</b>	 <u>\$ 974</u>	 <u>\$ 878</u>		
 <b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 974	\$ 878	\$ -	\$ 878
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 974</u>	<u>\$ 878</u>	<u>\$ -</u>	<u>\$ 878</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-6

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--IDEA-B ENTITLEMENT

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ 14,753	\$ 15,787	\$ 10,171	\$ (5,616)
State Programs	-	-	-	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>14,753</u>	<u>15,787</u>	<u>\$ 10,171</u>	<u>\$ (5,616)</u>
 <b>BUDGETED CASH BALANCE</b>	 <u>-</u>	 <u>-</u>		
 <b>TOTAL REVENUE &amp; CASH</b>	 <u>\$ 14,753</u>	 <u>\$ 15,787</u>		
 <b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 14,853	\$ 15,687	\$ 15,604	\$ 83
Support Services	-	-	-	-
Support Services Students	100	100	-	100
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 14,753</u>	<u>\$ 15,787</u>	<u>\$ 15,604</u>	<u>\$ 183</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-7

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--IDEA-B-PRESCHOOL

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ 1,865	\$ 1,865	\$ 1,759	\$ (106)
State Programs	-	-	-	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>1,865</u>	<u>1,865</u>	<u>\$ 1,759</u>	<u>\$ (106)</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 1,865</u>	<u>\$ 1,865</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ 1,765	\$ 1,765	\$ 1,618	\$ 147
Support Services	-	-	-	-
Support Services Students	100	100	-	100
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,865</u>	<u>\$ 1,865</u>	<u>\$ 1,618</u>	<u>\$ 247</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-8

STATEMENT OF REVENUE AND EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--MEDICAID TITLE XIX

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ 8,197	\$ 8,197
State Programs	13,900	13,900	-	(13,900)
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>13,900</u>	<u>13,900</u>	<u>\$ 8,197</u>	<u>\$ (5,703)</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 13,900</u>	<u>\$ 13,900</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	13,900	13,900	7,025	6,875
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 13,900</u>	<u>\$ 13,900</u>	<u>\$ 7,025</u>	<u>\$ 6,875</u>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-9

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--SPECIAL REVENUE FUND--REAP

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ 19,477	\$ 19,477
State Programs	-	-	-	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>-</u>	<u>\$ 19,477</u>	<u>\$ 19,477</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ -</u>	<u>\$ -</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<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

EXHIBIT B-10

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--2012 GO BOND STUDENT LIBRARY FUND

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	8,333	8,333	-	(8,333)
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>8,333</u>	<u>8,333</u>	<u>\$ -</u>	<u>\$ (8,333)</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 8,333</u>	<u>\$ 8,333</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	8,333	8,333	408	7,925
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 8,333</u>	<u>\$ 8,333</u>	<u>\$ 408</u>	<u>\$ 7,925</u>

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



STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-11

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--SUN SAFETY

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	1,800	1,800
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>-</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ -</u>	<u>\$ -</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ 962	\$ (962)
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 962</u>	<u>\$ (962)</u>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT B-12

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
AND ACTUAL--SPECIAL REVENUE FUND--FUEL UP TO PLAY 60

Year Ended June 30, 2016

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>-</u>	<u>-</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ -</u>	<u>\$ -</u>		
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	\$ -	\$ -	\$ -	\$ -
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

## DEBT SERVICE FUNDS

ED TECH DEBT SERVICE – 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

EXHIBIT C-1

COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUND

JUNE 30, 2016

	ED TECH DEBT SERVICE	TOTAL NONMAJOR DEBT SERVICE	TOTAL NON MAJOR SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 267	\$ 267	\$ 1,191	\$ 1,458
Accounts Receivable				
Property Taxes	-	-	-	-
Federal	-	-	15,578	15,578
State	-	-	4,535	4,535
Inventories			1,981	1,981
Due from Other Funds			-	-
<b>TOTAL ASSETS</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 23,285</b>	<b>\$ 23,552</b>
<b>LIABILITIES AND OTHER CREDITS</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	20,113	20,113
Accrued Interest	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>20,113</b>	<b>20,113</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	-	-	569	569
<b>TOTAL DEFERRED INFLOWS</b>	<b>-</b>	<b>-</b>	<b>569</b>	<b>569</b>
<b>FUND BALANCE</b>				
Nonspendable	-	-	1,981	1,981
Restricted	267	267	622	889
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>267</b>	<b>267</b>	<b>2,603</b>	<b>2,870</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 23,285</b>	<b>\$ 23,552</b>

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT C-2

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES  
IN FUND BALANCE -- NON-MAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2016

	ED TECH DEBT SERVICE	TOTAL NONMAJOR DEBT SERVICE	TOTAL NON MAJOR SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<b>REVENUE</b>				
Federal Programs	\$ -	\$ -	\$ 35,513	\$ 35,513
State Programs	-	-	1,370	1,370
Local Programs	-	-	-	-
State Equalization	-	-	-	-
Service Revenues	-	-	9,316	9,316
Taxes	-	-	-	-
Interest	-	-	-	-
Premium on Bonds	-	-	-	-
Other revenue sources	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>46,199</b>	<b>46,199</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	-	-	21,398	21,398
Support Services	-	-	-	-
Support Services Students	-	-	7,025	7,025
Support Services Instruction	-	-	408	408
Support Services General Administration	-	-	-	-
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	21,581	21,581
Capital Outlay	-	-	-	-
<b>Debt Service</b>				
Principal	-	-	-	-
Bond Issuance Costs	-	-	-	-
Interest and Fiscal Charge	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>50,412</b>	<b>50,412</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(4,213)</b>	<b>(4,213)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In/Transfers (Out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(4,213)</b>	<b>(4,213)</b>
FUND BALANCE June 30, 2015	267	267	6,816	7,083
Restatements	-	-	-	-
June 30, 2015 as restated	<u>267</u>	<u>267</u>	<u>6,816</u>	<u>7,083</u>
<b>FUND BALANCE June 30, 2016</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 2,603</b>	<b>\$ 2,870</b>

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

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT C-3

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--ED TECH DEBT SERVICE FUND

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Residential/Non-Residential Taxes	\$ -	\$ -	\$ -	\$ -
Interest Income	-	-	-	-
<b>TOTAL REVENUE</b>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
<b>BUDGETED CASH BALANCE</b>	<u>267</u>	<u>267</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 267</u>	<u>\$ 267</u>		
<b>EXPENDITURES</b>				
Support Services General Administration	\$ -	\$ -	\$ -	\$ -
Debt Service	267	267	-	267
Debt Service - Interest & Fiscal Charges	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 267</u>	<u>\$ 267</u>	<u>\$ -</u>	<u>\$ 267</u>

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

## AGENCY FUNDS

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

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT D-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS

Year Ended June 30, 2016

	Balance 6/30/2015	ADDITIONS	DEDUCTIONS	Balance 6/30/2016
GENERAL	\$ 1,954	\$ 19,017	\$ 19,557	\$ 1,414
YEAR BOOK	1,297	754	933	1,118
FFA	2,633	20,765	19,777	3,621
MEDIA	1,828	2,036	3,071	793
HARDING CO ROUND UP	7,862	11,670	11,665	7,867
SENIOR CLASS	-	2,934	2,130	804
FAMILIAS	1,439	2,987	4,071	355
DISTRICT 11	1,145	2,330	2,407	1,068
PAINT THE TOWN	2,395	2,100	2,926	1,569
5TH & 6TH GRADE	-	302	224	78
3RD & 4TH GRADE	1,008	3,320	3,480	848
ARENA	6,300	26,106	29,116	3,290
	<u>\$ 27,861</u>	<u>\$ 94,321</u>	<u>\$ 99,357</u>	<u>\$ 22,825</u>

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



OTHER MAJOR FUND INFORMATION

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT E-1

STATEMENT OF REVENUE & EXPENDITURES--BUDGET (NON-GAAP)  
 AND ACTUAL--DEBT SERVICE FUND

Year Ended June 30, 2016

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUE</b>				
Residential/Non-Residential Taxes	\$ 737,273	\$ 737,273	\$ 674,504	\$ (62,769)
Interest Income	-	-	-	-
<b>TOTAL REVENUE</b>	<u>737,273</u>	<u>737,273</u>	<u>\$ 674,504</u>	<u>\$ (62,769)</u>
<b>BUDGETED CASH BALANCE</b>	<u>478,465</u>	<u>478,465</u>		
<b>TOTAL REVENUE &amp; CASH</b>	<u>\$ 1,215,738</u>	<u>\$ 1,215,738</u>		
<b>EXPENDITURES</b>				
Support Services General Administration	\$ 4,200	\$ 4,200	\$ 4,863	\$ (663)
Debt Service	996,065	996,065	525,000	471,065
Debt Service - Interest & Fiscal Charges	215,473	215,473	214,815	658
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,215,738</u>	<u>\$ 1,215,738</u>	<u>\$ 744,678</u>	<u>\$ 471,060</u>

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

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 1

SCHEDULE OF THE PROPORTIONATE SHARE OF NET PENSION LIABILITY  
EDUCATIONAL RETIREMENT BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS\*

JUNE 30, 2016

	<u>2016</u>
Proportion of the net pension liability	0.02289%
Proportionate share of the net pension liability	\$ 1,482,646
Covered-employee payroll	\$ 624,970
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.23%
Plan fiduciary net position as a percentage of 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, the Mosquero Municipal School District will present information for those years for which information is available.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 2

SCHEDULE OF CONTRIBUTIONS EDUCATIONAL RETIREMENT  
BOARD (ERB) PENSION PLAN - LAST 10 FISCAL YEARS\*

JUNE 30, 2016

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 90,459	\$ 91,227
Contributions in relation to the contractually required contribuion	90,459	91,227
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 650,783	\$ 656,401
Contributions as a percentage of covered-employee payroll	13.90%	13.90%

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

Notes to Required Supplementary Information (Schedules 4 & 5)

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

Changes of assumptions - ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 26, 2013, ERB implemented the following changes in assumptions for fiscal years 2014 and 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 3.50%
  - 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 General Information on the Pension Plan.

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OTHER SUPPLEMENTARY INFORMATION



STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 3

BANK SUMMARY

JUNE 30, 2016

<u>Bank</u>	<u>ACCT TYPE</u>	<u>FUND</u>	<u>BANK BALANCE</u>	<u>OUTSTANDING (CHECKS) DEPOSITS</u>	<u>NET CASH BALANCE</u>
Wells Fargo	Checking	Multi Fund *	\$ 434,840	\$ (85,928)	\$ 348,912
Total Wells Fargo			<u>\$ 434,840</u>	<u>\$ (85,928)</u>	<u>\$ 348,912</u>

\* Interest Bearing

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 4

SCHEDULE OF PLEDGED COLLATERAL

June 30, 2016

	Total Deposits	FDIC Insurance	Uninsured Deposits	Collateral Required	Collateral Pledged	Uninsured & Uncollateralized Deposits
Wells Fargo	\$ 434,840	\$ 250,000	\$ 184,840	\$ 92,420	\$ 120,175	\$ -

Collateral	CUSIP #.	Amount	Matures
FNMA FNMS 3%	3138AWFQ1	80,505	11/1/2026
FNMA FNMS 3%	3138W0XX2	39,670	1/1/2043
		<u>120,175</u>	

Collateral is held at the Wells Fargo Bank in the name of the District.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

BANK RECONCILIATION

JUNE 30, 2016

	<u>OPERATIONAL</u>	<u>TEACHERAGE</u>	<u>TRANSPORTATION</u>
Audited Net Cash			
June30, 2015	\$ 79,737	\$ 3,117	\$ 170
Investments & cash on hand/Loans	-	-	-
TOTAL CASH BALANCE			
June30, 2015	79,737	3,117	170
Add: Prior year void checks	-	-	-
2015-2016 Revenue	1,297,518	15,092	150,402
Transfers In & Adjustments	-	1	-
TOTAL AVAILABLE CASH	1,377,255	18,210	150,572
Less: 2015-2016 Expenditures	1,295,972	7,633	150,572
Returned Checks	-	-	-
Transfers Out & Adjustments	58,018	-	-
	1,353,990	7,633	150,572
NET CASH, JUNE 30, 2016	23,265	10,577	-
Cash On hand	-	-	-
TOTAL CASH, JUNE 30, 2016	<u>\$ 23,265</u>	<u>\$ 10,577</u>	<u>\$ -</u>

SCHEDULE 5

INSTRUCTIONAL MATERIALS	CAFETERIA	ATHLETICS	FEDERAL PROJECTS	LOCAL/STATE ACCOUNT	SB-9
\$ 599	\$ 4,065	\$ 781	\$ (41,091)	\$ (28,385)	\$ 332,822
-	-	-	-	-	-
599	4,065	781	(41,091)	(28,385)	332,822
-	-	-	-	-	-
3,074	18,143	2,439	55,056	35,405	171,082
-	-	-	15,578	42,441	-
3,673	22,208	3,220	29,543	49,461	503,904
2,332	21,592	3,214	24,247	48,892	-
-	-	-	-	-	489,985
-	-	-	5,296	-	-
2,332	21,592	3,214	29,543	48,892	489,985
1,341	616	6	-	569	13,919
-	-	-	-	-	-
\$ 1,341	\$ 616	\$ 6	\$ -	\$ 569	\$ 13,919

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 5  
Continued

BANK RECONCILIATION

JUNE 30, 2016

	DEBT SERVICE	ED TECH DEBT SERVICE	ACTIVITY
Audited Net Cash			
June30, 2015	\$ 345,701	\$ 267	\$ 27,861
Investments & cash on hand/Loans	-	-	-
TOTAL CASH BALANCE			
June30, 2015	345,701	267	27,861
Add: Prior year void checks	-	-	-
2015-2016 Revenue	674,504	-	94,321
Transfers In & Adjustments	-	-	-
<b>TOTAL AVAILABLE CASH</b>	<b>1,020,205</b>	<b>267</b>	<b>122,182</b>
Less: 2015-2016 Expenditures	-	-	-
Returned Checks	744,678	-	99,357
Transfers Out & Adjustments	-	-	-
	744,678	-	99,357
	-	-	-
<b>NET CASH, JUNE 30, 2016</b>	<b>275,527</b>	<b>267</b>	<b>22,825</b>
Cash On hand	-	-	-
<b>TOTAL CASH, JUNE 30, 2016</b>	<b>\$ 275,527</b>	<b>\$ 267</b>	<b>\$ 22,825</b>

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STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF VENDOR INFORMATION FOR PURCHASES  
 EXCEEDING \$60,000 (EXCLUDING GRT)

FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY AGENCY STAFF NAME: DARLA KING  
 TITLE: BUSINESS MANAGER DATE: SEPTEMBER 7, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>
7061	Mosquero Municipal Schools	Schools	N/A	Competitive (RFP or RFB)	CES
7061	Mosquero Municipal Schools	Schools	N/A	Competitive (RFP or RFB)	Wheeler Fleet Bus Inservice
7061	Mosquero Municipal Schools	Schools	N/A	Competitive (RFP or RFB)	Tazack Services

Schedule 6

<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
Winner	\$425,552.67		CES, PO Box 92223 Albuquerque, NM	No	No	Construction of Rodeo Arena	
Winner	\$143,102.00		Dennis Wheeler Sr. 18840 Bueyeros Highway Bueyeros, NM 88415	No	No	School Bus Contractor	
Winner	\$78,957.00		Taztack Services 690 Tequesquite Lane Albert NM 87733	No	No	Basic Network Maintenance Services	



# Woodard, Cowen & Co.

Certified Public Accountants

## 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

Timothy Keller  
New Mexico State Auditor  
The Board of Education  
Mosquero Municipal School District  
Mosquero, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Mosquero Municipal School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mosquero Municipal School District's basic financial statements, and the combining and individual funds and related budgetary comparisons of Mosquero Municipal School District, presented as supplemental information, and have issued our report thereon dated November 7, 2016.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies identified as 2013-001 and 2016-001.

Portales: 305 S. Avenue B or PO Box 445, Portales NM 88130 – Phone 575-356-8564 Fax 575-356-2453  
Clovis: 116 E. Grand Avenue or PO Box 1874, Clovis NM 88101 – Phone 575-762-3811 Fax 575-762-3866

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mosquero Municipal School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying Schedule of 12-6-5 NMSA 1978 Findings as items 2015-001, 2015-004, 2016-002 and 2016-003.

### Mosquero Municipal School District's Responses to Findings

The Mosquero Municipal School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Mosquero Municipal School District's responses were not subjected to the auditing procedures applied in the audit 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Woodard, Cowen & Co*

Clovis, New Mexico  
November 7, 2016

STATE OF NEW MEXICO  
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	2013-001 and 2016-001
Other Items required to be reported	None
Material Noncompliance	None
Questioned Cost	None

II. FINANCIAL STATEMENT FINDINGS

Compliance

2013-001 Overspent Budget (significant deficiency)

Condition: The following budgets were over spent for the year ended June 30, 2016:

<u>FUND</u>	<u>FUNCTION</u>	<u>AMOUNT</u>
13000	2700	\$ 170
14000	1000	1,528
21000	3100	6,195
22000	1000	861
28146	1000	962
41000	2300	663

Management has failed to implement the corrective action plan as outlined in the prior year audit finding.

Criteria: 22-8-11(B) NMSA 1978, states "No school board officer or employees of a school district shall make any expenditure or incur any obligation is made in accordance with an operating budget approved by the department. This prohibition does not prohibit the transfer of funds pursuant to the department's rules and procedures".

Cause: The District is not monitoring the budgetary process on a regular basis. Reports are available in the Visions software to monitor this on a monthly basis; however, those reports are not being used to make the necessary BAR requests to prevent overspent budgets.

Effect: Violation of statutes regarding budgets and expenditures could affect future funding from the state.

Recommendation: The District has not implemented the procedures it has outlined in prior years responses. It is imperative that the District start a monitoring process on a monthly basis to ensure that the budgets are not in violation of the law.

Response: Budgets will be monitored monthly, beginning at the end of September 2016, by the Superintendent and a budget adjustment request will be submitted, as needed, in a timely manner.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS (continued)

Control

2016-001 Purchase Orders (significant deficiency)

- Condition: The District had numerous purchase orders prepared after the date of the invoice. Of 108 invoices tested, 32 or 30% were dated prior to the purchase order. This amounted to \$ 198,572 of \$ 1,264,444 or 16% of the amounts tested.
- Criteria: Per the New Mexico Manual of Procedures for Public School Accounting and Budgeting, Supplement 13– Purchasing, the preparation and execution of a duly authorized purchase order must precede the placement of any order for goods, services, or construction.
- Cause: District policies and procedures were ignored, circumvented or erroneously missed with respect to the disbursements.
- Effect: Not properly using purchase orders creates a situation where expenditures could exceed budgets at the function level, thus violating budgetary control and state statute.
- Recommendation: The District should consider additional training of employees regarding the procedures for purchasing and the purpose and need of purchase orders.
- Response: Employees will be retrained on proper procedures for purchasing any supplies. Purchase orders will be prepared and approved by the Superintendent before any purchases can be made. The training and implementation of procedures is planned be done before December 31, 2016.

III. FEDERAL FINDINGS

None

IV. PRIOR YEAR AUDIT FINDINGS

None

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS

JUNE 30, 2016

2015-001 Chief Procurement Officer (other)

- Condition: As of July 1, 2016, the district did not have a Chief Procurement Officer. Management has failed to implement the corrective action plan as outlined in the prior year audit.
- 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, 2016 and become certified.
- Effect: Management did not comply with NM State Statute 13-1-95.2.
- Recommendation: Management should ensure that someone attends the next certification program and become certified.
- Response: The Superintendent will resolve this situation and a staff person will attend the next certification program and become certified. It is unknown when the next certification program will be offered by the state, but is expected to be prior to the end of FY17.

2015-004 Continued Purchases without adequate revenue (other)

- Condition: Management approved completion of construction of the indoor rodeo arena, for which the Bond issue was approved for, without ensuring there was enough funding or other revenues to cover those costs. Some of the bond funds had been spent on other projects in the prior year leaving funding deficits for completing the arena project. As of June 30, 2016 there is an amount due to the contractor of \$ 92,189 in the SB-9 fund. The District will have to find other sources to pay this debt or use their future SB-9 funding to cover the payment. Completion of the arena had to be made and the costs incurred. The Superintendent is responsible for monitoring the bond monies in the future as per the corrective action plan from the prior year.
- 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 the 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 in the 2015-2016 fiscal year.
- Recommendation: All purchases must be reviewed to ensure the 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 to ensure that there is enough funds to purchase the goods and services designated by the bond question. It is not known when the District will have another Bond issue, but the monitoring will begin when the funds from that issue are available.

2016-002 Timeliness of Activity Deposits (other)

- Condition: 27 of 29 activity receipts totaling \$7,609 were not deposited within one week of being delivered to the business office. Those receipts were for monies which were collected by the District over 30 days before they were delivered to the business office.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS, continued

JUNE 30, 2016

2016-002 Timeliness of Activity Deposits (other) (continued)

- Criteria:** Although the District has a waiver on the 24 hour deposit rule as outlined in Chapter 22 Article 8 NMSA 1978, the funds are required to be secured until the deposit can be made to the bank. District policy requires the funds to be delivered to the secretary within 24 hours of receipt, in order for the funds to be properly secured. The District is required under the waiver to have the deposit made to the bank each week.
- Cause:** The secretary and other staff in the District disregarded policies and procedures as well as the waiver requirements regarding the deposit of funds to the bank. This was due to lack of training for the person in charge of collecting the activity funds and because the nearest branch bank the District uses is over 40 miles away and they cannot mail cash. The District has very few staff and it is difficult to have someone available to drive a deposit to the bank.
- Effect:** The District violated the deposit requirements under the statute and District's policies, therefore assets of the district were not secured properly.
- Recommendation:** The District should retrain all staff regarding procedures for receipt of funds and importance of depositing the funds timely to the bank. The District should also consider taking the cash to the local post office and purchasing a money order and mailing it to the bank within the one week waiver period in order to be in compliance.
- Response:** All staff have been retrained on proper procedures for deposits. Deposits are being made in a timely manner now in order for all assets to be secured properly. The corrective action was implemented in September 2016 after the exit conference.

2016-003 Segregation of Duties (other)

- Condition:** Although, not considered a significant deficiency in internal control, the business manager has the authority to input employee information into the financial system, and to issue payroll checks, direct deposits, miscellaneous pay, etc. Payroll information was not reviewed by an additional individual to insure that all payments are proper or to validate all employees and that all payments are for valid obligations of the District.
- Criteria:** As stated in 6.20.2.11 NMAC 1978, every school district shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe guarded against loss from unauthorized use or disposition.
- Cause:** The size of the District creates problems with segregation of duties due to limited numbers of qualified personnel.
- Effect:** When duties are not segregated then controls over cash management, including the payroll function are weakened.
- Recommendation:** Re-evaluate the steps in the payroll function and determine what steps or procedures could be developed or implemented in such a way to strengthen control over cash management. Moving the ability to input employee information and setup to a person without payroll writing capabilities would be one example of this.
- Response:** The District will evaluate the payroll process and see if a step in the process can be moved to another person to perform. Segregation of duties are extremely difficult in a small school district. The Superintendent will be checking the payroll journal before any payroll is processed. It is unknown when a new procedure or segregation will be able to be implemented.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS, continued

JUNE 30, 2016

2016-003 Procurement of Audit Delete (other)

- Condition: The District did not deliver the unsigned audit contract generated by OSA-connect by May 1, 2016. It was delivered on or about August 24, 2016.
- Criteria: According to 2.2.2.8(J)(11) NMAC school districts, counties, and higher education shall deliver the unsigned contract generated by OSA-connect to the office by May 1.
- Cause: Management was unaware that the District was required to change auditors due to the new six year audit rule. Management also was not up to date on the requirements under the State Audit Rule.
- Effect: Management did not comply with 2.2.2.8(J)(11) NMAC. Also, not securing an audit contract timely can result in the report being issued after the November 15 deadline.
- Recommendation: Management should ensure that someone attends the state audit rule meeting presented by the Office of the State Auditor each spring.
- Response: The District will have the Business Manger attend the state audit rule meetings as recommended. These are expected to be held and attended in the spring of 2017.

STATE OF NEW MEXICO  
MOSQUERO MUNICIPAL SCHOOLS

OTHER DISCLOSURES

Year Ended June 30, 2016

PREPARATION OF FINANCIAL STATEMENTS

We prepared the draft financial statements based on management's chart of accounts and trial balances and any adjusting, correcting, and closing entries have been approved by management. We also have prepared the draft footnotes based on the information determined, provided by and approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An Exit Conference was held on November 7, 2016. Present were:

Jack Chatfield  
Tommy Turner  
Darla King  
D. Brent Woodard

Board President  
Superintendent  
Business Manager  
Auditor