

State of New Mexico

MOSQUERO MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2018
ANNUAL FINANCIAL REPORT

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

RICE & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
AUDIT REPORT
For The Year Ended June 30, 2018
(with Auditor's Report Thereon)

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Official Roster
Year Ended June 30, 2018

Board of Education

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

School Officials

Mr. Tommy Turner	Superintendent
Ms. Darla King	Business Manager

Rice and Associates, C.P.A.

AUDITING
BOOKKEEPING
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS
11805 Menaul NE
Albuquerque, NM 87112

TAX PLANNING
TAX PREPARATION
FAX (505) 294-8904

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colon
New Mexico State Auditor
and
Board of Education
Mosquero Municipal Schools
Mosquero, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, IDEA-B Entitlement, Medicaid and Read2Lead Funds of the Mosquero Municipal Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Mosquero Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Mosquero Municipal Schools non-major governmental and fiduciary funds 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, 2018 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mosquero Municipal Schools, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, IDEA-B Entitlement, Medicaid and Read2Lead Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Mosquero Municipal Schools, as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 13 to the financial statements, effective July 1, 2017, the School District adopted Governmental Accounting Standards Board Statement (GASB) No 75 *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the Schedules I and II and the notes to the Required Supplementary Information and also Schedules III and IV be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Mosquero Municipal Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019 on our consideration of the Mosquero Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mosquero Municipal Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico
June 10, 2019

FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Net Position
June 30, 2018

Statement 1
Page 1 of 2

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,128,107
Accounts receivable	23,947
Due from grantor	37,665
Inventory	<u>931</u>
Total current assets	<u>1,190,650</u>
Non-current assets	
Land (non-depreciable)	57,054
Capital assets (depreciable)	14,912,412
Less accumulated depreciation	<u>(5,474,191)</u>
Total non-current assets	<u>9,495,275</u>
Total assets	<u>10,685,925</u>
 Deferred outflows of resources	
Deferred outflows of resources related to pension	837,462
Deferred outflows of resources related to OPEB	<u>19,114</u>
Total deferred outflows of resources	<u>856,576</u>
Total assets and deferred outflows of resources	<u><u>\$ 11,542,501</u></u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Net Position
June 30, 2018

Statement 1
Page 2 of 2

LIABILITIES

Current liabilities		
Accounts payable	\$	-
Accrued interest payable		-
Rental deposits payable		250
Current portion of long-term liabilities		<u>409,000</u>
Total current liabilities		<u>409,250</u>
Long-term obligations:		
Net pension liability		2,540,539
OPEB liability		766,759
Compensated absences		8,491
Non-current portion of long-term liabilities		<u>4,962,000</u>
Total long-term liabilities		<u>8,277,789</u>
Total liabilities		<u>8,687,039</u>

Deferred inflows of resources

Unavailable revenue		1,139
Deferred inflows of resources related to Net Pension Liability		47,808
Deferred inflows of resources related to OPEB liability		<u>174,512</u>
Total deferred inflows of resources		<u>223,459</u>

NET POSITION

Net investment in capital assets		4,124,275
Restricted for:		
Cafeteria fund (inventory)		931
Capital outlay		173,922
Debt service		874,923
State mandated reserves		991
Special grants		29,633
Unrestricted		<u>(2,572,672)</u>
Total net position		<u>2,632,003</u>
Total liabilities, deferred inflows of resources and net position		<u><u>\$ 11,542,501</u></u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Activities
Year Ended June 30, 2018

Statement 2

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
EXPENSES:					
Governmental activities:					
Direct instruction	\$ 1,007,927	\$ 2,583	\$ 108,652	\$ -	\$ (896,692)
Instructional support	1,009,978	38,554	188,742	-	(782,682)
Food services	28,317	4,897	7,651	-	(15,769)
Depreciation - unallocated	527,661	-	-	-	(527,661)
Interest on long-term obligations	141,739	-	-	-	(141,739)
Total governmental activities	2,715,622	46,034	305,045	-	(2,364,543)
General revenues:					
Taxes					
Property taxes, levied for general purposes					51,278
Property taxes, levied for capital projects					206,541
Property taxes, levied for debt service					1,009,877
Copper production taxes, general purpose					1,359
Copper production taxes, capital projects					5,378
Copper production taxes, debt service					30,115
Oil and gas taxes, general purpose					7,443
Oil and gas taxes, capital projects					29,772
Oil and gas taxes, debt service					169,928
Federal and State aid not restricted to specific purpose					
General					1,185,005
Interest and investment earnings					2,159
Sub-total, general revenues					2,698,855
Change in net position					334,312
Net position - beginning of year					3,208,475
Restatement					(910,784)
Net position - beginning of year - restated					2,297,691
Net position - end of year					\$ 2,632,003

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Balance Sheet - All Governmental Funds
June 30, 2018

Statement 3

	General	IDEA-B Entitlement	Medicaid	Read2 Lead	Local Capital Improvements SB-9	Debt Service	Other Governmental	Total
ASSETS								
Cash on deposit	\$ 97,001	\$ -	\$ -	\$ -	\$ 170,873	\$ 793,614	\$ 66,619	\$ 1,128,107
Accounts receivable, collectible	3,819	-	-	-	3,049	15,768	1,311	23,947
Due from grantor	-	5,362	9,778	20,821	-	-	1,704	37,665
Due from other funds	37,665	-	-	-	-	-	-	37,665
Inventory, at cost	-	-	-	-	-	-	931	931
Total assets	<u>\$ 138,485</u>	<u>\$ 5,362</u>	<u>\$ 9,778</u>	<u>\$ 20,821</u>	<u>\$ 173,922</u>	<u>\$ 809,382</u>	<u>\$ 70,565</u>	<u>\$ 1,228,315</u>
LIABILITIES								
Due to other funds	\$ -	\$ 5,362	\$ 9,778	\$ 20,821	\$ -	\$ -	\$ 1,704	\$ 37,665
Accounts payable	-	-	-	-	-	-	-	-
Revenues not yet earned	-	-	-	-	-	-	1,139	1,139
Rental deposits	250	-	-	-	-	-	-	250
Total liabilities	<u>250</u>	<u>5,362</u>	<u>9,778</u>	<u>20,821</u>	<u>-</u>	<u>-</u>	<u>2,843</u>	<u>39,054</u>
FUND BALANCE								
Nonspendable	-	-	-	-	-	-	931	931
Restricted								
Special revenue grants	28,383	-	-	-	-	-	1,250	29,633
Capital outlay	-	-	-	-	173,922	-	-	173,922
Debt service	-	-	-	-	-	809,382	65,541	874,923
State mandated cash reserves	991	-	-	-	-	-	-	991
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	108,861	-	-	-	-	-	-	108,861
Total fund balance	<u>138,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,922</u>	<u>809,382</u>	<u>67,722</u>	<u>1,189,261</u>
Total liabilities and fund balance	<u>\$ 138,485</u>	<u>\$ 5,362</u>	<u>\$ 9,778</u>	<u>\$ 20,821</u>	<u>\$ 173,922</u>	<u>\$ 809,382</u>	<u>\$ 70,565</u>	<u>\$ 1,228,315</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2018

Statement 4

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

Total fund balances - governmental funds	\$ 1,189,261
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	14,969,466	
Accumulated depreciation	<u>(5,474,191)</u>	
		9,495,275

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

Deferred outflows/inflows	789,654
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Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds

Deferred outflows/inflows	(155,398)
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Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Net pension liability	(2,540,539)
Net OPEB liability	(766,759)
Compensated Absences	(8,491)
Bonds Payable	<u>(5,371,000)</u>

Total net position - governmental funds	<u>\$ 2,632,003</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2018

Statement 5

	General	IDEA-B Entitlement	Medicaid	Read2 Lead	Local Capital Improvements SB-9	Debt Service	Other Governmental	Total
REVENUES								
Property Taxes	\$ 51,278	\$ -	\$ -	\$ -	\$ 206,541	\$ 949,544	\$ 60,333	\$ 1,267,696
Oil and gas taxes	7,443	-	-	-	29,772	157,845	12,083	207,143
Copper production taxes	1,359	-	-	-	5,378	27,822	2,293	36,852
Charges for services	38,554	-	-	-	-	-	7,480	46,034
Local sources	1,008	-	-	-	-	-	4,079	5,087
State sources	1,348,781	-	-	55,896	-	-	430	1,405,107
Federal sources	-	14,590	22,707	-	-	-	42,559	79,856
Earnings from investments	2,015	-	-	-	-	-	144	2,159
Total revenues	1,450,438	14,590	22,707	55,896	241,691	1,135,211	129,401	3,049,934
EXPENDITURES								
Current:								
Direct instruction	566,327	14,590	-	55,896	-	-	39,125	675,938
Instructional support	836,980	-	22,707	-	98,686	12,156	39,449	1,009,978
Food services	15,668	-	-	-	-	-	12,649	28,317
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Bonds	-	-	-	-	-	515,000	54,000	569,000
Interest	-	-	-	-	-	140,035	1,704	141,739
Total expenditures	1,418,975	14,590	22,707	55,896	98,686	667,191	146,927	2,424,972
Net change in fund balances	31,463	-	-	-	143,005	468,020	(17,526)	624,962
Fund balance beginning of year	106,772	-	-	-	30,917	341,362	85,248	564,299
Fund balance end of year	\$ 138,235	\$ -	\$ -	\$ -	\$ 173,922	\$ 809,382	\$ 67,722	\$ 1,189,261

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Statement 6

Total net change in fund balances - governmental funds \$ 624,962

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

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

Depreciation expense	(527,661)	
Capital outlays	<u>-</u>	
Excess of depreciation expense over capital outlay		(527,661)

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

Pension contributions		88,563
Pension expense		(410,665)
OPEB contributions		19,114
OPEB expense		(30,487)

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

Compensated absences		1,486
Proceeds of bond issue		-
Repayment of long-term debt		<u>569,000</u>

Change in net position of governmental activities **\$ 334,312**

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real estate taxes	\$ 37,022	\$ 37,022	\$ 51,279	\$ 14,257
Oil & gas taxes	11,837	11,837	7,430	(4,407)
Copper production taxes	-	-	1,359	1,359
Charges for services	15,000	15,000	36,496	21,496
Local sources	10	10	8	(2)
State sources	1,334,661	1,343,809	1,348,781	4,972
Federal sources	-	-	-	-
Earnings from investments	30	30	2,015	1,985
	<u>30</u>	<u>30</u>	<u>2,015</u>	<u>1,985</u>
 Total revenues	 <u>\$ 1,398,560</u>	 <u>\$ 1,407,708</u>	 <u>\$ 1,447,368</u>	 <u>\$ 39,660</u>
EXPENDITURES				
Direct instruction	\$ 597,664	\$ 597,664	\$ 566,327	\$ 31,337
Instructional support	805,786	814,934	835,719	(20,785)
Food services	20,810	20,810	15,668	5,142
	<u>20,810</u>	<u>20,810</u>	<u>15,668</u>	<u>5,142</u>
 Total expenditures	 <u>\$ 1,424,260</u>	 <u>\$ 1,433,408</u>	 <u>\$ 1,417,714</u>	 <u>\$ 15,694</u>
 BUDGETED CASH BALANCE	 <u>\$ 25,700</u>	 <u>\$ 25,700</u>		

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
IDEA-B Entitlement
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 14,676</u>	<u>\$ 14,676</u>	<u>\$ 19,946</u>	<u>\$ 5,270</u>
Total revenues	<u>\$ 14,676</u>	<u>\$ 14,676</u>	<u>\$ 19,946</u>	<u>\$ 5,270</u>
EXPENDITURES				
Direct instruction	<u>\$ 14,676</u>	<u>\$ 14,676</u>	<u>\$ 14,590</u>	<u>\$ 86</u>
Total expenditures	<u>\$ 14,676</u>	<u>\$ 14,676</u>	<u>\$ 14,590</u>	<u>\$ 86</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Medicaid
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 31,185</u>	<u>\$ 31,185</u>	<u>\$ 17,050</u>	<u>\$ (14,135)</u>
Total revenues	<u><u>\$ 31,185</u></u>	<u><u>\$ 31,185</u></u>	<u><u>\$ 17,050</u></u>	<u><u>\$ (14,135)</u></u>
EXPENDITURES				
Instructional support	<u>\$ 31,185</u>	<u>\$ 31,185</u>	<u>\$ 22,707</u>	<u>\$ 8,478</u>
Total expenditures	<u><u>\$ 31,185</u></u>	<u><u>\$ 31,185</u></u>	<u><u>\$ 22,707</u></u>	<u><u>\$ 8,478</u></u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOLS
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Read2Lead
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 56,500	\$ 56,500	\$ 91,959	\$ 35,459
Total revenues	<u>\$ 56,500</u>	<u>\$ 56,500</u>	<u>\$ 91,959</u>	<u>\$ 35,459</u>
EXPENDITURES				
Direct instruction	\$ 56,500	\$ 56,500	\$ 55,896	\$ 604
Total expenditures	<u>\$ 56,500</u>	<u>\$ 56,500</u>	<u>\$ 55,896</u>	<u>\$ 604</u>

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

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOLLS
 Statement of Fiduciary
 Assets and Liabilities - Agency Funds
 June 30, 2018

	Agency Funds
ASSETS	
Cash	\$ 19,193
Total Assets	\$ 19,193
LIABILITIES	
Deposits held for others	\$ 19,193
Total Liabilities	\$ 19,193

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Notes to Financial Statements
Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

B. Basis of Presentation

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

Notes to Financial Statements (continued)

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

Governmental Funds

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

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

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

Special Revenue Fund - Medicaid - To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children.

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

Capital Projects Fund - Local Capital Improvements SB-9 - To account for resources received through local tax levies obtained for the purpose of building, remodeling, and equipped classroom facilities.

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

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

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

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

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

Capital Project Funds - These funds are used to account for the acquisition of capital assets or construction of major capital projects.

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

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

Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction

can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

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

REVENUES

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

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

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

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

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

Fiduciary Funds

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

D. Budgets and Budgetary Accounting

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

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

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.

Notes to Financial Statements (continued)

4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Mosquero Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

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

F. Assets, Liabilities and Net Position or Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Investments**

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

Notes to Financial Statements (continued)

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

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

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

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

3. Accounts Receivable

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Taxes	\$ 3,819	\$ 18,817	\$ 1,311	\$ 23,947
Intergovernmental	-	35,961	1,704	37,665
	<u>\$ 3,819</u>	<u>\$ 54,778</u>	<u>\$ 3,015</u>	<u>\$ 61,612</u>

4. Accounts Payable and Accrued Expenses

Accounts payable are recorded in the various funds. There was \$0 payable to suppliers at the end of the year.

5. Inventories

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

6. Capital Assets

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

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

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

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

7. Compensated Absences

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

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

Notes to Financial Statements (continued)

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

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

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

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

8. Long-Term Liabilities

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

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

9. Fund Balance

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

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

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

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

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

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

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

10. Restricted Net Position

The governmental activities financial statements utilize a net position presentation. Net position is categorized as follows:

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

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

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

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

11. Deferred Inflows of Resources

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

12. Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The School District has two types of items that qualify for reporting in this

Notes to Financial Statements (continued)

category. Accordingly, the items, change in proportion and employer contributions subsequent to measurement date, are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

13. Interfund Transactions

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

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

14. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

15. Pensions

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

16. Post Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

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

Farmers & Stockmans Bank	\$ 894,421
Wells Fargo Bank	<u>277,493</u>
 Total per financial statements	 <u>\$ 1,171,914</u>
 Total amount on deposit	 \$ 1,171,914
Outstanding checks	(24,614)
Due from REC	-
Deposit in transit	<u>-</u>
 Total per financial statements	 <u>\$ 1,147,300</u>

At June 30, 2018, the carrying amount of the School Districts deposits was \$1,147,300 and the bank balance was \$1,171,914. Of this balance \$250,000 was covered by federal depository insurance and \$335,957 was covered by collateral. The remaining \$129,700 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30, 2018	\$ 1,171,914
Less F.D.I.C.	<u>(500,000)</u>
Uninsured Funds	671,914
50% Collateral Requirement	335,957
Pledged Collateral	<u>(542,214)</u>
Excess of Pledged Collateral	<u>\$ 206,257</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$671,914 of the School's bank balance of \$1,171,914 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 129,700
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>542,214</u>
Total	<u>\$ 671,914</u>

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

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a

Notes to Financial Statements (continued)

joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

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

<u>Wells Fargo Northwest, NA</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB #3615000065	2-22-19	\$ 325,000
FHLB #3615000070	6-28-19	<u>200,000</u>
		<u>\$ 525,000</u>

<u>BNY Mellon</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
FNMA #3138WG5A8	5-01-31	<u>\$ 17,214</u>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$1,171,914</u>	Less than 6 months

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

3. CAPITAL ASSETS

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Governmental activities:				
Land	\$ 57,054	\$ -	\$ -	57,054
Total not being depreciated	<u>57,054</u>	<u>-</u>	<u>-</u>	<u>57,054</u>
Land improvements	977,750	-	-	977,750
Buildings & improvements	12,512,474	-	-	12,512,474
Vehicles	383,206	-	-	383,206
Equipment	1,032,197	-	-	1,032,197
Furniture	6,785	-	-	6,785
Total	<u>14,912,412</u>	<u>-</u>	<u>-</u>	<u>14,912,412</u>
Less accumulated depreciation:				
Land improvements	(305,748)	(50,663)	-	(356,411)
Buildings & building improvements	(3,475,089)	(417,593)	-	(3,892,682)
Vehicles	(303,844)	(26,255)	-	(330,099)
Equipment	(855,064)	(33,150)	-	(888,214)
Furniture	(6,785)	-	-	(6,785)
Total	<u>(4,946,530)</u>	<u>(527,661)</u>	<u>-</u>	<u>(5,474,191)</u>
Governmental activities				
Capital assets, net	<u>\$ 10,022,936</u>	<u>\$ (527,661)</u>	<u>\$ -</u>	<u>\$ 9,495,275</u>

Notes to Financial Statements (continued)

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	\$ 5,940,000	\$ -	\$ 569,000	\$ 5,371,000	\$ 409,000
Compensated Absences	9,977	-	1,486	8,491	-
Total	<u>\$ 5,949,977</u>	<u>\$ -</u>	<u>\$ 570,486</u>	<u>\$ 5,379,491</u>	<u>\$ 409,000</u>

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

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

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

General obligation bonds payable, June 30, 2017	\$ 5,940,000
Bonds paid	(569,000)
Bonds issued	<u>-</u>
 General obligation bonds payable, June 30, 2018	 <u>\$ 5,371,000</u>

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

<u>Series</u>	<u>Date of Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance</u>
2010	08-15-10	\$1,800,000	2.00% - 3.40%	\$ 825,000
2011	10-15-11	\$1,000,000	2.50% - 3.70%	800,000
2013	10-15-13	\$2,900,000	3.125%- 4.125%	2,750,000
2014	10-28-14	\$1,100,000	2.20% - 2.80%	775,000
2016	08-05-16	\$ 275,000	0% - 0%	<u>221,000</u>
				<u>\$5,371,000</u>

Notes to Financial Statements (continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 409,000	\$ 168,838	\$ 577,838
2020	595,000	152,821	747,821
2021	601,000	89,997	690,997
2022	611,000	122,416	733,416
2023	590,000	103,610	693,610
2024-2028	<u>2,565,000</u>	<u>210,900</u>	<u>2,775,900</u>
	<u>\$5,371,000</u>	<u>\$ 848,582</u>	<u>\$6,219,582</u>

B. Operating Leases

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

C. Short-Term Liabilities

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

5. REVENUES

A. Property Tax Levies

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

B. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$1,185,005 in state equalization guarantee distributions during the year ended June 30.

Notes to Financial Statements (continued)

C. Transportation Distribution

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

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

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

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

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

The District received \$162,605 in transportation distribution during the year ended June 30.

D. SB-9 State Match

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

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

Notes to Financial Statements (continued)

E. Public School Capital Outlay

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

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

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

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

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

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

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, the District received \$1,171 in instructional materials allocation.

G. Federal Grants

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

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

6. CASH OVERDRAFTS

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

7. DUE FROM GRANTOR

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

8. HIGH PLAINS REGIONAL EDUCATIONAL COOPERATIVE #3

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

9. INSURANCE COVERAGE

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

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

10. RISK MANAGEMENT

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

11. SURETY BOND

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

12. BUDGETED ACTIVITY FUNDS

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

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
ASSETS				
Cash	\$ 13,916	\$ 78,060	\$ (72,783)	19,193
Total assets	<u>\$ 13,916</u>	<u>\$ 78,060</u>	<u>\$ (72,783)</u>	<u>\$ 19,193</u>
LIABILITIES				
Deposits held for others:				
General	3,877	19,916	(19,953)	3,840
Yearbook	1,047	600	(788)	859
FFA	1,333	16,363	(13,937)	3,759
Media	3,478	5,147	(5,228)	3,397
Harding County Round-up	5,620	11,539	(16,620)	539
Senior Class	1,172	2,549	(3,348)	373
Familias	(275)	3,533	(3,198)	60
District III FFA	516	-	(516)	-
Paint the Town	131	5,834	(440)	5,525
5 th & 6 th Grade Class	171	614	(613)	172
3 rd & 4 th Grade Class	917	152	(400)	669
Arena	(4,071)	11,813	(7,742)	-
Total liabilities	<u>\$ 13,916</u>	<u>\$ 78,060</u>	<u>\$ (72,783)</u>	<u>\$ 19,193</u>

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

Plan Description - Employees of the School District are provided with OPEB through the Retiree Health Care Fund (the Fund) - a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms - At June 30, 2017, the Fund's measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	<u>97,349</u>
	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	<u>48,756</u>
	<u>97,349</u>

Contributions - Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund. Contributions to the Fund from the School District were \$19,114 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported a liability of \$766,759 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the School District's proportion was 0.01692%.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$30,487. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Notes to Financial Statements (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 29,424
Changes of assumptions	-	134,058
Differences between actual and projected earnings on OPEB plan investments	-	11,030
Contributions made after the measurement date	<u>19,114</u>	<u>-</u>
Total	<u>\$ 19,114</u>	<u>\$ 174,512</u>

Deferred outflows of resources totaling \$19,114 represent School District's contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (37,103)
2020	(37,103)
2021	(37,103)
2022	(37,103)
2023	<u>(26,100)</u>
Total	<u>\$ (174,512)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
US core fixed income	4.1%
US equity - large cap	9.1
Non US - emerging markets	12.2
Non US - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
US equity - small/mid cap	9.1

Discount rate. The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81%) or 1-percentage-point higher (4.81%) than the current discount rate:

<u>1% Decrease (2.81%)</u>	<u>Current Discount (3.81%)</u>	<u>1% Increase (4.81%)</u>
\$ 930,067	\$ 766,759	\$ 638,629

Notes to Financial Statements (continued)

The following presents the net OPEB liability of the School District, as well as what the School District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
\$ 652,181	\$ 766,759	\$ 856,101

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability. At June 30, 2018; the School District reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

14. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

General Information about the Pension Plan

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

The Plan is a cost-sharing, multi-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 a pension trust fund of the State of New Mexico. 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. NMERB is self-funded through investment income and educational employer contributions. The Plan does not receive General Fund Appropriations from the State of New Mexico.

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

Benefits provided. 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 or 75 or more,
- The member is at least sixty-five years of age and has five or more years of earned service credit; or
- The member has service credit totaling 25 years or more.

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

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

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

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

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

Benefit Options - The Plan has three benefit options available.

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

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

Cost of Living Adjustment (COLA) - All retired members and beneficiaries receiving benefits receive an automatic adjustment to their benefit each July 1 following the later of 1) the year a member retires, or 2) the year the 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 1.5%. 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 1.7%.

Notes to Financial Statements (continued)

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, 2018 and 2017 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
2018	7-1-17 to 6-30-18	Over \$20K	10.70%	13.90%	24.60%	0.00%
2018	7-1-17 to 6-30-18	\$20K or less	7.90%	13.90%	21.80%	0.00%
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%

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, 2018 the School District paid employee and employer contributions of \$156,435 which equals the amount of the required contributions for the fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2018, the School District reported a liability of \$2,540,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events of changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. The School District's proportion of the net pension liability was based on a projection of the School 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, 2017, the School District's proportion was 0.02286%, which was an decrease of 0.00012% from its proportion measured as of June 30, 2016.

Notes to Financial Statements (continued)

For the year ended June 30, 2018, the School District recognized pension expense of \$410,665. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,561	\$ 39,139
Changes of assumptions	741,633	-
Net difference between projected and actual earnings on pension plan investments	-	349
Changes in proportion and differences between contributions and proportionate share of contributions	2,705	8,320
Employer contributions subsequent to the measurement date	<u>88,563</u>	<u>-</u>
Total	<u>\$ 837,462</u>	<u>\$ 47,808</u>

\$88,563 reported as deferred outflows of resources related to pensions resulting from School 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	\$ 265,537
2019	285,353
2020	171,120
2021	(20,919)
2022	0
Thereafter	0

Actuarial assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% composed of: 2.50% 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	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75% real rate of return.

**Average of Expected
Remaining Service Lives**

Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service life in years	3.35	3.77	3.92	3.88

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.

Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012

Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age

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

Cost-of-living increases

1.9% per year, compounded annually.

Payroll growth

3.00% per year (with no allowance for membership growth).

Contribution accumulation

5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).

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

The actuarial assumptions and methods are set by the Plan's Board of Trustees, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several assumption changes, which included a decrease in the inflation assumption from 3.00% to 2.5%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- Rate of return projections that are the sum of current yield plus projected changes in price (valuations, defaults, etc.)
- Application of key economic projections (inflation, real growth, dividends, etc.)
- Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed income	26%	
Alternatives	40%	
Cash	<u>1%</u>	
Total	<u>100%</u>	<u>7.75%</u>

Discount rate - A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

Notes to Financial Statements (continued)

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 School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.90%) or one percentage point higher (6.90%) than the current rate:

	<u>1% Decrease (4.90%)</u>	<u>Current Discount Rate (5.90%)</u>	<u>1% Increase (6.90%)</u>
School District's proportionate share of the net pension liability	\$ 3,307,150	\$ 2,540,539	\$ 1,913,897

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 website at: https://www.nmerb.org/Annual_reports.html

15. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>IDEA-B Entitlement</u>	<u>Medicaid</u>	<u>Read2Lead</u>
Revenues per modified accrual basis	\$ 1,450,438	\$ 14,590	\$ 22,707	\$ 55,896
Receivables	(3,070)	-	-	-
Deferred revenues/ Due from grantor	<u>-</u>	<u>5,356</u>	<u>(5,657)</u>	<u>36,063</u>
Revenues per budgetary basis	<u>\$ 1,447,368</u>	<u>\$ 19,946</u>	<u>\$ 17,050</u>	<u>\$ 91,959</u>
Expenditures per modified accrual basis	\$ 1,418,975	\$ 14,590	\$ 22,707	\$ 55,896
Accounts payable	<u>(1,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures per budgetary basis	<u>\$ 1,417,714</u>	<u>\$ 14,590</u>	<u>\$ 22,707</u>	<u>\$ 55,896</u>

16. SUBSEQUENT EVENTS

A review of subsequent events through June 10, 2019, the date the financial statements were available to be issued, indicated nothing of audit significance.

17. BUDGETARY VIOLATIONS

The School District overspent the Athletics Fund by \$2,331, ENMR Plateau Fund by \$2,000, the Instructional Materials Fund by \$644, the Educational Technology Equipment Act by \$36,147 and the Teacher age Fund by \$1,688. The Operational Fund overspent the Instructional Support Function by \$21,082.

18. RESTATEMENT OF NET POSITION

The School District had a prior period adjustment of \$910,784 of which was required for the implementation of GASB Statement No. 75. The adjustment reflects a beginning net OPEB liability of \$925,315 and a beginning deferred outflow of resources of \$14,531.

19. RELATED PARTY TRANSACTIONS

Mr. Boyd Hazen, Board Vice-President was paid \$3,500 in labor to install a fence around the Superintendent's Teacherage.

20. CONCENTRATIONS

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

21. TAX ABATEMENTS

The District has evaluated GASB 77 with regard to tax abatements and has determined that the District is not a party to any agreements that abate taxes.

22. FUND BALANCE CLASSIFIED

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

<u>Fund Balances</u>	General Fund	Local Capital Improvements SB-9	Debt Service	Non-Major Governmental Fund	Totals
Nonspendable:					
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	-	931	931
Total nonspendable	-	-	-	931	931
Restricted for:					
Teacherage	26,396	-	-	-	26,398
Transportation services	1,935	-	-	-	1,985
Instructional materials	-	-	-	-	-
Capital improvements	-	173,922	-	-	173,922
Debt service payments	-	-	809,382	65,541	874,923
Athletic services	-	-	-	1,250	1,250
Special grants	-	-	-	-	-
Cafeteria services	-	-	-	-	-
State mandated cash reserve	991	-	-	-	991
Total restricted	29,374	173,922	809,382	66,791	1,079,469
Committed to:					
Other purposes	-	-	-	-	-
Total committed	-	-	-	-	-
Unassigned:	108,861	-	-	-	108,861
Total Fund Balances	\$ 138,235	\$ 173,922	\$ 809,382	\$ 67,722	\$ 1,189,261

**SUPPLEMENTARY INFORMATION
NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Governmental Funds
Combining Balance Sheet - By Fund Type
June 30, 2018

Statement A-1

	Special Revenue Funds	Capital Project Funds	Debt Service Funds	Total
ASSETS				
Cash on deposit	\$ 2,389	\$ -	\$ 64,230	\$ 66,619
Taxes receivable	-	-	1,311	1,311
Due from grantor	1,704	-	-	1,704
Inventory	931	-	-	931
Total assets	\$ 5,024	\$ -	\$ 65,541	\$ 70,565
LIABILITIES				
Cash overdraft	\$ 1,704	\$ -	\$ -	\$ 1,704
Revenues not yet earned	1,139	-	-	1,139
Total liabilities	2,843	-	-	2,843
FUND BALANCE				
Nonspendable	931	-	-	931
Restricted	1,250	-	65,541	66,791
Total fund balance	2,181	-	65,541	67,722
Total liabilities and fund balance	\$ 5,024	\$ -	\$ 65,541	\$ 70,565

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - By Fund Type
Year Ended June 30, 2018

Statement A-2

	Special Revenue Funds	Capital Projects Fund	Debt Service Funds	Total
REVENUES				
Real estate taxes	\$ -	\$ -	\$ 60,333	\$ 60,333
Oil and gas taxes	-	-	12,083	12,083
Copper production taxes	-	-	2,293	2,293
Charges for services	7,480	-	-	7,480
Local sources	2,079	-	-	2,079
State sources	2,430	-	-	2,430
Federal sources	42,559	-	-	42,559
Earnings from investments	-	144	-	144
Total revenues	54,548	144	74,709	129,401
EXPENDITURES				
Current:				
Direct instruction	39,125	-	-	39,125
Instructional support	2,430	36,147	872	39,449
Food services	12,649	-	-	12,649
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	54,000	54,000
Interest	-	-	1,704	1,704
Total expenditures	54,204	36,147	56,576	146,927
Net change in fund balances	344	(36,003)	18,133	(17,526)
Fund balance beginning of year	1,837	36,003	47,408	85,248
Fund balance end of year	\$ 2,181	\$ -	\$ 65,541	\$ 67,722

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

NON-MAJOR SPECIAL REVENUE FUNDS

ALL FUNDS - All funds were created by management directive.

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

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

ENMR PLATEAU EDUCATIONAL FOUNDATION - To account for resources received to purchase I-pads and accessories for students. Funding is from the Plateau Telephone Company. The authority is from the Public Education Department.

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

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2018

Statement B-1

	REAP	IDEA-B Preschool	ENMR Plateau Education Foundation	Sun Safety	Fuel Up to Play 60	Athletics	Cafeteria	Total
ASSETS								
Cash on deposit	\$ -	\$ -	\$ -	\$ 1,000	\$ 139	\$ 1,250	\$ -	\$ 2,389
Due from grantor	-	1,704	-	-	-	-	-	1,704
Inventory, at cost	-	-	-	-	-	-	931	931
Total assets	<u>\$ -</u>	<u>\$ 1,704</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 139</u>	<u>\$ 1,250</u>	<u>\$ 931</u>	<u>\$ 5,024</u>
LIABILITIES								
Cash overdraft	\$ -	\$ 1,704	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,704
Revenues not yet earned	-	-	-	1,000	139	-	-	1,139
Total liabilities	<u>-</u>	<u>1,704</u>	<u>-</u>	<u>1,000</u>	<u>139</u>	<u>-</u>	<u>-</u>	<u>2,843</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	931	931
Restricted	-	-	-	-	-	1,250	-	1,250
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>931</u>	<u>2,181</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ 1,704</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 139</u>	<u>\$ 1,250</u>	<u>\$ 931</u>	<u>\$ 5,024</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

Statement B-2

	REAP	IDEA-B Preschool	ENMR Plateau Educational Foundation	Sun Safety	Fuel Up to Play 60	Athletics	Cafeteria	Totals
REVENUES								
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,583	\$ 4,897	\$ 7,480
Local sources	-	-	2,000	-	-	2,079	-	4,079
State sources	-	-	-	430	-	-	-	430
Federal sources	33,204	1,704	-	-	-	-	7,651	42,559
Total revenues	<u>33,204</u>	<u>1,704</u>	<u>2,000</u>	<u>430</u>	<u>-</u>	<u>4,662</u>	<u>12,548</u>	<u>54,548</u>
EXPENDITURES								
Direct instruction	33,204	1,704	-	-	-	4,217	-	39,125
Instructional support	-	-	2,000	430	-	-	-	2,430
Food services	-	-	-	-	-	-	12,649	12,649
Total expenditures	<u>33,204</u>	<u>1,704</u>	<u>2,000</u>	<u>430</u>	<u>-</u>	<u>4,217</u>	<u>12,649</u>	<u>54,204</u>
Net change in fund balance	-	-	-	-	-	445	(101)	344
Fund balance at beginning of year	-	-	-	-	-	805	1,032	1,837
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250</u>	<u>\$ 931</u>	<u>\$ 2,181</u>

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

NON-MAJOR CAPITAL PROJECTS FUNDS

ED TECHNOLOGY EQUIPMENT ACT - To account for resources received from the issuance of Educational Technology Notes to enable the District to acquire educational technology equipment for learning and administrative use in schools and related facilities, and improving related real and personal property to accommodate education technology equipment or any combination thereof.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Capital Projects Fund
Balance Sheet
June 30, 2018

Statement C-1

	Educational Technology Equipment Act
ASSETS	
Cash on deposit	\$ -
Due from grantor	-
	-
Total assets	\$ -
LIABILITIES	
Accounts payable	\$ -
	-
Total liabilities	-
FUND BALANCE	
Restricted	-
	-
Total fund balance	-
	-
Total liabilities and fund balance	\$ -

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Capital Projects Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
Year Ended June 30, 2018

Statement C-2

	Educational Technology Equipment Act
REVENUES	
Taxes	\$ -
State sources	-
Earnings from investments	144
Total revenues	144
EXPENDITURES	
Instructional support	36,147
Capital outlay	-
Total expenditures	36,147
Net change in fund balance	(36,003)
Fund balance at beginning of year	36,003
Fund balance at end of year	\$ -

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

NON-MAJOR DEBT SERVICE FUND

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Debt Service Funds
Balance Sheet
June 30, 2018

Statement D-1

	Educational Technology Debt Service
	<u> </u>
ASSETS	
Cash on deposit	\$ 64,230
Due from grantor	<u>1,311</u>
Total assets	<u><u>\$ 65,541</u></u>
LIABILITIES	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
FUND BALANCE	
Restricted	<u>65,541</u>
Total fund balance	<u>65,541</u>
Total liabilities and fund balance	<u><u>\$ 65,541</u></u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Non-Major Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - All Governmental Funds
Year Ended June 30, 2018

Statement D-2

	<u>Educational Technology Debt Service</u>
REVENUES	
Taxes	\$ 60,333
Oil and gas taxes	12,083
Copper production taxes	2,293
Charges for services	-
Local sources	-
State sources	-
Federal sources	-
Earnings from investments	-
Total revenues	<u>74,709</u>
EXPENDITURES	
Current:	
Instructional support	872
Debt service:	
Bond principal	54,000
Bond interest	<u>1,704</u>
Total expenditures	<u>56,576</u>
Net change in fund balances	18,133
Fund balance beginning of year	<u>47,408</u>
Fund balance end of year	<u><u>\$ 65,541</u></u>

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

GENERAL FUND

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

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Combining Balance Sheet
General Fund
June 30, 2018

Statement E-1

	Operational	Teacherage	Transporation	Instructional Materials	Total
ASSETS					
Cash on deposit	\$ 109,091	\$ 23,590	\$ 1,985	\$ -	\$ 134,666
Accounts receivable, collectible	761	3,058	-	-	3,819
Total assets	\$ 109,852	\$ 26,648	\$ 1,985	\$ -	\$ 138,485
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Rental deposits	-	250	-	-	250
Total liabilities	-	250	-	-	250
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	991	26,398	1,985	-	29,374
Unassigned	108,861	-	-	-	108,861
Total fund balance	109,852	26,398	1,985	-	138,235
Total liabilities and fund balance	\$ 109,852	\$ 26,648	\$ 1,985	\$ -	\$ 138,485

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
General Fund
Year Ended June 30, 2018

	Operational	Teacherage	Transportation	Instructional Materials	Total
REVENUES					
Property taxes	\$ 51,278	\$ -	\$ -	\$ -	\$ 51,278
Oil and gas taxes	7,443	-	-	-	7,443
Copper production taxes	1,359	-	-	-	1,359
Charges for services	-	38,554	-	-	38,554
Local sources	8	1,000	-	-	1,008
State sources	1,185,005	-	162,605	1,171	1,348,781
Federal sources	-	-	-	-	-
Earnings from investments	2,015	-	-	-	2,015
	<u>1,247,108</u>	<u>39,554</u>	<u>162,605</u>	<u>1,171</u>	<u>1,450,438</u>
EXPENDITURES					
Direct instruction	561,324	-	-	5,003	566,327
Instructional support	644,925	31,435	160,620	-	836,980
Food service	15,668	-	-	-	15,668
Capital outlay	-	-	-	-	-
	<u>1,221,917</u>	<u>31,435</u>	<u>160,620</u>	<u>5,003</u>	<u>1,418,975</u>
Net change in fund balance	25,191	8,119	1,985	(3,832)	31,463
Fund balance at beginning of year	<u>84,661</u>	<u>18,279</u>	<u>-</u>	<u>3,832</u>	<u>106,772</u>
Fund balance at end of year	<u>\$ 109,852</u>	<u>\$ 26,398</u>	<u>\$ 1,985</u>	<u>\$ -</u>	<u>\$ 138,235</u>

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
General Fund - Operational Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real estate taxes	\$ 37,022	\$ 37,022	\$ 51,279	\$ 14,257
Oil & gas taxes	11,837	11,837	7,430	(4,407)
Copper production taxes	-	-	1,359	1,359
Charges for services	-	-	-	-
Local sources	10	10	8	(2)
State sources	1,170,900	1,180,048	1,185,005	4,957
Federal sources	-	-	-	-
Earnings from investments	30	30	2,015	1,985
	<u>\$ 1,219,799</u>	<u>\$ 1,228,947</u>	<u>\$ 1,247,096</u>	<u>\$ 18,149</u>
EXPENDITURES				
Direct instruction	\$ 593,305	\$ 593,305	\$ 561,324	\$ 31,981
Instructional support	613,434	622,582	643,664	(21,082)
Food services	20,810	20,810	15,668	5,142
	<u>\$ 1,227,549</u>	<u>\$ 1,236,697</u>	<u>\$ 1,220,656</u>	<u>\$ 16,041</u>
BUDGETED CASH BALANCE	<u>\$ 7,750</u>	<u>\$ 7,750</u>		

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
General Fund - Teacherage Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real estate taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	15,000	15,000	36,496	21,496
Local sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 36,496</u>	<u>\$ 21,496</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	29,747	29,747	31,435	(1,688)
Food services	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 29,747</u>	<u>\$ 29,747</u>	<u>\$ 31,435</u>	<u>\$ (1,688)</u>
BUDGETED CASH BALANCE	<u>\$ 14,747</u>	<u>\$ 14,747</u>		

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
General Fund - Transportation Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2085

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real estate taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	162,605	162,605	162,605	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 162,605</u>	<u>\$ 162,605</u>	<u>\$ 162,605</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	162,605	162,605	160,620	1,985
Food service	-	-	-	-
Total expenditures	<u>\$ 162,605</u>	<u>\$ 162,605</u>	<u>\$ 160,620</u>	<u>\$ 1,985</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
General Fund - Instructional Materials Fund
Statement of Revenues and Expenditures -
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real estate taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	1,156	1,156	1,171	15
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 1,156</u>	<u>\$ 1,156</u>	<u>\$ 1,171</u>	<u>\$ 15</u>
EXPENDITURES				
Direct instruction	\$ 4,359	\$ 4,359	\$ 5,003	\$ (644)
Instructional support	-	-	-	-
Food services	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 4,359</u>	<u>\$ 4,359</u>	<u>\$ 5,003</u>	<u>\$ (644)</u>
BUDGETED CASH BALANCE	<u>\$ 3,203</u>	<u>\$ 3,203</u>		

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	2017	2016	2015	2014
Fiscal year	2018	2017	2016	2015
Mosquero Municipal School District's proportion of net pension liability (asset)	0.02286%	0.02298%	0.02289%	0.02306%
Mosquero Municipal School District's proportionate share of the net pension liability (asset)	\$ 2,540,539	\$ 1,653,740	\$ 1,482,646	\$ 1,315,734
Mosquero Municipal School District's covered-employee payroll	\$ 637,146	\$ 650,921	\$ 656,401	\$ 650,783
Mosquero Municipal School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	398.74%	251.94%	237.23%	206.96%
Plan fiduciary net position as a percentage of the total pension liability	52.95%	61.58%	63.97%	66.54%

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

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

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

	2018	2017	2016	2015
Contractually required contributions	\$ 88,563	\$ 90,478	\$ 91,227	\$ 90,459
Contributions in relation to the contractually required contribution	<u>88,563</u>	<u>90,478</u>	<u>91,227</u>	<u>90,459</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Mosquero Municipal School District's covered-employee payroll	\$ 637,146	\$ 650,921	\$ 656,401	\$ 650,783
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%	13.90%

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Notes to Required Supplementary Information
Year Ended June 30, 2018

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2017.

Changes in assumptions and methods. Actuarial assumptions and methods are set by the Board of Trustee, based upon recommendations made by the Plan's actuary. The Board adopted new assumptions on April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted a number of economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

See Independent Auditor's Report

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Schedule of Proportionate Share of the Net OPEB Liability
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	<u>2018*</u>
Mosquero Municipal Schools proportion of net OPEB liability (asset)	0.01692%
Mosquero Municipal Schools proportionate share of the net OPEB liability (asset)	\$ 766,759
Mosquero Municipal Schools covered-employee payroll	\$ 637,146
Mosquero Municipal Schools proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	120.34%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

See Independent Auditor's Report

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
Schedule of Contributions
Retiree Health Care Authority (RHCA) OPEB Plan
Last 10 Fiscal Years*

	2018*
Contractually required contributions	\$ 19,114
Contributions in relation to the contractually required contribution	19,114
Contribution deficiency (excess)	\$ -
Mosquero Municipal Schools covered-employee payroll	\$ 637,146
Contribution as a percentage of covered-employee payroll	2.00%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School will present information for available years.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

Changes of assumptions: RHCA conducts an actuarial experience study for the Plan a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 30, 2017, RHCA implemented the following changes in assumptions for fiscal years 2017 and 2016.

- 1) Fiscal year 2017 valuation assumptions that changed based on this study:
 - a. Lower Investment return from 7.75% to 7.25%
 - b. Lower Inflation rate from 3.00% to 2.50%
 - c. Minor changes to demographic assumptions
- 2) Assumptions that were not changed:
 - a. Population growth per year at 0.00%
 - b. Health care cost trend rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs.

See also the Note IV (c) Actuarial Assumptions of the financial statement note disclosure on the OPEB Plan.

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS
 Schedule of Cash Receipts and
 Disbursements - All Funds by
 School District Classification
 Year Ended June 30, 2018

	<u>Operational</u>	<u>Teacherage</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Non- Instructional</u>	<u>Local</u>
Cash Balance, June 30, 2017	\$ 82,651	\$ 18,279	\$ -	\$ 3,832	\$ 102	\$ 805	\$ 13,916	\$ -
Cash Receipts, 2017-2018	1,247,096	36,496	162,605	1,171	12,548	4,662	78,061	2,000
Rental deposits	-	250	-	-	-	-	-	-
Cash Disbursements, 2017-2018	<u>(1,220,656)</u>	<u>(31,435)</u>	<u>(160,620)</u>	<u>(5,003)</u>	<u>(12,650)</u>	<u>(4,217)</u>	<u>(72,784)</u>	<u>(2,000)</u>
Cash Balance, June 30, 2018	<u>\$ 109,091</u>	<u>\$ 23,590</u>	<u>\$ 1,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,250</u>	<u>\$ 19,193</u>	<u>\$ -</u>
		<u>State</u>	<u>Federal Projects</u>	<u>Capital Improvement SB-9</u>	<u>Local Capital Improvement SB-9</u>	<u>Educational Technology Equipment Act</u>	<u>Debt Service</u>	<u>ED TECH Debt Service</u>
Cash Balance, June 30, 2017		\$ (56,315)	\$ (28,176)	\$ -	\$ 27,912	\$ 36,003	\$ 369,199	\$ 46,612
Cash Receipts, 2017-2018		92,959	83,537	-	241,647	144	1,135,452	74,364
Cash Disbursements, 2017-2018		<u>(56,326)</u>	<u>(72,205)</u>	<u>-</u>	<u>(98,686)</u>	<u>(36,147)</u>	<u>(711,037)</u>	<u>(56,746)</u>
Cash Balance, June 30, 2018		<u>\$ (19,682)</u>	<u>\$ (16,844)</u>	<u>\$ -</u>	<u>\$ 170,873</u>	<u>\$ -</u>	<u>\$ 793,614</u>	<u>\$ 64,230</u>

Rice and Associates, C.P.A.

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

INDEPENDENT AUDITOR'S REPORT

Mr. Brian Colon
New Mexico State Auditor
and
Board of Education
Mosquero Municipal Schools
Mosquero, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, IDEA-B Entitlement, Medicaid, Read2Lead Funds of the Mosquero Municipal Schools, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Mosquero Municipal Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mosquero Municipal Schools internal control over financial reporting as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mosquero Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mosquero Municipal Schools internal control.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses listed as Rents for Teacherages not Received (2018-007) to be a material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses listed as Budget Overruns (2013-001), Special Revenue Grant Monies Recorded in General Fund (2018-008), Monies Received not Verified (2018-009), Accrued Leave Issues (2018-010), Money for Meals (2018-018), Old Outstanding Invoices (2018-020), 1099 Forms Incomplete (2018-021) and Teacherage Utilities (2018-022) to be significant deficiencies.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mosquero Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Status of Findings and Responses as Segregation of Duties (2016-003), Cafeteria Inventory (2017-002), Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-003), Payment of Accrued Leave (2017-004), Variances on Bank Reconciliations (2018-001), Outstanding Balances (2018-002), Requests for Reimbursement for Special Revenue Grant Incorrect (2018-003), No Depreciation Policy (2018-004), Missing Rental Agreement (2018-005), Damage Deposit Not Charged (2018-006), Contract Addendums Missing (2018-011), Salary Schedule Not Used (2018-012), Receivable from Another Agency (2018-013), IRS Form 941 Incorrect (2018-014), Payment Before Services are Rendered (2018-015), Charges to a Fund that Didn't Exist (2018-016), Stipends to Employees (2018-017), Violations of Anti-Donation Clause (2018-019), and Late Audit Report (2018-023).

Responses to the Findings

Mosquero Municipal Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The District's responses were not subject 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 Mosquero Municipal Schools internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rina A. Acosta, CPA

Albuquerque, New Mexico
June 10, 2019

STATUS OF COMMENTS AND RESPONSES

Prior Year Audit Findings:

1. Budget Overruns (2013-001) - Repeated.
2. Continued Purchases Without Adequate Revenue (2015-004) - Resolved.
3. Timeliness of Activity Deposits (2016-002) - Resolved.
4. Segregation of Duties (2016-003) - Repeated.
5. HR Documentation (2017-001) - Resolved.
6. Cafeteria Inventory (2017-002) - Repeated.
7. Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-003)- Repeated.
8. Payment or Accrued Leave (2017-004) - Repeated.

Current Year Audit Findings:

1. Variances on Bank Reconciliations (2018-001)
2. Outstanding Balances (2018-002)
3. Requests for Reimbursement for Special Revenue Grant Incorrect (2018-003)
4. No Depreciation Policy (2018-004)
5. Missing Rental Agreements (2018-005)
6. Damage Deposit Not Charged (2018-006)
7. Rents for Teacherages not Received (2018-007)
8. Special Revenue Grant Revenues Recorded in General Fund (2018-008)
9. Monies Received not Verified (2018-009)
10. Accrued Leave Issues (2018-010)
11. Contract Addendums Missing (2018-011)
12. Salary Schedule Not Used (2018-012)
13. Receivable from Other Agency (2018-013)

STATUS OF COMMENTS AND RESPONSES CONTINUED

14. IRS Form 941 Incorrect (2018-014)
15. Payment Before Services are Rendered (2018-015)
16. Charges to a Fund that Didn't Exist (2018-016)
17. Stipends to Employers (2018-017)
18. Money for Meals (2018-018)
19. Violations of Anti-Donation Clause (2018-019)
20. Old Outstanding Invoices (2018-020)
21. 1099 Forms Incomplete (2018-021)
22. Utilities for Teacherages (2018-022)
23. Late Audit Report (2018-023)

Budget Overruns - Significant Deficiency
(2013-001)

CONDITION The School District overspent the final approved budgets of the following funds. Athletics \$2,331, ENMR Plateau \$2,000, Educational Technology Equipment Act \$36,147.

 The Operational Fund had the function Instructional Support overspent by \$21,082.

 Management has made no progress in this area.

 The Teacherage Fund overspent the Instructional Support Function by \$1,688. The Instructional Materials Fund overspent the Direct Instruction Function by \$644.

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

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

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

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

RESPONSE 2019 budgets have been adjusted accordingly by the business manager and superintendent. BARs are completed before the end of the FY to ensure budget authority for necessary expenditures in order to close out grants in a timely manner. This was corrected by the Business Manager in June 2019 and should not reoccur.

Segregation of Duties - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2016-003)

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 in the 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	Superintendent will input all contracts in the accounting software and the business manager will run payroll. Superintendent will enter the passcode at the bank to finalize the payroll ACH. This practice began in November 2018. This should not reoccur.

Cafeteria Inventory - Other Non-Compliance

(2017-002)

CONDITION	Cafeteria non-food supplies was not inventoried at any time during the school year. This includes pricing and extensions of total costs. Management has made no progress in this area.
CRITERIA	Ending inventories is to be maintained pursuant to USDA regulations and policies - Food Distribution under 7 CFR part 250. Also, PSAB Supplement 17-Student Nutrition requires three types of assets to be inventoried: 1) purchased foods, 2) non-food supplies, and 3) USDA donated foods and commodities.
CAUSE	Management is not ensuring this procedure is complete.
EFFECT	Management is not complying with PSAB Supplement 17 or 7 CFR part 250.
RECOMMENDATION	Management should train the cafeteria staff on how to prepare and take inventory.
RESPONSE	Management has corrected this and has put measures in place to schedule a complete audit of the non-food supplies, purchased food, and donated inventory for 18-19 by June 30 th 2019. Inventory will be conducted monthly August through May by the Cafeteria Director and the Head Cook. The Assistant Business Manager and Food Service Manager will complete an inventory by June 30, 2019.

Transactions Made by Third Parties Not Recorded on Books of
Record or Public Education Department Quarterly Report -
Finding That Did Not Rise to the Level of a Significant
Deficiency
(2017-003)

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 \$36,003 in cash balances at June 30, 2017, interest earned of \$144 and expenditures of \$36,147 during the fiscal year. Management has made no progress in this area.
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	Expenditures 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	If interest is earned as per the NMFA monthly statement, a journal entry will be made monthly by the business manager. The NMFA line will be added to the PED report. The Business Manager has implemented this practice on June 2019 and this problem should not reoccur.

Payment of Accrued Leave - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2017-004)

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. This condition was corrected by the end of June 30, 2018 fiscal year.
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 has since paid this employee but should ensure that all employment policies and laws are adhered to in the future regarding any payments of accrued leave.
RESPONSE	This was corrected by Superintendent in 17-18. Leave has been audited for all employees and corrections have been made by management. This should not reoccur.

Variances on Bank Reconciliations - Findings that did not Rise
to the Level of a Significant Deficiency
(2018-001)

CONDITION	The Visions Accounting Software shows a variance on the Operational Bank Reconciliation of \$871,844. The Farmers & Stockmans bank reconciliation shows a variance of \$275,454. This means the business office has not corrected the bank reconciliations so it matches the general ledger.
CRITERIA	The bank accounts need to be tied to a particular fund or funds in the Visions Accounting Software to ensure it can be reconciled to the general ledger correctly.
CAUSE	Management is using several bank accounts instead of just one. Also, these bank accounts have not been "linked" to the correct funds.
EFFECT	Management may not be able to ensure these bank accounts are correct if these variances continue.
RECOMMENDATION	The Business Office needs to obtain training and guidance from the software company on how to "link" these funds to each of the bank accounts.
RESPONSE	This has been corrected by the business manager in June 2019. District has only one account and all variances have been eliminated in FY 19. This should not reoccur.

Outstanding Balances - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2018-002)

CONDITION	The School District has a cash balance in its Special Revenue Fund Fuel Up to Play 60 totaling \$139 that represents a grant that has not been utilized for several years.
CRITERIA	Each grant has a specified time period in which they are to be utilized.
CAUSE	Management has not taken measures to ensure that all grants received are utilized in a timely manner according to the grant restrictions.
EFFECT	Monies are available to be used for special projects and the School District has not used them.
RECOMMENDATION	Management should approve budgets and spend the assets received according to the grant agreements.
RESPONSE	2019 budgets have been adjusted accordingly by the business manager and superintendent. BARS are completed before the end of the FY to ensure budget authority for necessary expenditures in order to close out grants in a timely manner. This should not reoccur.

Requests for Reimbursement for Special Revenue Grant Incorrect -
Finding That Did Not Rise to the
Level of a Significant Deficiency
(2018-003)

CONDITION	The final reimbursement request for the NM Read2Lead grant/fund was reduced by \$769 because the Public Education Department disallowed certain expenses already spent. These expenditures were not moved to another fund. Because of this the cash balances for both the Read2Lead Fund and the Operational Fund had to be adjusted.
CRITERIA	Any expenditures made by the School District must be recovered by a revenue source. When any expenditures are disallowed by the grantor, they are to be recovered by another fund.
CAUSE	Prior management left before this situation could be adjusted/reconciled.
EFFECT	Cash balances on the June 30, 2018 trial balances, books of record and the PED quarterly report are incorrect.
RECOMMENDATION	The Business Office needs to ensure there are procedures to adjust cash balances, expenditures and the general ledger so they reflect actual, current balances at all times.
RESPONSE	2019 budgets have been adjusted accordingly by the business manager and superintendent. BARS are completed before the end of the FY to ensure budget authority for necessary expenditures in order to close out grants in a timely manner. Any expenditures not approved by the grantor will be appropriately transferred to a corrective line item. This should not reoccur.

No Depreciation Policy - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2018-004)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The School District has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School District should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The superintendent will have a policy for the board to review in the July 2019 board meeting. A depreciation policy will be reviewed and implemented by fiscal year 19/20.

Missing Rental Agreement - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2018-005)

CONDITION	The School District has tenants currently renting Teacherages without an approved, signed rental agreement.
CRITERIA	The School District should obtain a rental agreement from each tenant each fiscal year that sets forth all terms of the rent, duration, etc. These agreements should be signed by the School District and the renter each year.
CAUSE	Prior management did not ensure a rental agreement was obtained for each tenant.
EFFECT	The terms of the agreement have not been approved by both parties and may not be legally enforced.
RECOMMENDATION	Management of the School District should obtain approved, signed rental agreements for each Teacherage at the start of the 2019-2020 fiscal year.
RESPONSE	The superintendent and business manager will make sure that all rentors have a signed rental agreement. Each contract will be updated by July 1 for the current year. This has been corrected during 18-19 and should not reoccur. Each contract will be signed by the superintendent.

Damage Deposit Not Charged - Finding That Did Not Rise to the
Level of a Significant Deficiency
(2018-006)

CONDITION	Currently several tenants are renting a Teacherage but a damage deposit was never requested or obtained from the tenant.
CRITERIA	A damage deposit should be obtained from every tenant when the rental agreement is signed. The amount of the deposit is to be determined by the Board for each teacherage.
CAUSE	Prior management did not ensure a security deposit was obtained on tenants that are renting a teacherage.
EFFECT	Damages could be sustained without any resources to ensure the damages could be recovered.
RECOMMENDATION	The Board may want to obtain a security deposit from these tenants immediately.
RESPONSE	The Superintendent will require all tenants to pay a security deposit. This has been corrected during 18-19 and should not reoccur.

Rents for Teacherages not Received - Material Weakness
(2018-007)

CONDITION	<p>The School District had the following issues concerning receipts of rent for Teacherages.</p> <ol style="list-style-type: none">1. There was no documentation to verify a teacherage tenant paid for June or July, 2018.2. A Teacherage rent was not received until seven months later.3. Another Teacherage rented paid the January to March payments in August, 2017. Five months later.4. The January to September, 2017 payments were received on October 1, 2017 for another Teacherage.
CRITERIA	<p>All revenue resources owed to the School District should be collected in a reasonable time frame.</p>
CAUSE	<p>Prior management did not ensure all teacherage rental agreements were enforced and all monies owed to the School District were collected in a timely manner.</p>
EFFECT	<p>The School District could have lost thousands of dollars worth of revenues if never collected.</p>
RECOMMENDATION	<p>Management has currently set up a spreadsheet to properly record all Teacherage payments, including dates, amounts, receipt numbers and rentor information. It is recommended that this type of documentation continue to ensure these revenues are received.</p>
RESPONSE	<p>The Superintendent has created a spreadsheet to track teacherage payments and receipts. This has been corrected for 18-19 and should not reoccur.</p>

Special Revenue Grant Monies Recorded in General Fund -
Significant Deficiency
(2018-008)

CONDITION	Prior management recorded a \$1,000 Sun Safety (28146) receipt and a \$2,000 ENMR Plateau (26191) receipt in the Operational revenues.
CRITERIA	The Public Education Department has adequately provided Special Revenue Fund numbers, descriptions and guidance on where these Special Revenue Fund numbers, receipts should be recorded. All Special Revenue Funds are restricted by the grant restrictions. This is why they are considered Special Revenue Funds.
CAUSE	Prior Management did not ensure these monies were properly recorded as revenues in the proper funds set forth by the Public Education Department.
EFFECT	These Special Revenue Funds are being understated. Also, these monies might be spent on expenditures not allowed by the grant agreement. Adjustments to the books of record need to occur to remedy the situation.
RECOMMENDATION	Management needs to include a procedure to verify all receipts as to what fund they should be recorded/reported in.
RESPONSE	The Business Manager has incorporated a new requisition process for tracking funds used for expenditure requests. The business manager knows that specific grant revenues must be posted to special revenue funds. This has been corrected in June 2019 and should not reoccur.

Monies Receioved not Verified - Significant Deficiency
(2018-009)

CONDITION	Management received \$1,405 from the IRS in February 2018 for the December, 2017 941 report. This amount was never investigated as to why this refund was being received or as to why the 941 report was considered incorrect.
CRITERIA	All refunds from the IRS should be investigated to ensure they are legitimate and that all 941 reports have been corrected.
CAUSE	Prior management did not ensure this procedure was performed.
EFFECT	The December, 2017 IRS Form 941 may still be incorrect.
RECOMMENDATION	Management should investigate this refund and properly ensure the amount is a refund. If not the 941 report should be corrected and the amount returned to the IRS.
RESPONSE	The Business Manager will resubmit corrected 3rd and 4th qtr 941 for 2017 to correct the 941 discrepancy. This will be done by August 15, 2019. This should not reoccur.

Accrued Leave Issues - Significant Deficiency
(2018-010)

CONDITION	<p>The following situations with accrued leave occurred.</p> <ol style="list-style-type: none">1. The employee leave records are not up to date. The balances at June 30 were not verified and carried forward correctly to the 2019 fiscal year.2. An employee was allowed to obtain a "negative" accrued vacation balance of twenty four hours.3. The prior Superintendent that left two years ago had a balance of 160 hours on the accrued leave plan summary report.4. The previous Business Manager used the accrued leave balance before resigning, however was still accruing a balance on the accrued leave plan summary. <p>All of these situations still existed as of October 3, 2018, three months after the year ended.</p>
CRITERIA	<p>According to PSAB Supplement 14 for Payroll in the PED Manual of Procedures "Vacation personal and sick accruals are to be updated at least monthly". Also, "Carry forward totals are verified and properly recorded."</p>
CAUSE	<p>Prior management did not ensure this procedure was correctly reported or verified. New management did not ensure the amounts that "rolled forward" were correct either as these amounts were the same in October, 2018.</p>
EFFECT	<p>Employees could be paid for leave that was not available for payment.</p>
RECOMMENDATION	<p>Management should verify and correct all leave balances on the Leave Plan Summary.</p>
RESPONSE	<p>An audit of all leave and accumulation criteria has been conducted by the superintendent and corrections have been made by June 2019. This should not reoccur.</p>

Contract Addendums Missing - Finding That Did Not Rise to the
Level of a Significant Deficiency

(2018-011)

CONDITION	<p>Two out of five employees were paid more than their original contract. A contract addendum was not present for the additional duties and pay. Contract addendums should include:</p> <ol style="list-style-type: none">1. A statement as to what original contract is being amended.2. That the increase in pay is subject to all applicable income taxes.3. What additional duties, hours/days will be needed to earn the additional pay.
CRITERIA	<p>All contracts should specifically identify rate of pay, hours, duties, income taxes, etc. to ensure both parties understand the additional requirements and method of payment.</p>
CAUSE	<p>Management was not aware of this procedure to ensure all amounts/duties were agreed to by both the employee and Management of the School District.</p>
EFFECT	<p>Payments to employees could be incorrect by amounts paid based on the contract used.</p>
RECOMMENDATION	<p>Management should prepare all contract addendums to ensure all required information is included, as soon as possible.</p>
RESPONSE	<p>In the future, addendums will be created by management for any additional payments over the original contract. The Superintendent and Business Manager are in agreement that all duties performed by employees will go through payroll. This has been corrected by June 2019 and should not reoccur.</p>

Salary Schedule Not Used - Finding That Did Not Rise
to the Level of a Significant Deficiency
(2018-012)

CONDITION	One employee out of a total of fifteen employees was not paid according to the salary schedule.
CRITERIA	According to the PSAB Supplement 14 for Payroll in the PED Manual of Procedures a Salary Schedule filed with the PED will be used each fiscal year.
CAUSE	It is unclear why this situation occurred.
EFFECT	The employee could be overpaid/underpaid.
RECOMMENDATION	Current management should not use any other payment method than the Salary Schedule approved by the Board and the PED.
RESPONSE	The superintendent has created a salary schedule for 19-20. All staff will be paid as per the salary schedule for 19-20. This has been corrected by June 2019 and should not reoccur.

Receivable from Other Agency - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2018-013)

CONDITION	The Business office reported a receivable from New Mexico Taxation and Revenue in the amount of \$1,261. It was considered a credit back to the School District. It was reported as a receivable on the June 30, 2017 PED quarterly report. This amount however is never shown again on any of the 2017-2018 quarterly reports. Also, no one in the Business Office could verify if it had been received or why it was due back to the School District.
CRITERIA	All amounts owed to the School District should be collected in a timely manner. If the credit is for State withholding purposes, there should be documentation to verify why this credit is available and documentation showing the correction of any payroll records.
CAUSE	The cause is unknown.
EFFECT	The School District may not be receiving all monies owed to them.
RECOMMENDATION	Management should ensure that all monies owed to the School District are received.
RESPONSE	Business Manager has been trained in the fact that all future all quarterly reports showing any credit or adjustment will have adequate support documentation. If money is due, we will attempt to receive funds no later than the next quarter when it is in our control. This has been corrected by June 2019. This should not reoccur.

IRS Form 941 Incorrect - Other Non-Compliance
(2018-014)

CONDITION	Prior management had the Social Security maximum in the payroll accounting software at an amount lower than was required. Because of this situation only one employee was affected (Superintendent). The amount withheld was incorrect. The difference was \$1,415 of which was returned by the IRS. This amount is still owed. Also, the W-2 filed for this employee is wrong for the calendar year 2017.
CRITERIA	According to the Social Security Administration the total maximum amount for calendar year 2017 was \$127,000.
CAUSE	Prior management did not ensure this table for Social Security withholding purposes was changed.
EFFECT	The School District owes the IRS \$1,415. There may also be penalties and interest owed on this balance. The Superintendent's W-2 has been filed incorrectly.
RECOMMENDATION	The third and fourth quarter 941 reports need to be changed and submitted to the IRS immediately. Also, the Superintendent's W-2 should be corrected and submitted immediately.
RESPONSE	The Business Manager will resubmit a corrected w-2 and 941 to the IRS by August 15, 2019. This has been corrected in the accounting software by June 2019 and should not reoccur.

Payment Before Services are Rendered - Other Non-Compliance
(2018-015)

CONDITION	Management of the School District are paying the bus contractor in July before school starts and their services are required. The Bus Contractor was paid \$12,600 on July 6, 2018. School does not start until August.
CRITERIA	NMSA 1978 Section 13-1-158 states "No check shall be issued until the services have been received."
CAUSE	Management is not ensuring these payments be made until after the school services are obtained.
EFFECT	The School District has paid for services not yet rendered.
RECOMMENDATION	The practice of paying for bus services before the services are rendered needs to cease.
RESPONSE	The Superintendent will write all future bus contracts so first payment is in August, after contract services begin. This has been corrected by June 2019 and will not reoccur.

Charges to a Fund that Didn't Exist - Other Non-Compliance
(2018-016)

CONDITION	Prior management charged a purchase of \$1,609 to the SB-9 (31700) Fund that neither had cash or budget available.
CRITERIA	According to PSAB Supplement 13 for Purchasing in the PED Manual of Procedures "All purchase orders are reviewed to ensure that account codes include the fund." This is funds that are available and have a properly approved budget.
CAUSE	Prior management did not ensure the fund charging this purchase was correct.
EFFECT	Prior management had to move this amount to a Fund that had budget authority.
RECOMMENDATION	Purchase Orders should be properly scrutinized to ensure the correct Fund code is used.
RESPONSE	The Business Manager will review purchase orders to assure the cash and budget needs have been completed properly, with proper budget authority. This has been corrected by June 2019 and will not reoccur

Stipends to Employees - Other Non-Compliance
(2018-017)

CONDITION	A Stipend of \$500 was paid to an employee for training without the required income taxes being withheld. Also, a Stipend of \$200 was paid to another employee with no support for why this stipend was being received.
CRITERIA	IRS regulations require "All" compensation to be considered part of the employees salary and the required income taxes withheld.
CAUSE	Prior management did not ensure this stipend had the required income taxes withheld.
EFFECT	IRS regulations were not followed.
RECOMMENDATION	"All" future Stipends are to be included in the employees salary and all required income taxes withheld.
RESPONSE	The Business Manager has acknowledged that all employees who receive additional pay will have all necessary payroll deductions and appropriate contracts will be in place. This has been corrected by June 2019 and should not reoccur.

Money for Meals - Significant Deficiency
(2018-018)

CONDITION	<p>The following situations for monies used for student athlete meals occurred.</p> <ol style="list-style-type: none">1. The General Activity account paid \$3,656 in meals that should have been paid out of Athletics.2. An employee was paid one check for basketball meals in the amount of \$2,496 with no form that shows permission for travel or a reconciliation afterwards.3. An employee was paid \$1,160 for volleyball meals with no form that shows permission to travel or a reconciliation afterwards.4. Invoices for 1 through 3 above did not exist.
CRITERIA	<p>PSAB 7 Cash Controls states "A form for permission to travel and another to <u>reconcile expenses, after the trip</u>, is required.</p> <p>All payments need to be properly supported by invoices. If these payments are not made then the amount should be re-deposited to replenish the account.</p>
CAUSE	<p>Management is not ensuring clear concise records are being maintained to ensure all cash transactions can be properly accounted for, tracked, approved and reviewed.</p>
EFFECT	<p>Payments could be made for goods/services not received.</p>
RECOMMENDATION	<p>Management needs to make these payments out of the correct fund. Also, there needs to be proper documentation to ensure these monies are being spent correctly.</p>
RESPONSE	<p>The Business Manager will provide meal money on a per trip basis. There will be a student sign in sheet for meal allowance and all receipts and documentation will be returned to the business office. This has been corrected by June 2019 and should not reoccur.</p>

Violations of the Anti-Donation Clause - Finding That Did Not
Rise to the Level of a Significant Deficiency
(2018-019)

CONDITION	The School District is paying for massages for staff out of the Operational Fund.
CRITERIA	According to the Anti-donation clause of New Mexico (Article IX, Section 14) "a school district shall not directly or indirectly lend or pledge its credit or make any donation to or in aid of any person."
CAUSE	The cause is unknown.
EFFECT	The School District used public monies to pay for purchases which appear to violate the anti-donation clause.
RECOMMENDATION	The School District needs to discontinue using this fund immediately.
RESPONSE	The new Superintendent and Business Manager are fully aware that anti-donation clause forbids the use of public monies for personal benefit. This has not, and will not be allowed under the new management. This has been corrected by June 2019 and will not reoccur.

Old Outstanding Invoices - Significant Deficiency
(2018-020)

CONDITION	Prior management paid \$4,877 to a vendor for 2016-2017 expenditures in the 2017-2018 fiscal year. Also, the contract used as support for the expenditure is the contract for the 2018 fiscal year <u>not</u> the 2017 fiscal year. The invoices provided have no date so it is unclear if these invoices were already paid for in the prior fiscal year.
CRITERIA	Only current year expenditures should be paid for in the current year.
CAUSE	Prior management allowed this payment to be made without investigating whether it was already paid for in the prior fiscal year.
EFFECT	The School District may have paid this invoice twice.
RECOMMENDATION	All future payments should be verified as not been previously paid.
RESPONSE	The Business Manager will make sure that contracts are paid in the current contract year for services rendered. Training for timely payment of invoices, and attention to duplicate invoices has been conducted with business office. This has been corrected in 18-19 and should not reoccur.

1099 Forms Incomplete - Significant Deficiency
(2018-021)

CONDITION	A vendor/individual was paid over \$600 for the 2017 calendar year. However, a 1099 Form was not completed and submitted to the IRS.
CRITERIA	IRS regulations require vendors/individuals paid over \$600 in a calendar year to receive a 1099 Form. A copy along with a 1096 Form are to be sent to the IRS.
CAUSE	The cause is unknown.
EFFECT	Management has not complied with IRS regulations.
RECOMMENDATION	A complete review of all vendors/individuals that were paid over \$600 should be done. All that are required to be reported should be included in the 1096 Form and submitted along with the required 1099 Forms each calendar year.
RESPONSE	The Business Manager acknowledges that all vendors paid over \$600 shall receive a 1099. This has been corrected in the 2018 tax year. This has been corrected and should not reoccur.

Teacherage Utilities - Significant Deficiency
(2018-022)

CONDITION	Prior management allowed teacherage renters to include utilities with their rent. This is in violation of a policy made in 2006. The policy stated that all those renting a teacherage would need to have the utilities put in the tenants name.
CRITERIA	The school policy states that all teacherages need to have the utilities in the tenants name.
CAUSE	The cause is unknown.
EFFECT	The School District is not following its own policy.
RECOMMENDATION	Current management should require all current tenants to put the utilities in their (tenants) name.
RESPONSE	The Superintendent has informed the office staff that going forward rentors will be responsible to transfer utilities to their name, as per policy. This has been corrected by June 2019.

Late Audit Report - Other Non-Compliance
(2018-023)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of November 15, 2018.
CRITERIA	School District audits are required to be submitted to the State Auditor by November 15 as required by NMAC 2.2.2.9A(1)(d).
CAUSE	Documents pertaining to the audit could not be located, provided or explained before the audit deadline.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	Management needs to ensure that all required documents are available for review by the auditors.
RESPONSE	The Superintendent and Business Manager are confident that communication and timeliness will improve for the 18-19 audit.

FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2018 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

EXIT CONFERENCE

An exit conference was held at the School District on June 10, 2019, to discuss the current audit report. In attendance were Mr. Victor R. Vigil, Board President, Mr. Boyd Hazen, Board Vice-President, Mr. Floyd Padilla, Board Member, Mr. Michael Pergeson, Board Member, Ms. Johnna Bruhn, Superintendent, Ms. Pat Copeland, Business Manager, Ms. Tina Garcia, Assistant Business Manager and Ms. Pamela A. Rice, CPA, Contract Auditor. Mr. Brian Colon, New Mexico State Auditor joined via telephone. A properly closed regular session was held.