

**STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

JUNE 30, 2017

Woodard, Cowen & Co.

Certified Public Accountants

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

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MOSQUERO MUNICIPAL SCHOOLS

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STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

OFFICIAL ROSTER

JUNE 30, 2017

BOARD OF EDUCATION

Victor R. Vigil	President
Boyd Hazen	Vice President
Amanda Culbertson	Secretary
Floyd Padilla	Member
Corey Bell	Member

SCHOOL OFFICIALS

Tommy Turner	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, 2017, 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 fund, fiduciary funds and the budgetary comparisons for the major debt service 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, 2017 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, 2017, 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, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons statements for the major debt service 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 58, the *Schedule of Contributions* on page 59, with the notes to the required supplementary information on page 60 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 13, 2017 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 13, 2017

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT A

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 464,903
Property taxes receivable	20,727
Due from other governments	86,321
Inventories	931
Total current assets	<u>572,882</u>
Non-current assets:	
Restricted cash and cash equivalents	36,003
Capital assets, net	10,022,936
Total non-current assets	<u>10,058,939</u>
Total assets	<u>10,631,821</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	245,936
Total deferred outflows	<u>245,936</u>
<u>LIABILITIES</u>	
Current liabilities:	
Compensated absences	9,977
Accrued interest payable	44,016
Current portion of long term debt	569,000
Total current liabilities	<u>622,993</u>
Non-current liabilities:	
Non-current portion of long term debt	5,371,000
Net pension liability	1,653,740
Total non-current liabilities	<u>7,024,740</u>
Total liabilities	<u>7,647,733</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenue	569
Deferred inflows related to pensions	20,979
Total deferred inflows	<u>21,548</u>
<u>NET POSITION</u>	
Net investment in capital assets	4,082,936
Restricted:	
Debt Service	388,771
Capital Projects	66,920
Unrestricted	<u>(1,330,151)</u>
Total net position	<u>\$ 3,208,476</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, 2017

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	\$ 1,340,574	\$ 2,306	\$ 118,475	\$ -	\$ (1,219,793)
Support Services	-	-	-	-	-
Support Services Students	141,841	-	9,655	-	(132,186)
Support Services Instruction	-	-	-	-	-
Support Services General Administration	254,195	-	-	-	(254,195)
Support Services School Administration	39,309	-	-	-	(39,309)
Central Services	85,980	-	-	-	(85,980)
Operation and Maintenance of Plant	334,349	16,668	-	-	(317,681)
Student Transportation	155,369	-	137,812	-	(17,557)
Other Support Services	-	-	-	-	-
Food Services Operations	93,670	6,430	10,684	-	(76,556)
Bond Interest Paid	199,450	-	-	-	(199,450)
Bond Issuance Cost	22,000	-	-	-	(22,000)
Unallocated	-	8,500	7,491	-	15,991
Total governmental activities	\$ 2,666,737	\$ 33,904	\$ 284,117	\$ -	(2,348,716)
General revenues:					
Property Taxes:					
					40,459
					903,501
					163,032
					1,204,439
					-
					904
					3,257
					2,315,592
					(33,124)
					3,241,600
					\$ 3,208,476

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT C

BALANCE SHEET- GOVERNMENTAL FUNDS

JUNE 30, 2017

	GENERAL	NM READS TO LEAD K-3	DEBT SERVICE	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 19,702	\$ -	\$ 369,200	\$ 76,001	\$ 464,903
Restricted cash and cash equivalents	-	-	-	36,003	36,003
Accounts Receivable					
Property Taxes Receivable	748	-	16,009	3,970	20,727
Federal	-	-	-	28,175	28,175
State	-	56,885	-	-	56,885
Inventories	-	-	-	931	931
Due from Other Funds	85,060	-	-	-	85,060
Due from Other Agencies	1,261	-	-	-	1,261
TOTAL ASSETS	\$ 106,771	\$ 56,885	\$ 385,209	\$ 145,080	\$ 693,945
LIABILITIES AND OTHER CREDITS					
Due to Other Funds	\$ -	\$ 56,885	\$ -	\$ 28,175	\$ 85,060
Accrued Interest Payable	-	-	43,846	170	44,016
TOTAL LIABILITIES	-	56,885	43,846	28,345	129,076
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	569	569
TOTAL DEFERRED INFLOWS	-	-	-	569	569
FUND BALANCE					
Nonspendable	-	-	-	931	931
Restricted	22,110	-	341,363	115,235	478,708
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	84,661	-	-	-	84,661
TOTAL FUND BALANCE	106,771	-	341,363	116,166	564,300
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 106,771	\$ 56,885	\$ 385,209	\$ 145,080	\$ 693,945

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

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, 2017

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

Fund Balances - total governmental funds	\$ 564,300
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	10,022,936
Deferred outflows related to pensions not reported in the funds	245,936
Net pension liability not reported in the funds	(1,653,740)
Deferred inflows related to pensions not reported in the funds	(20,979)
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	(5,940,000)
Compensated Absences	<u>(9,977)</u>
Net position of governmental activities	<u>\$ 3,208,476</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT E

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

Year Ended June 30, 2017

	GENERAL	NM READS TO LEAD K-3	DEBT SERVICE	NON MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE					
Federal Programs	\$ -	\$ -	\$ -	\$ 55,467	\$ 55,467
State Programs	170,194	82,825	-	-	253,019
Local Programs	-	-	-	-	-
State Equalization	1,204,439	-	-	-	1,204,439
Service Revenues	-	-	-	9,535	9,535
Taxes	40,459	-	854,657	211,876	1,106,992
Interest	47	-	-	857	904
Other revenue sources	3,257	-	-	-	3,257
TOTAL REVENUES	1,418,396	82,825	854,657	277,735	2,633,613
EXPENDITURES					
Current					
Instruction	596,581	82,825	-	37,434	716,840
Support Services	-	-	-	-	-
Support Services Students	132,186	-	-	9,655	141,841
Support Services Instruction	-	-	-	-	-
Support Services General Administration	148,756	-	6,604	1,636	156,996
Support Services School Administration	39,309	-	-	-	39,309
Central Services	81,001	-	-	-	81,001
Operation and Maintenance of Plant	249,260	-	-	-	249,260
Student Transportation	137,812	-	-	-	137,812
Other Support Services	-	-	-	-	-
Food Services Operations	20,458	-	-	18,678	39,136
Capital Outlay	-	-	-	266,932	266,932
Debt Service					
Principal	-	-	545,000	-	545,000
Bond Issuance Cost	-	-	-	22,000	22,000
Interest and Fiscal Charge	-	-	198,146	1,304	199,450
TOTAL EXPENDITURES	1,405,363	82,825	749,750	357,639	2,595,577
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	13,033	-	104,907	(79,904)	38,036
Other Financing Sources (Uses)					
Transfers In/ Transfers (Out)	-	-	-	-	-
Bond Proceeds	-	-	-	275,000	275,000
Total Other Financing Sources	-	-	-	275,000	275,000
NET CHANGE IN FUND BALANCE	13,033	-	104,907	195,096	313,036
FUND BALANCE					
June 30, 2016	93,738	-	236,456	(78,930)	251,264
FUND BALANCE					
June 30, 2017	\$ 106,771	\$ -	\$ 341,363	\$ 116,166	\$ 564,300

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

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, 2017

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

Net change in fund balance - total governmental funds	\$ 313,036
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	-
Depreciation	(540,366)
Expenses in Statement of Activities which do not require use of current financial resources i.e. Compensated Absences	(5,158)
Bond Proceeds	(275,000)
Pension related expense	(70,636)
Bond Principal	545,000
Change in Net Position	<u>\$ (33,124)</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, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ 5,000	\$ 5,000
State Programs	1,207,674	1,326,217	1,345,264	19,047
Local Programs	76,169	76,169	67,921	(8,248)
TOTAL REVENUE	<u>1,283,843</u>	<u>1,402,386</u>	<u>\$ 1,418,185</u>	<u>\$ 15,799</u>
BUDGETED CASH BALANCE	<u>98,846</u>	<u>98,846</u>		
TOTAL REVENUE & CASH	<u>\$ 1,382,689</u>	<u>\$ 1,501,232</u>		
EXPENDITURES				
Current				
Instruction	\$ 602,577	\$ 602,105	\$ 596,581	\$ 5,524
Support Services	-	-	-	-
Support Services Students	157,056	157,056	132,186	24,870
Support Services Instruction	-	-	-	-
Support Services General Administration	148,756	148,756	148,756	-
Support Services School Administration	39,671	39,671	39,309	362
Central Services	79,984	79,984	82,263	(2,279)
Operation and Maintenance of Plant	257,693	257,693	249,260	8,433
Student Transportation	-	137,812	137,812	-
Other Support Services	76,142	57,345	-	57,345
Food Services Operations	20,810	20,810	20,458	352
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 1,382,689</u>	<u>\$ 1,501,232</u>	<u>\$ 1,406,625</u>	<u>\$ 94,607</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, 2017

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE Favorable (Unfavorable)
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	82,825	63,846	(18,979)
Local Programs	-	-	-	-
TOTAL REVENUE	<u>-</u>	<u>82,825</u>	<u>\$ 63,846</u>	<u>\$ (18,979)</u>
BUDGETED CASH BALANCE	-	-		
TOTAL REVENUE & CASH	<u>\$ -</u>	<u>\$ 82,825</u>		
EXPENDITURES				
Current				
Instruction	\$ -	\$ 82,825	\$ 82,825	\$ -
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	-	-	-	-
TOTAL EXPENDITURES	<u>\$ -</u>	<u>\$ 82,825</u>	<u>\$ 82,825</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT I

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash on Deposit	\$ 13,916
TOTAL ASSETS	<u>\$ 13,916</u>
LIABILITIES	
Due To Student Groups	\$ 13,916
TOTAL LIABILITIES	<u>\$ 13,916</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017

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.

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, 2017

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, 2017

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 2017 fiscal year was \$127,818,266. 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, 2017

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, 2017 was \$9,977. 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, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts due</u> <u>in One Year</u>
<u>\$ 4,819</u>	<u>\$ 6,022</u>	<u>\$ (864)</u>	<u>\$ 9,977</u>	<u>\$ 9,977</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 \$455,691 is comprised of Capital Projects \$66,920 and Debt Service \$388,771.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$1,204,439 in state equalization guarantee distributions during the year ended June 30, 2017.

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 \$137,812 in transportation distributions during the year ended June 30, 2017.

12. Pension Plan – Education Retirement Board

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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 \$5,940,000 difference is as follows:

Bonds Payable	<u>\$5,940,000</u>
Net adjustment to reduce fund balance -- total governmental funds to arrive at net position -- governmental activities	<u>\$5,940,000</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 \$(540,366) difference is as follows:

Capital Outlay	\$ -
Depreciation expense	<u>(540,366)</u>
Net adjustment to increase net changes in fund balances -- total government funds to arrive at changes in net position of governmental activities	<u>\$ (540,366)</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 \$545,000 difference is as follows:

Principal repayments:	
General obligation debt	<u>\$ 545,000</u>
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 545,000</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017 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, 2017

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

A. Budgetary information (continued)

	<u>Original Budget</u>	<u>Final Budget</u>
General Fund	\$ 1,382,689	\$ 1,501,232
Special Revenue Funds	48,583	143,368
Capital Project Funds	-	-
Debt Service Funds	1,020,677	1,020,677
	<u>\$ 2,451,949</u>	<u>\$ 2,665,277</u>

B. Deficit fund equity

There were not any deficit fund balances at June 30, 2017.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and temporary investments

At June 30, 2017, the carrying amount of the District's deposits was \$478,819 and the bank balance was \$521,442. Of this balance \$250,000 was covered by federal depository insurance and \$153,061 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	\$ 521,442
	Less: FDIC coverage	<u>(250,000)</u>
	Uninsured Public Funds	271,442
	Pledged collateral held by pledging bank's agent in the District's name	<u>153,061</u>
	Uninsured and un-collateralized	<u>\$ 118,381</u>

The District has funds which are managed by NMFA which are considered restricted cash and cash equivalents in the amount of \$36,003.

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 4 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, 2017

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, 2017, the government bank balance was 56% collateralized. As of June 30, 2017, \$118,381 of the government's bank balance of \$521,442 was exposed to custodial credit risk.

Uninsured and un-collateralized \$ 118,381

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	Debt Service	Non Major Governmental	TOTAL
Taxes:					
Property	\$ 748	\$ -	\$ 16,009	\$ 3,970	\$ 20,727
Intergovernmental Grants:					
Federal	\$ -	\$ -	\$ -	\$ 28,175	\$ 28,175
State	-	56,885	-	-	56,885
Other Agencies	1,261	-	-	-	1,261
	<u>\$ 2,009</u>	<u>\$ 56,885</u>	<u>\$ 16,009</u>	<u>\$ 32,145</u>	<u>\$ 107,048</u>

Receivables are considered fully collectible.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$ 569
Total deferred/unearned revenue for government funds	<u>\$ 569</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2017 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	12,512,475	-	-	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	<u>14,912,412</u>	<u>-</u>	<u>-</u>	<u>14,912,412</u>
Less accumulated depreciation for:				
Land improvements	252,408	53,341	-	305,749
Buildings & building improvements	3,055,003	420,085	-	3,475,088
Furniture & Fixtures	6,785	-	-	6,785
Vehicles	277,588	26,255	-	303,843
Equipment	814,380	40,685	-	855,065
Total accumulated depreciation	<u>4,406,164</u>	<u>540,366</u>	<u>-</u>	<u>4,946,530</u>
Total Capital assets, being depreciated, net	<u>10,506,248</u>	<u>(540,366)</u>	<u>-</u>	<u>9,965,882</u>
Governmental activities capital assets, net	<u>\$ 10,563,302</u>	<u>\$ (540,366)</u>	<u>\$ -</u>	<u>\$ 10,022,936</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$	351,644
Support Services		-
Support Services Students		-
Support Services Instruction		-
Support Services General Administration		26,563
Support Services School Administration		-
Central Services		4,979
Operation and Maintenance of Plant		85,089
Student Transportation		17,557
Other Support Services		-
Food Services Operations		54,534
Total	\$	<u>540,366</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPALSCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

IV. DETAILED NOTES ON ALL FUNDS (continued)

E. Long-Term Debt

Governmental Activities Bonds Payable

A summary in changes in long-term obligations follows:

	<u>Balance 7-1-2016</u>	<u>Bonds Issued</u>	<u>Bonds Redeemed</u>	<u>Balance 6-30-2017</u>	<u>Amounts due within One Year</u>
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 1.25616%	\$ 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%	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%	205,000	-	50,000	155,000	155,000
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%	1,125,000	-	150,000	975,000	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%	900,000	-	50,000	850,000	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%	2,850,000	-	50,000	2,800,000	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%	995,000	-	110,000	885,000	110,000
8/5/2016 \$275,000 ED Tech Notes due in annual installments of \$54,000 to \$56,000 through August 2021, interest at less than 1%.	-	275,000	-	275,000	54,000
Total	<u>\$ 6,210,000</u>	<u>\$ 275,000</u>	<u>\$ 545,000</u>	<u>\$ 5,940,000</u>	<u>\$ 569,000</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPALSCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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, 2017, including interest of \$1,086,834 are shown below:

	<u>Governmental Activities</u>	
	<u>General Obligation & ED Tech</u>	
	<u>Principal</u>	<u>Interest</u>
6/30/2018	\$ 569,000	\$ 185,754
6/30/2019	409,000	168,838
6/30/2020	595,000	155,820
6/30/2021	601,000	139,496
6/30/2022	611,000	122,416
2023-2027	2,955,000	310,385
2028	200,000	4,125
TOTAL	<u>\$5,940,000</u>	<u>\$ 1,086,834</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 \$7,669,096 including \$5,940,000 debt outstanding based on the June 30, 2017 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, 2017.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

General Information about the Pension Plan

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

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

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

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

Funding Policy

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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

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

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

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

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

Benefit Options – The Plan has three benefit options available.

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$158,732 and \$159,577 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$1,653,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.02298%, which was an increase of 0.00009% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$70,636. At June 30, 2017, 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
Differences between expected and actuarial experience	\$ 7,175	\$ 15,729
Changes of assumptions	33,664	-
Net difference between projected and actual earnings on pension plan investments	98,715	-
Changes in proportion and differences between contributions and proportionate share of contributions	15,904	5,250
Employer contributions subsequent to the measurement date	90,478	-
Total	<u>\$ 245,936</u>	<u>\$ 20,979</u>

\$90,478 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$34,484
2019	28,004
2020	47,917
2021	24,073
2022	Unavailable
Thereafter	Unavailable

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

C. Pension Plan – Education Retirement Board (continued)

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1percentage-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	\$ 2,190,341	\$ 1,653,740	\$ 1,208,514

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

Payables to the pension plan – 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.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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.

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, 2017, 2016 and 2015 were \$13,062, \$13,126 and \$13,016 respectively, which equal the required contributions for each year.

E. Overspent Budgets

At June 30, 2017 the District had six funds which had overspent budgets that consisted of the following:

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
IDEA-B Entitlement	Instruction	\$ 440
REAP	Instruction	20,352
SB-9 Local	SS General Administration	1,237
SB-9 Local	Capital Outlay	146,945
ED Tech Equipment Act	Capital Outlay	217,854
Debt Service	SS General Administration	1,404
ED Tech Debt Service	SS General Administration	399
ED Tech Debt Service	Debt Service	23,133
	Total	<u>\$ 411,764</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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	\$	82,652
Teacherage		2,408
Total Due To	\$	<u>85,060</u>
Due From		
IDEA-B Entitlement	\$	10,717
IDEA-B Preschool		963
Medicaid Title XIX		4,121
REAP		12,374
NM Reads to Lead K-3		56,885
Total Due From	\$	<u>85,060</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, 2017 the permanent transfers consisted of the following:

Transferred From:		
SB-9 Local	\$	81,800
Total Transfers	\$	<u>81,800</u>
Transferred To:		
SB-9	\$	81,800
Total Transfers	\$	<u>81,800</u>

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, 2017.

I. Restatements of Beginning Fund Balances

There were no adjustments made to the District's beginning fund balances for the fiscal year June 30, 2017.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

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.

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	General Fund	Debt Service	Non-Major Governmental Funds	Total
Nonspendable:				
Inventory	\$ -	\$ -	\$ 931	\$ 931
Total Nonspendable	-	-	931	931
Restricted for:				
Teacherage	18,278	-	-	18,278
Transportation	-	-	-	-
Instructional Materials	3,832	-	-	3,832
Special Revenue Funds	-	-	907	907
Capital Projects	-	-	66,920	66,920
Debt Service	-	341,363	47,408	388,771
Total Restricted	22,110	341,363	115,235	478,708
Unassigned	84,661	-	-	84,661
Total Fund Balances	\$ 106,771	\$ 341,363	\$ 116,166	\$ 564,300

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

V. OTHER INFORMATION (continued)

L. Reconciliation of Budgetary and GAAP Basis Amounts

	<u>Operational</u>
REVENUES	
Budgetary Basis	\$ 1,252,991
Add:	
Current Year Receivables & Other Credits	748
Deduct:	
Prior Year Receivables & Other Debits	<u>537</u>
REVENUE --GAAP BASIS	<u>\$ 1,253,202</u>
EXPENDITURES	
Budgetary Basis	\$ 1,251,623
Add:	
Current Year Payables & Other Debits	-
Deduct:	
Prior Year Payables & Other Credits	<u>1,262</u>
EXPENDITURES --GAAP BASIS	<u>\$ 1,250,361</u>

<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>NM Reads to Lead K-3</u>	<u>Debt Service</u>
\$ 24,369	\$ 137,812	\$ 3,013	\$ 63,846	\$ 847,230
-	-	-	56,885	16,009
-	-	-	37,906	8,582
<u>\$ 24,369</u>	<u>\$ 137,812</u>	<u>\$ 3,013</u>	<u>\$ 82,825</u>	<u>\$ 854,657</u>
\$ 16,668	\$ 137,812	\$ 522	\$ 82,825	\$ 753,557
-	-	-	-	43,846
-	-	-	-	47,653
<u>\$ 16,668</u>	<u>\$ 137,812</u>	<u>\$ 522</u>	<u>\$ 82,825</u>	<u>\$ 749,750</u>

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
MOSQUERØ MUNICIPAL SCHOOLS

EXHIBIT A-1

COMBINING BALANCE SHEET -- GENERAL FUND

JUNE 30, 2017

	Operational	Teacherage	Transportation	Instructional Materials	TOTALS
ASSETS					
Cash and cash equivalents	\$ -	\$ 15,870	\$ -	\$ 3,832	\$ 19,702
Accounts Receivable					
Property Taxes Receivable	748	-	-	-	748
Federal	-	-	-	-	-
State	-	-	-	-	-
Inventories	-	-	-	-	-
Due from Other Funds	82,652	2,408	-	-	85,060
Due from Other Agencies	1,261	-	-	-	1,261
TOTAL ASSETS	\$ 84,661	\$ 18,278	\$ -	\$ 3,832	\$ 106,771
LIABILITIES AND OTHER CREDITS					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
FUND BALANCE					
Nonspendable	-	-	-	-	-
Restricted	-	18,278	-	3,832	22,110
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	84,661	-	-	-	84,661
TOTAL FUND BALANCE	84,661	18,278	-	3,832	106,771
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 84,661	\$ 18,278	\$ -	\$ 3,832	\$ 106,771

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, 2017

	Operational	Teacherege	Transportation	Instructional Materials	TOTALS
REVENUE					
Federal Programs	\$ -	\$ -	\$ -	\$ -	\$ -
State Programs	5,000	24,369	137,812	3,013	170,194
Local Programs	-	-	-	-	-
State Equalization	1,204,439	-	-	-	1,204,439
Service Revenues	-	-	-	-	-
Taxes	40,459	-	-	-	40,459
Interest	47	-	-	-	47
Other revenue sources	3,257	-	-	-	3,257
TOTAL REVENUES	1,253,202	24,369	137,812	3,013	1,418,396
EXPENDITURES					
Current					
Instruction	596,059	-	-	522	596,581
Support Services	-	-	-	-	-
Support Services Students	132,186	-	-	-	132,186
Support Services Instruction	-	-	-	-	-
Support Services General Administration	148,756	-	-	-	148,756
Support Services School Administration	39,309	-	-	-	39,309
Central Services	81,001	-	-	-	81,001
Operation and Maintenance of Plant	232,592	16,668	-	-	249,260
Student Transportation	-	-	137,812	-	137,812
Other Support Services	-	-	-	-	-
Food Services Operations	20,458	-	-	-	20,458
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	1,250,361	16,668	137,812	522	1,405,363
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,841	7,701	-	2,491	13,033
Other Financing Sources (Uses)					
Transfer In/Transfers (Out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	2,841	7,701	-	2,491	13,033
FUND BALANCE					
June 30, 2016	81,820	10,577	-	1,341	93,738
FUND BALANCE					
June 30, 2017	\$ 84,661	\$ 18,278	\$ -	\$ 3,832	\$ 106,771

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

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.

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

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, 2017

	Food Services	Athletics	Title I	IDEA- B Entitlement	IDEA- B Preschool
ASSETS					
Cash and cash equivalents	\$ 102	\$ 805	\$ -	\$ -	\$ -
Accounts Receivable					
Property Taxes Receivable	-	-	-	-	-
Federal	-	-	-	10,717	963
State	-	-	-	-	-
Inventories	931	-	-	-	-
Due from Other Funds	-	-	-	-	-
TOTAL ASSETS	\$ 1,033	\$ 805	\$ -	\$ 10,717	\$ 963
LIABILITIES AND OTHER CREDITS					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	10,717	963
Accrued Interest Payable	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	10,717	963
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS	-	-	-	-	-
FUND BALANCE					
Nonspendable	931	-	-	-	-
Restricted	102	805	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCE	1,033	805	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1,033	\$ 805	\$ -	\$ 10,717	\$ 963

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

EXHIBIT B-1

Teacher Principal Training	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
\$ -	\$ -	\$ -	\$ -	\$ 430	\$ 139	\$ 1,476
-	-	-	-	-	-	-
-	4,121	12,374	-	-	-	28,175
-	-	-	-	-	-	-
-	-	-	-	-	-	931
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,121</u>	<u>\$ 12,374</u>	<u>\$ -</u>	<u>\$ 430</u>	<u>\$ 139</u>	<u>\$ 30,582</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,121	12,374	-	-	-	28,175
-	-	-	-	-	-	-
<u>-</u>	<u>4,121</u>	<u>12,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,175</u>
-	-	-	-	430	139	569
-	-	-	-	430	139	569
-	-	-	-	-	-	931
-	-	-	-	-	-	907
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,838
<u>\$ -</u>	<u>\$ 4,121</u>	<u>\$ 12,374</u>	<u>\$ -</u>	<u>\$ 430</u>	<u>\$ 139</u>	<u>\$ 30,582</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, 2017

	Food Services	Athletics	Title I	IDEA- B Entitlement	IDEA- B Preschool
REVENUE					
Federal Programs	\$ 10,684	\$ -	\$ -	\$ 16,458	\$ 962
State Programs	-	-	-	-	-
Local Programs	-	-	-	-	-
State Equalization	-	-	-	-	-
Service Revenues	6,430	3,105	-	-	-
Taxes	-	-	-	-	-
Interest	-	-	-	-	-
Premium on Bond	-	-	-	-	-
Other revenue sources	-	-	-	-	-
TOTAL REVENUES	17,114	3,105	-	16,458	962
EXPENDITURES					
Current					
Instruction	-	2,306	-	13,814	962
Support Services	-	-	-	-	-
Support Services Students	-	-	-	2,644	-
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	18,678	-	-	-	-
Capital Outlay	-	-	-	-	-
TOTAL EXPENDITURES	18,678	2,306	-	16,458	962
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(1,564)	799	-	-	-
Other Financing Sources (Uses)					
Transfer In/Transfers (Out)	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(1,564)	799	-	-	-
FUND BALANCE					
June 30, 2015	2,597	6	-	-	-
FUND BALANCE					
June 30, 2016	\$ 1,033	\$ 805	\$ -	\$ -	\$ -

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

EXHIBIT B-2

Teacher Principal Training	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
\$ -	\$ 7,011	\$ 20,352	\$ -	\$ -	\$ -	\$ 55,467
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	9,535
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,011	20,352	-	-	-	65,002
-	-	20,352	-	-	-	37,434
-	7,011	-	-	-	-	9,655
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	18,678
-	7,011	20,352	-	-	-	65,767
-	-	-	-	-	-	(765)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(765)
-	-	-	-	-	-	2,603
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,838

CAPITAL PROJECTS FUNDS

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.

SB-9 Local – 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.

ED TECH EQUIPMENT ACT – To ensure that American children have skills they need to succeed in the information-intensive 21st century, the Federal Government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; providing teachers with the professional development they need to use new technologies effectively; connecting classrooms to the National Information Infrastructure; and encouraging the creation of excellent educational software. The authority for the creation of this fund is the Federal Property and Administrative Services Act of 1996, Public Law 104-106.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT C-1

COMBINING BALANCE SHEET—NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS FUNDS

JUNE 30, 2017

	SB-9	SB-9 LOCAL	ED TECH EQUIPMENT ACT	TOTAL NONMAJOR CAPITAL PROJECTS
ASSETS				
Cash and cash equivalents	\$ -	\$ 27,913	\$ -	\$ 27,913
Restricted cash and cash equivalents	-	-	36,003	36,003
Accounts Receivable				
Property Taxes Receivable	-	3,004	-	3,004
Federal	-	-	-	-
State	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Agencies	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 30,917</u>	<u>\$ 36,003</u>	<u>\$ 66,920</u>
LIABILITIES AND OTHER CREDITS				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-
Accrued Interest Payable	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	-	-	-	-
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Nonspendable	-	-	-	-
Restricted	-	30,917	36,003	66,920
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCE	<u>-</u>	<u>30,917</u>	<u>36,003</u>	<u>66,920</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 30,917</u>	<u>\$ 36,003</u>	<u>\$ 66,920</u>

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
CAPITAL PROJECTS FUNDS

Year Ended June 30, 2017

	SB-9	SB-9 LOCAL	ED TECH EQUIPMENT ACT	TOTAL NONMAJOR CAPITAL PROJECTS
REVENUE				
Federal Programs	\$ -	\$ -	\$ -	\$ -
State Programs	-	-	-	-
Local Programs	-	-	-	-
State Equalization	-	-	-	-
Service Revenues	-	-	-	-
Taxes	-	163,032	-	163,032
Interest	-	-	857	857
Bond Proceeds	-	-	-	-
Other revenue sources	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>163,032</u>	<u>857</u>	<u>163,889</u>
EXPENDITURES				
Current				
Instruction	-	-	-	-
Support Services	-	-	-	-
Support Services Students	-	-	-	-
Support Services Instruction	-	-	-	-
Support Services General Administration	-	1,237	-	1,237
Support Services School Administration	-	-	-	-
Central Services	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Food Services Operations	-	-	-	-
Capital Outlay	-	49,078	217,854	266,932
TOTAL EXPENDITURES	<u>-</u>	<u>50,315</u>	<u>217,854</u>	<u>268,169</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	-	112,717	(216,997)	(104,280)
Other Financial Sources (Uses)				
Transfer In/Transfers (Out)	81,800	(81,800)	-	-
Bond Proceeds	-	-	253,000	253,000
Total Other Financial Sources	<u>81,800</u>	<u>(81,800)</u>	<u>253,000</u>	<u>253,000</u>
NET CHANGE IN FUND BALANCE	81,800	30,917	36,003	148,720
FUND BALANCE				
June 30, 2016	<u>(81,800)</u>	<u>-</u>	<u>-</u>	<u>(81,800)</u>
FUND BALANCE				
June 30, 2017	<u>\$ -</u>	<u>\$ 30,917</u>	<u>\$ 36,003</u>	<u>\$ 66,920</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 D-1

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

JUNE 30, 2017

	ED TECH DEBT SERVICE	TOTAL NONMAJOR DEBT SERVICE	TOTAL NONMAJOR SPECIAL REVENUE	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 46,612	\$ 46,612	\$ 1,476	\$ 27,913	\$ 76,001
Restricted cash and cash equivalents	-	-	-	36,003	36,003
Accounts Receivable					
Property Taxes	966	966	-	3,004	3,970
Federal	-	-	28,175	-	28,175
State	-	-	-	-	-
Inventories			931	-	931
Due from Other Funds			-	-	-
Due from Other Agencies			-	-	-
TOTAL ASSETS	<u>\$ 47,578</u>	<u>\$ 47,578</u>	<u>\$ 30,582</u>	<u>\$ 66,920</u>	<u>\$ 145,080</u>
LIABILITIES AND OTHER CREDITS					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	28,175	-	28,175
Accrued Interest	170	170	-	-	170
TOTAL LIABILITIES	<u>170</u>	<u>170</u>	<u>28,175</u>	<u>-</u>	<u>28,345</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	569	-	569
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>569</u>	<u>-</u>	<u>569</u>
FUND BALANCE					
Nonspendable	-	-	931	-	931
Restricted	47,408	47,408	907	66,920	115,235
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCE	<u>47,408</u>	<u>47,408</u>	<u>1,838</u>	<u>66,920</u>	<u>116,166</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 47,578</u>	<u>\$ 47,578</u>	<u>\$ 30,582</u>	<u>\$ 66,920</u>	<u>\$ 145,080</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT D-2

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

Year Ended June 30, 2017

	ED TECH DEBT SERVICE	TOTAL NONMAJOR DEBT SERVICE	TOTAL NONMAJOR SPECIAL REVENUE	TOTAL NONMAJOR CAPITAL PROJECTS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUE					
Federal Programs	\$ -	\$ -	\$ 55,467	\$ -	\$ 55,467
State Programs	-	-	-	-	-
Local Programs	-	-	-	-	-
State Equalization	-	-	-	-	-
Service Revenues	-	-	9,535	-	9,535
Taxes	48,844	48,844	-	163,032	211,876
Interest	-	-	-	857	857
Premium on Bonds	-	-	-	-	-
Other revenue sources	-	-	-	-	-
TOTAL REVENUES	48,844	48,844	65,002	163,889	277,735
EXPENDITURES					
Current					
Instruction	-	-	37,434	-	37,434
Support Services	-	-	-	-	-
Support Services Students	-	-	9,655	-	9,655
Support Services Instruction	-	-	-	-	-
Support Services General Administration	399	399	-	1,237	1,636
Support Services School Administration	-	-	-	-	-
Central Services	-	-	-	-	-
Operation and Maintenance of Plant	-	-	-	-	-
Student Transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Food Services Operations	-	-	18,678	-	18,678
Capital Outlay	-	-	-	266,932	266,932
Debt Service					
Principal	-	-	-	-	-
Bond Issuance Costs	22,000	22,000	-	-	22,000
Interest and Fiscal Charge	1,304	1,304	-	-	1,304
TOTAL EXPENDITURES	23,703	23,703	65,767	268,169	357,639
EXCESS (DEFICIENCY) OF					
REVENUE OVER EXPENDITURES	25,141	25,141	(765)	(104,280)	(79,904)
OTHER FINANCING SOURCES (USES)					
Transfers In/Transfers (Out)	-	-	-	-	-
Bond Proceeds	22,000	22,000	-	253,000	275,000
TOTAL OTHER FINANCING SOURCE	22,000	22,000	-	253,000	275,000
NET CHANGE IN FUND BALANCE	47,141	47,141	(765)	148,720	195,096
FUND BALANCE June 30, 2016	267	267	2,603	(81,800)	(78,930)
FUND BALANCE June 30, 2017	\$ 47,408	\$ 47,408	\$ 1,838	\$ 66,920	\$ 116,166

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 E-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -- AGENCY FUNDS

Year Ended June 30, 2017

	Balance 6/30/2016	ADDITIONS	DEDUCTIONS	Balance 6/30/2017
GENERAL	\$ 1,414	\$ 18,852	\$ 16,389	\$ 3,877
YEAR BOOK	1,118	225	571	772
FFA	3,621	20,762	23,050	1,333
MEDIA	793	5,369	2,684	3,478
HARDING CO ROUND UP	7,867	10,247	16,565	1,549
SENIOR CLASS	804	3,114	2,746	1,172
FAMILIAS	355	3,541	3,896	-
DISTRICT 11	1,068	2,313	2,865	516
PAINT THE TOWN	1,569	10,910	12,348	131
5TH & 6TH GRADE	78	575	482	171
3RD & 4TH GRADE	848	129	60	917
ARENA	3,290	12,393	15,683	-
	<u>\$ 22,825</u>	<u>\$ 88,430</u>	<u>\$ 97,339</u>	<u>\$ 13,916</u>

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

OTHER MAJOR FUND INFORMATION

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

EXHIBIT F-1

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

Year Ended June 30, 2017

	Original Budget	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Residential/Non-Residential Taxes	\$ 750,550	\$ 750,550	\$ 847,230	\$ 96,680
Interest Income	-	-	-	-
TOTAL REVENUE	<u>750,550</u>	<u>750,550</u>	<u>\$ 847,230</u>	<u>\$ 96,680</u>
BUDGETED CASH BALANCE	<u>270,127</u>	<u>270,127</u>		
TOTAL REVENUE & CASH	<u>\$ 1,020,677</u>	<u>\$ 1,020,677</u>		
EXPENDITURES				
Support Services General Administration	\$ 5,200	\$ 5,200	\$ 6,604	\$ (1,404)
Debt Service	815,127	815,127	545,000	270,127
Debt Service - Interest & Fiscal Charges	200,350	200,350	201,953	(1,603)
TOTAL EXPENDITURES	<u>\$ 1,020,677</u>	<u>\$ 1,020,677</u>	<u>\$ 753,557</u>	<u>\$ 267,120</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

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

JUNE 30, 2017

	June 30		
	2017 2016	2016 2015	2015 2014
Mosquero Municipal Schools proportion of the net pension liability (asset)	0.02298%	0.02289%	0.02306%
Mosquero Municipal Schools proportionate share of the net pension liability (asset)	\$ 1,653,740	\$ 1,482,646	\$ 1,315,734
Mosquero Municipal Schools covered-employee payroll	\$ 656,401	\$ 624,970	\$ 635,743
Mosquero Municipal Schools proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.94%	237.23%	206.96%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 2

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

JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutory required contributions	\$ 90,478	\$ 91,227	\$ 90,459
Contributions in relation to the statutorily required contributions	90,478	91,227	90,459
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2017

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 3

BANK SUMMARY

JUNE 30, 2017

<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 *	\$ 521,442	\$ (42,623)	\$ 478,819
Total Wells Fargo			<u>521,442</u>	<u>(42,623)</u>	<u>478,819</u>
NMFA	Bond holding	Ed Tech Equipment Act *	36,003	-	36,003
Total NMFA			<u>36,003</u>	<u>-</u>	<u>36,003</u>
Total Cash			<u>\$ 557,445</u>	<u>\$ (42,623)</u>	<u>\$ 514,822</u>
			* Interest Bearing		

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 4

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2017

	Total Deposits	FDIC Insurance	Uninsured Deposits	Collateral Required	Collateral Pledged	Uninsured & Uncollateralized Deposits
Wells Fargo	<u>\$ 521,442</u>	<u>\$ 250,000</u>	<u>\$ 271,442</u>	<u>\$ 135,721</u>	<u>\$ 153,061</u>	<u>\$ 118,381</u>

Collateral	CUSIP #.	Amount	Matures
FNMA FNMS 3%	3132QRKX7	132,009	7/1/2045
FNMA FNMS 3%	3138NY4S1	21,052	2/1/2043
		<u>153,061</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, 2017

	<u>OPERATIONAL</u>	<u>TEACHERAGE</u>	<u>TRANSPORTATION</u>
Audited Net Cash			
June30, 2016	\$ 23,265	\$ 10,577	\$ -
Investments & cash on hand/Loans	-	-	-
TOTAL CASH BALANCE			
June30, 2016	23,265	10,577	-
Add: Prior year void checks	-	-	-
2016-2017 Revenue	1,252,991	24,369	137,812
Transfers In & Adjustments	58,019	-	-
TOTAL AVAILABLE CASH	1,334,275	34,946	137,812
Less: 2016-2017 Expenditures	1,251,623	16,668	137,812
Returned Checks	-	-	-
Transfers Out & Adjustments	82,652	2,408	-
	1,334,275	19,076	137,812
NET CASH, JUNE 30, 2017	-	15,870	-
Cash On hand	-	-	-
TOTAL CASH, JUNE 30, 2017	<u>\$ -</u>	<u>\$ 15,870</u>	<u>\$ -</u>

SCHEDULE 5

INSTRUCTIONAL MATERIALS	CAFETERIA	ATHLETICS	FEDERAL PROJECTS	LOCAL/STATE ACCOUNT	SB-9
\$ 1,341	\$ 616	\$ 6	\$ -	\$ 569	\$ 13,919
-	-	-	-	-	-
1,341	616	6	-	569	13,919
-	-	-	-	-	-
3,013	15,220	3,105	32,185	68,381	-
-	-	-	28,176	56,885	-
4,354	15,836	3,111	60,361	125,835	13,919
522	15,734	2,306	44,783	82,825	-
-	-	-	-	-	-
-	-	-	15,578	42,441	13,919
522	15,734	2,306	60,361	125,266	13,919
3,832	102	805	-	569	-
-	-	-	-	-	-
<u>\$ 3,832</u>	<u>\$ 102</u>	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 569</u>	<u>\$ -</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE 5
CONTINUED

BANK RECONCILIATION

JUNE 30, 2017

	SB-9 LOCAL	ED TECH EQUIP ACT	DEBT SERVICE	ED TECH DEBT SERVICE	ACTIVITY
Audited Net Cash					
June30, 2016	\$ -	\$ -	\$ 275,527	\$ 267	\$ 22,825
Investments & cash on hand/Loans	-	-	-	-	-
TOTAL CASH BALANCE					
June30, 2016	-	-	275,527	267	22,825
Add: Prior year void checks	-	-	-	-	-
2016-2017 Revenue	162,176	253,857	847,230	47,878	88,430
Transfers In & Adjustments	13,919	-	-	-	-
TOTAL AVAILABLE CASH	176,095	253,857	1,122,757	48,145	111,255
Less: 2016-2017 Expenditures	-	-	-	-	-
Returned Checks	148,182	217,854	753,557	1,532	97,339
Transfers Out & Adjustments	-	-	-	1	-
	148,182	217,854	753,557	1,533	97,339
NET CASH, JUNE 30, 2017	27,913	36,003	369,200	46,612	13,916
Cash On hand	-	-	-	-	-
TOTAL CASH, JUNE 30, 2017	<u>\$ 27,913</u>	<u>\$ 36,003</u>	<u>\$ 369,200</u>	<u>\$ 46,612</u>	<u>\$ 13,916</u>

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

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

FOR THE YEAR ENDED JUNE 30, 2017

PREPARED BY AGENCY STAFF NAME: DARLA KING
 TITLE: BUSINESS MANAGER DATE: AUGUST 30, 2017

<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)	Wheeler Fleet Bus Inservice
7061	Mosquero Municipal Schools	Schools	N/A	Competitive (RFP or RFB)	Taztack 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	\$ 132,980	\$ 132,980	Dennis Wheeler Sr. 18840 Bueyeros Highway Bueyeros, NM 88415	No	No	School Bus Contractor	
Winner	\$ 78,957	\$ 78,957	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, 2017, 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 other major funds budgetary comparisons of Mosquero Municipal School District, presented as supplemental information, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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 2015-004, 2016-002, 2017-001, 2017-002, 2017-003 and 2017-004.

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 Responses and Schedule of 12-6-5 NMSA 1978 Findings. 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 13, 2017

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2017

I. SUMMARY OF AUDITORS RESULTS:

Report on Financial Statements	Unmodified
Significant Deficiencies on GAGAS	2013-001
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, 2017:

<u>FUND</u>	<u>FUNCTION</u>	<u>AMOUNT</u>
24106	1000	\$ 440
25233	1000	20,352
31701	2300	1,237
31701	4000	146,945
31900	4000	217,854
41000	2300	1,404
43000	2300	399
43000	5000	23,133

Fund 24109 had the budgeted expenditures to the wrong function in the Visions software. The budget amount of \$100 was for function 2100 while that amount was posted to function 1000 in the budgetary software.

Funds 25233, 31701, 31900 and 43000 had revenues and expenses with no budgetary authority. .

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. Budgets are not being treated as an important control of the District and therefore a violation of state law has occurred.

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2017

II. FINANCIAL STATEMENT FINDINGS (continued)

2013-001 Overspent Budget (significant deficiency) (continued)

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. The Business Manager needs to make the budgetary procedures a high priority in the accounting process. This is to ensure the District has the funds to expend within the statutes.

Response: Budgets will be monitored monthly beginning in November 2017, by the Superintendent and the Business Manager. Any budget adjustment request needed will be submitted in a timely manner to the School Board and PED for approval. The Superintendent will be provided a revenue and expenditure report with budgetary information each month in order to monitor the budget.

Control

None

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF 12-6-5 NMSA 1978 FINDINGS

JUNE 30, 2017

Compliance

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, 2017 the balance due on the arena construction of \$92,189 was paid off with FY17 SB-9 funds. 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 make final payment for the roping arena, the School District had to use SB-9 monies which were needed for the upkeep of all school properties.
- Recommendation: All purchases must be reviewed to ensure the District has enough cash to purchase the goods/services.
- Response: All future bond issues will be monitored by the Superintendent to ensure there is enough funds to purchase the goods and services designated by the bond question.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

2016-002 Timeliness of Activity Deposits (other)

- Condition: The District had numerous activity deposits which did not meet the one week waiver requirement for depositing funds to the bank account. Of 15 receipts tested, 10 or (67%) were deposited more than one week after the funds were received. This amounted to \$5,007 of \$5,539 or 90% of the amounts tested. Also, 6 of the 15 items tested, did not have any documentation as to when the funds were received by the District. The District failed to implement the corrective action plan outlined in the prior year audit finding.
- 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 has been retrained in the handling and depositing of cash. The District has changed banks and remote deposit is now available. Also, a closer branch, 20 miles away, is now open one day a week. This will help the Business Manager to ensure that the deposits are made within the one week waiver.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

2017-001 HR Documentation (other)

- Condition: During the tests of payroll files we noted that 1 of 5 (20%) of the files had no completed I-9 and 1 of 5 (20%) did not have documents supporting voluntary deductions from gross pay.
- Criteria: NMAC 6.20.2.18 1978 states the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.
- Cause: The District employees have disregarded the board policies and procedures and the state and federal statutes regarding employee file documentation.
- Effect: Violation of Federal and State statutes and District policies and procedures.
- Recommendation: The District should review all personnel files and bring them up to date with current forms and payroll information. The District should also implement a review policy of payroll files to ensure the files are always complete and accurate.
- Response: The District will change procedure in FY18 to have the school nurse to review all employee files and make sure they are up to date and complete.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

2017-002 Food Inventory (other)

- Condition: Ending inventory for food service was not completed by year end. Pricing and extensions of total costs were not made until the auditor requested the information. Also, the USDA commodities were not separated in the inventory from the items purchased by the District.
- Criteria: Ending inventory is to be maintained pursuant to USDA Regulations and Policies – Food Distribution under 7 CFR part 250.
- Cause: Oversight by staff in the food services department.
- Effect: Failure to maintain records required by 7 CFR Section 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the district could be liable for the value of the food or replacement of the food in kind.
- Recommendation: Develop systems to ensure that inventories are tracked and maintained pursuant to USDA guidelines and are finalized and available for the end of each fiscal year.
- Response: The District will change procedures in FY18 to have the school nurse monitor the food inventory and make sure a complete and segregated inventory is completed at the end of the fiscal year.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

2017-003 Unrecorded/Unreported Transactions (other)

Condition: Funds held at the New Mexico Finance Authority were never recorded on the District's books of record or Public Education Department quarterly reports. These included \$32,003 in cash balances at June 30, 2017 and Sale of Notes of \$253,000, interest earned of \$857 and expenditures of \$217,854 during the fiscal year.

Criteria: All transactions, whether actually made by management or outside parties should be posted / recorded to the Districts books of record and reported in the Public Education Department quarterly report.

Cause: Management did not ensure these transactions were booked.

Effect: Cash balances and interest income were understated on the District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included in the financial statements.

Recommendation: The District management should ensure all amounts / transactions are posted / recorded to the District's books of record.

Response: Beginning in November 2017, all funds will be recorded in the books and quarterly reports by the business manager as transactions occur.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

2017-004 Payment of Accrued Leave (other)

- Condition: As of June 30, 2017 the District owed a former employee accrued leave of \$1,694. The employee retired during the fiscal year 2017; however, as of August 29, 2017 the District had not fulfilled its obligation to pay the employee for their earned leave.
- Criteria: All amounts owed to employees for accrued leave should be paid immediately upon termination of employment or retirement. Those amounts should be calculated based on the policies of the District.
- Cause: Management disregarded policies regarding payment of accrued leave.
- Effect: The District violated requirements under employment contracts and federal and state laws regarding payment of employees. This leaves the District open to possible legal actions.
- Recommendation: The District should immediately pay any amounts due to the former employee and adhere to employment policies and laws in the future, regarding payment of accrued leave.
- Response: All leave due to the former employee has been paid as of November 2017. In the future all leave due, based on District policy, will be paid by the business office at the termination or retirement of the employee.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

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

JUNE 30, 2017

Control

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. The District has not implemented the corrections plan as outlined prior year audit finding.
- 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. Implementation of the prior year corrective action would be the first step to correcting the issue.
- Response: The District will review procedures and implement more specific duties to the Superintendent and the school secretary regarding cash management and payroll processing. The expectation is that these procedures will be determined and implemented in the next 90 days.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2017

Prior Year Audit Findings

Significant Deficiencies

2013-001 Overspent Budgets
2016-001 Purchase Orders

Revised and Repeated
Resolved

Other Matters

2015-002 Chief Procurement Office
2015-004 Continued Purchases without adequate revenue
2016-002 Timeliness of Activity Deposits
2016-003 Segregation of Duties
2016-004 Procurement of Audit

Resolved
Revised and Repeated
Revised and Repeated
Revised and Repeated
Resolved

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS

OTHER DISCLOSURES

Year Ended June 30, 2017

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 13, 2017. Present were:

Boyd Hazen
Tommy Turner
Darla King
D. Brent Woodard

Board Vice President
Superintendent
Business Manager
Auditor