

STATE OF NEW MEXICO
MOSQUERO SCHOOLS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019
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MOSQUERO MUNICIPAL SCHOOLS
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MOSQUERO MUNICIPAL SCHOOLS
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STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
OFFICIAL ROSTER

BOARD OF EDUCATION

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SCHOOL OFFICIALS

Johnna Bruhn
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INDEPENDENT AUDITORS' REPORT

Mr. Brian Colón
State Auditor of the State of New Mexico
Board Members of Mosquero Municipal Schools

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of Mosquero Municipal Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinion

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 District, as of June 30, 2019, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require 10 year schedules on pages 58 - 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements the combining and individual fund financial statements and any other schedule required by the Audit Rule that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and any other schedule required by the Audit Rule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of 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 in internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mosquero Municipal Schools internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2019

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2019

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS	
Current assets	
Cash and cash equivalents	\$ 1,414,585
Accounts receivable (Note 6)	90,534
Inventory, at cost	<u>2,770</u>
Total current assets	1,507,889
Non-current assets	
Capital assets	15,031,425
Less accumulated depreciation	<u>(5,994,706)</u>
Total non-current assets	<u>9,036,719</u>
Total assets	10,544,608
Deferred outflows	
Related to pension	667,786
Related to OPEB	<u>14,368</u>
Total deferred outflows	<u>682,154</u>
Total assets and deferred outflows	<u>\$ 11,226,762</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
 MOSQUERO MUNICIPAL SCHOOLS
 STATEMENT OF NET POSITION
 JUNE 30, 2019

	<u>Governmental Activities</u>
LIABILITIES AND DEFERRED INFLOWS	
Current liabilities	
Accounts payable	\$ 22,046
Accrued interest	26,239
Accrued compensated absences	5,981
Current portion of bonds payable	<u>595,000</u>
Total current liabilities	649,266
Long-term obligations	
Net pension liability	2,711,223
OPEB liability	648,775
Bonds payable	<u>4,367,000</u>
Total long-term liabilities	<u>7,726,998</u>
Total liabilities	8,376,264
Deferred inflows	
Related to pension	58,723
Related to OPEB	<u>259,441</u>
Total deferred inflows	<u>318,164</u>
Total liabilities and deferred inflows	8,694,428
NET POSITION	
Net investment in capital assets	4,048,480
Restricted for	
Cafeteria fund (inventory)	2,770
Special revenue	18,436
Capital projects	1,090,146
Debt service	176,534
Unrestricted	<u>(2,804,032)</u>
Total net position (deficit)	<u>2,532,334</u>
Total liabilities, deferred inflows, and net position	<u>\$ 11,226,762</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 992,162	\$ 9,700	\$ 62,310	\$ -	\$ (920,152)
Support services	418,772	-	17,411	-	(401,361)
Central services	156,579	-	-	16,013	(140,566)
Operation and maintenance of plant	426,810	27,647	204,600	46,516	(148,047)
Student transportation	176,872	-	174,887	-	(1,985)
Food services	46,007	7,637	4,930	-	(33,440)
Interest on long-term debt	171,777	-	-	-	(171,777)
Depreciation	520,515	-	-	-	(520,515)
Total governmental activities	<u>\$ 2,909,494</u>	<u>\$ 44,984</u>	<u>\$ 464,138</u>	<u>\$ 62,529</u>	(2,337,843)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					27,394
Property taxes, levied for debt services					635,186
Property taxes, levied for capital projects					110,766
Oil and gas tax					253,550
State equalization guarantee					1,156,016
Cooper production					42,382
Interest and investment earnings					9,834
Miscellaneous					<u>3,046</u>
Subtotal, general revenue					<u>2,238,174</u>
Change in net position					(99,669)
Net position - beginning of year					<u>2,632,003</u>
Net position - end of year					<u>\$ 2,532,334</u>

See independent auditors' report and accompanying notes to financial statements.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>NM Reads to Lead K-3</u>	<u>IDEA B Entitlement</u>
ASSETS					
Cash and cash equivalents	\$ 95,969	\$ 1,063,351	\$ -	\$ -	\$ -
Accounts receivable	14,543	26,795	7,535	12,783	6,336
Due from other funds	34,140	-	-	-	-
	<u>34,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 144,652</u>	<u>\$ 1,090,146</u>	<u>\$ 7,535</u>	<u>\$ 12,783</u>	<u>\$ 6,336</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 22,046	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	7,535	12,783	6,336
	<u>-</u>	<u>-</u>	<u>7,535</u>	<u>12,783</u>	<u>6,336</u>
Total liabilities	22,046	-	7,535	12,783	6,336
Deferred inflows:					
Deferred inflows - property tax	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	-	-	-	-	-
Total liabilities and deferred inflows	22,046	-	7,535	12,783	6,336
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	-	-	-
Debt service funds	-	1,090,146	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
General fund	122,606	-	-	-	-
	<u>122,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	122,606	1,090,146	-	-	-
Total liabilities, deferred inflows and fund balances	<u>\$ 144,652</u>	<u>\$ 1,090,146</u>	<u>\$ 7,535</u>	<u>\$ 12,783</u>	<u>\$ 6,336</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

	Capital Improvements SB-9	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 171,463	\$ 83,802	\$ 1,414,585
Accounts receivable	5,071	17,471	90,534
Due from other funds	-	-	34,140
Inventory	-	2,770	2,770
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 176,534</u>	<u>\$ 104,043</u>	<u>\$ 1,542,029</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 22,046
Due to other funds	-	7,486	34,140
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	7,486	56,186
Deferred inflows:			
Deferred inflows - property tax	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows	-	-	-
Total liabilities and deferred inflows	-	7,486	56,186
Fund balances:			
Nonspendable - Inventory	-	2,770	2,770
Restricted, reported in:			
Special revenue fund	-	18,436	18,436
Debt service funds	-	75,351	1,090,146
Capital projects funds	176,534	-	176,534
Unassigned, reported in:			
General fund	-	-	122,606
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>176,534</u>	<u>96,557</u>	<u>1,485,843</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 176,534</u>	<u>\$ 104,043</u>	<u>\$ 1,542,029</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for government activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 1,485,843
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,036,719
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds	667,786
Deferred outflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	14,368
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds	(58,723)
Deferred inflows of resources related to OPEB, applicable to future periods and therefore, not reported in funds	(259,441)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(2,711,223)
OPEB liability	(648,775)
Accrued interest	(26,239)
Compensated absences	(5,981)
General obligation bonds	<u>(4,962,000)</u>
Total net position - governmental funds	<u>\$ 2,532,334</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Debt Service</u>	<u>Title XIX Medicaid 3/21 Years</u>	<u>NM Reads to Lead K-3</u>	<u>IDEA B Entitlement</u>
REVENUES					
Taxes	\$ 27,394	\$ 587,502	\$ -	\$ -	\$ -
Oil and gas taxes	9,185	191,852	-	-	-
Copper production	1,522	32,160	-	-	-
Charges for services	27,647	-	-	-	-
State sources	1,536,523	-	11,238	42,001	-
Federal sources	-	-	-	-	15,711
Earnings from investments	9,834	-	-	-	-
Miscellaneous	3,046	-	-	-	-
Total revenues	<u>1,615,151</u>	<u>811,514</u>	<u>11,238</u>	<u>42,001</u>	<u>15,711</u>
EXPENDITURES					
Current:					
Direct instruction	571,507	-	-	42,001	15,711
Instructional support	395,240	5,765	11,238	-	-
Central services	152,036	-	-	-	-
Operation and maintenance	292,359	-	-	-	-
Food services	42,766	-	-	-	-
Transportation	176,872	-	-	-	-
Capital outlay	-	-	-	-	-
Debt services:					
Principal payments	-	355,000	-	-	-
Interest	-	169,985	-	-	-
Total expenditures	<u>1,630,780</u>	<u>530,750</u>	<u>11,238</u>	<u>42,001</u>	<u>15,711</u>
Excess (deficiency) of revenues over expenditures	(15,629)	280,764	-	-	-
Other Finance Sources					
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,629)	280,764	-	-	-
Fund balance - beginning of year	<u>138,235</u>	<u>809,382</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 122,606</u>	<u>\$ 1,090,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Improvements SB-9	Other Governmental Funds	Total
REVENUES			
Taxes	\$ 110,766	\$ 47,684	\$ 773,346
Oil and gas taxes	36,739	15,774	253,550
Copper production taxes	6,088	2,612	42,382
Charges for services	-	17,337	44,984
State sources	-	53,078	1,642,840
Federal sources	-	24,132	39,843
Earnings from investments	-	-	9,834
Miscellaneous	-	-	3,046
	<u>153,593</u>	<u>160,617</u>	<u>2,809,825</u>
Total revenues	153,593	160,617	2,809,825
EXPENDITURES			
Current:			
Direct instruction	-	16,248	645,467
Instructional support	1,087	5,442	418,772
Central services	-	4,543	156,579
Operation and maintenance	134,451	-	426,810
Food services	-	3,241	46,007
Transportation	-	-	176,872
Capital outlay	15,443	46,516	61,959
Debt services:			
Principal payments	-	54,000	409,000
Interest	-	1,792	171,777
	<u>150,981</u>	<u>131,782</u>	<u>2,513,243</u>
Total expenditures	150,981	131,782	2,513,243
Excess (deficiency) of revenues over expenditures	2,612	28,835	296,582
Other Finance Sources			
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,612	28,835	296,582
Fund balance - beginning of year	<u>173,922</u>	<u>67,722</u>	<u>1,189,261</u>
Fund balance - end of year	<u>\$ 176,534</u>	<u>\$ 96,557</u>	<u>\$ 1,485,843</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Amount reported for governmental activities in the statement of net position are different because:

Change in fund balances - total governmental funds	\$	296,582
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Capital outlay 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 position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation expense		(520,515)
Capital outlay		61,959

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

Change in deferred inflows and outflows - ERB		(180,591)
Change in deferred inflows and outflows- RHCA		(89,675)
OPEB liability		117,984
Net pension liability		(170,684)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Change in accrued interest		(26,239)
Change in accrued compensated absences		2,510
Principal payment on bond		409,000

Change in net position of governmental activities	\$	<u>(99,669)</u>
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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
GENERAL FUND COMBINED
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 42,000	\$ 32,816	\$ 27,394	\$ (5,422)
Oil and gas taxes	2,984	8,531	9,185	654
Copper production	1,333	1,333	1,522	189
Charges for services	32,437	30,000	27,647	(2,353)
State sources	1,337,173	1,307,686	1,521,980	214,294
Earnings from investments	925	950	9,834	8,884
Miscellaneous	8	10	3,046	3,036
	<u>1,416,860</u>	<u>1,381,326</u>	<u>1,600,608</u>	<u>219,282</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	571,694	574,847	571,507	3,340
Instructional support	474,804	398,946	395,240	3,706
Central services	87,087	204,600	152,036	52,564
Operation and maintenance	261,650	328,154	292,359	35,795
Food Services	20,224	44,148	42,766	1,382
Transportation	162,605	164,272	154,826	9,446
	<u>1,578,064</u>	<u>1,714,967</u>	<u>1,608,734</u>	<u>106,233</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(161,204)</u>	<u>(333,641)</u>	<u>(8,126)</u>	<u>325,515</u>
Net change in fund balance	(161,204)	(333,641)	(8,126)	325,515
Fund balance - beginning of year	<u>109,852</u>	<u>109,852</u>	<u>109,852</u>	<u>-</u>
Fund balance - end of year	<u>\$ (51,352)</u>	<u>\$ (223,789)</u>	<u>\$ 101,726</u>	<u>\$ 325,515</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (8,126)	
Net revenue accruals			14,543	
Net expenditure accruals			<u>(22,046)</u>	
Net changes in fund balance GAAP basis			<u>\$ (15,629)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
TITLE XIX MEDICAID 3/21 YEARS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Local sources	-	1,333	-	(1,333)
State sources	31,185	31,185	11,238	(19,947)
Total revenues	31,185	32,518	11,238	(21,280)
Expenditures:				
Current:				
Instructional support	31,185	33,874	11,238	22,636
Total expenditures	31,185	33,874	11,238	22,636
Excess (deficiency) of revenues over expenditures	-	(1,356)	-	1,356
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(1,356)	-	1,356
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ (1,356)</u>	<u>\$ -</u>	<u>\$ 1,356</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NM READS TO LEAD K-3 - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State and Local	\$ -	\$ 42,000	\$ 42,000	\$ -
Expenditures:				
Current:				
Direct instruction	-	42,000	42,000	-
Total expenditures	-	42,000	42,000	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
ENTITLEMENT IDEA B - SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ -	\$ 15,711	\$ 15,711	\$ -
Total revenues	-	15,711	15,711	-
Expenditures:				
Current:				
Direct instruction	-	15,711	15,711	-
Total expenditures	-	15,711	15,711	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
JUNE 30, 2019

ASSETS

Current Assets

Cash \$ 26,163

Total assets \$ 26,163

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 26,163

Total liabilities \$ 26,163

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Mosquero Public Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by State Equalization Guarantee, taxes and intergovernmental revenues.

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are accrued as receivable when levied, net of estimated refund and uncollectible amounts. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by district school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the schools except for those items included in other funds.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

The Title XIX Medicaid 3/21 Years Fund is 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 (Title XIX Social Security Act).

NM Reads to Lead K-3 Fund is to account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

IDEA-B Entitlement Fund This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

Capital Improvements SB-9 Fund is used to account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also to account for resources received from the State of New Mexico General Fund.

Additionally, the District reports the following agency fund:

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Deposits and Investments - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

Restricted Assets - The Debt Service Fund is used to report resources set aside as restricted to make up potential future deficiencies in the revenue bond current debt service account.

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

Receivables and Payables - Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Harding County. The funds are collected by the County Treasurers and are remitted to the District the following month.

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2019 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2019.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Inventory - The District uses the consumption method of accounting for inventory. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory is valued at cost utilizing the consumption basis of accounting. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed.

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity 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. No deferred revenue was recorded for unused commodity inventory as of June 30, 2019.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C(5). The District was a phase II government for purposes of implementing GASB 34 however, the District does not have any infrastructure asset to report. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	20-50
Furniture, Equipment Vehicles and Library Books	3-15

Unearned Revenues and Deferred Inflows of Resources - Under both accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by corresponding liability for unearned revenue. Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year end are classified as deferred inflow.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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

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

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

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

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

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

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

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

Fund Balance of Fund Financial Statements - In the fund financial statements, governmental funds are classified as follows:

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) 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, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government 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 a government 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 purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Net position - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

E. Revenues

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

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,156,016 in state equalization guarantee distributions during the year ended June 30, 2019.

Tax Revenues - The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$773,346 in tax revenues in the governmental fund financial statements during the year ended June 30, 2019. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes. The School collects property tax from Harding County.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Revenues (Continued)

Transportation Distribution - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$174,887 in transportation distributions during the year ended June 30, 2019.

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 for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

In June 2017, GASB Statement No. 87, Leases, was issued. Effective Date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The Center is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

These budgets are prepared on the Non-GAAP cash basis. Budgeted expenditures exclude encumbrances and the budget secures appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, when the budget is approved those funds are legally restricted and shown as reserved fund balance.

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

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Public Education Department.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board and the New Mexico Public Education Department.

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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

6. Budgets for the General, Special Revenue, Debt Service, and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Budget basis expenditures exclude encumbrances.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits the District from exceeding budgetary control at the function level.

The District is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

3. DEPOSIT AND INVESTMENTS

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2019.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

STATE OF NEW MEXICO
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3. DEPOSIT AND INVESTMENTS (CONTINUED)

The types of collateral allowed are limited to direct obligations of the United States Government or agency, districts or political subdivisions of the States of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for non interest bearing accounts.

Deposits - NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

	Farmers and Stockman
Cash on deposit at June 30, 2019	\$ 1,521,166
FDIC coverage	(250,000)
Total uninsured public funds	\$ 1,271,166
Pledged collateral	\$ 825,000
Collateral requirement (50% of uninsured public funds)	635,583
Over collateralization	\$ 189,417

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, 2019, \$1,271,166 of the District's bank balance of \$1,521,166 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2019, the carrying amount of these deposits was \$1,440,748.

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3. DEPOSIT AND INVESTMENTS (CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 1,414,585
Restricted cash and cash equivalents - balance sheet	<u> -</u>
Total	<u>1,414,585</u>
Statement of Fiduciary Net Assets - cash	<u> 26,163</u>
Total cash and cash equivalents	1,440,748
Add outstanding checks and other reconciling items	<u> 80,418</u>
Bank balance of deposits and investments	<u>\$ 1,521,166</u>
Cash source:	
Farmers & Stockmens Bank	\$ 1,521,166
New Mexico Finance Authority	<u> -</u>
Total cash and cash equivalents	<u>\$ 1,521,166</u>

Credit and Interest Rate Risk

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.

4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received.

The composition of interfund balances during the year ended June 30, 2019 is as follows:

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MOSQUERO MUNICIPAL SCHOOLS
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4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Governmental Activities	Due from other funds	Due to other funds
	<u> </u>	<u> </u>
General fund	\$ 34,140	\$ -
Title XIX Medicaide 3/21 years	-	7,535
Go Bond Student Library	-	4,173
Preschool IDEA B	-	3,063
Entitlement IDEA B	-	6,336
Teacher/Principal Training & Recruiting	-	250
NM Reads to Lead K-3	-	12,783
	<u> </u>	<u> </u>
Totals	<u>\$ 34,140</u>	<u>\$ 34,140</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2019.

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, are as follows:

	General	Major Governmental Funds	Non-Major Governmental Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Government grants	\$ 13,285	\$ 26,654	\$ 15,289	\$ 55,228
Property taxes	1,258	31,866	2,182	35,306
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 14,543</u>	<u>\$ 58,520</u>	<u>\$ 17,471</u>	<u>\$ 90,534</u>

The above receivables are deemed 100% collectible.

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6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Retirements	Transfer	Balance June 30, 2019
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 57,054	\$ -	\$ -	\$ -	\$ 57,054
Total capital assets not being depreciated	57,054	-	-	-	57,054
Capital assets being depreciated:					
Land improvements	977,750	61,959	-	-	1,039,709
Buildings and building improvements	12,512,474	-	-	-	12,512,474
Vehicles	383,206	-	-	-	383,206
Equipment and vehicles	1,032,197	-	-	-	1,032,197
Furniture	6,785	-	-	-	6,785
Total capital assets being depreciated	14,912,412	61,959	-	-	14,974,371
Less accumulated depreciation for:					
Land improvements	356,411	51,751	-	-	408,162
Buildings and building improvements	3,892,682	418,898	-	-	4,311,580
Vehicles	330,099	12,253	-	-	342,352
Equipment and vehicles	888,214	37,613	-	-	925,827
Furniture	6,785	-	-	-	6,785
Total accumulated depreciation	5,474,191	520,515	-	-	5,994,706
Total capital assets being depreciated, net	9,438,221	(458,556)	-	-	8,979,665
Governmental activities capital assets, net	\$ 9,495,275	\$ (458,556)	\$ -	\$ -	\$ 9,036,719

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
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6. CAPITAL ASSETS (CONTINUED)

For the year ended June 30, 2019, depreciation was charged to the following functions:

Governmental Activities	
Instruction	\$ -
Support services	-
Operations and maintenance of plant	<u>520,322</u>
 Total	 <u>\$ 520,322</u>

7. LONG-TERM OBLIGATIONS

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$7,075,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2019 are for governmental activities.

Bonds outstanding at June 30, 2019, are comprised of the following:

	<u>Series</u> <u>8/15/2010</u>	<u>Series</u> <u>10/15/2011</u>	<u>Series</u> <u>10/15/2013</u>	<u>Series</u> <u>10/28/2014</u>	<u>Series</u> <u>8/5/2016</u>
Original issue	\$1,800,000	\$1,000,000	\$2,900,000	\$1,100,000	\$275,000
Maturity	8/15/2021	10/15/2026	10/15/2027	10/1/2024	8/1/2021
Principal	August 1	February 1	February 1	February 1	February 1
Interest rate	2.00% - 3.40%	2.50% - 3.70%	3.125% - 4.125%	2.20% - 2.80%	0.0% - 0.0%
Interest	February 15 & August 15	April 15 & October 15	April 15 & October 15	April 1 & October 1	February 1 & August 1

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of the long-term debt and the activity for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 5,371,000	\$ -	\$ 409,000	\$ 4,962,000	\$ 595,000
Compensated absences	8,491	6,547	9,057	5,981	5,981
Total governmental activities	<u>\$ 5,379,491</u>	<u>\$ 6,547</u>	<u>\$ 418,057</u>	<u>\$ 4,967,981</u>	<u>\$ 600,981</u>

The annual requirements to amortize the Series 8/15/2010 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ 250,000	\$ 14,363	\$ 264,363
2021	250,000	6,388	256,388
2022	<u>75,000</u>	<u>1,275</u>	<u>76,275</u>
	<u>\$ 575,000</u>	<u>\$ 22,026</u>	<u>\$ 597,026</u>

The annual requirements to amortize the Series 10/15/2011 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	Principal	Interest	Total
2020	\$ 75,000	\$ 22,338	\$ 97,338
2021	75,000	20,388	95,388
2022	75,000	18,288	93,288
2024	100,000	15,650	115,650
2022	100,000	12,450	112,450
2023-2025	<u>300,000</u>	<u>16,400</u>	<u>316,400</u>
	<u>\$ 725,000</u>	<u>\$ 105,514</u>	<u>\$ 830,514</u>

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7. LONG-TERM OBLIGATIONS (CONTINUED)

The annual requirements to amortize the Series 10/15/2013 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 100,000	\$ 100,563	\$ 200,563
2021	100,000	97,250	197,250
2022	250,000	91,125	341,125
2024	400,000	79,500	479,500
2022	400,000	65,250	465,250
2023-2029	<u>1,500,000</u>	<u>109,375</u>	<u>1,609,375</u>
	<u>\$ 2,750,000</u>	<u>\$ 543,063</u>	<u>\$ 3,293,063</u>

The annual requirements to amortize the Series 10/28/2014 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 115,000	\$ 17,428	\$ 132,428
2021	120,000	14,670	134,670
2022	155,000	11,490	166,490
2024	90,000	8,460	98,460
2022	130,000	5,535	135,535
2023-2029	<u>135,000</u>	<u>1,890</u>	<u>136,890</u>
	<u>\$ 745,000</u>	<u>\$ 59,473</u>	<u>\$ 804,473</u>

The annual requirements to amortize the Series 8/5/2016 general obligation bond outstanding as of June 30, 2019, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 55,000	\$ 1,132	\$ 56,132
2021	56,000	701	56,701
2022	56,000	239	56,239
2024	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 167,000</u>	<u>\$ 2,072</u>	<u>\$ 169,072</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
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7. LONG-TERM OBLIGATIONS (CONTINUED)

Compensated Absences - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2019, compensated absences decreased a net of \$2,510 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors omissions; and natural disasters, for which the District is a member of the New Mexico Public School Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$500,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2019, there have been no claims that have exceeded insurance coverage.

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MOSQUERO MUNICIPAL SCHOOLS
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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD

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

Funding Policy

Member Contributions - Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 10.7% of their gross salary.

Employer Contributions - Mosquero Municipal Schools contributed 13.62% of gross covered salary.

The contribution requirements of plan members and the Mosquero Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Mosquero Municipal School's contributions to ERB for the fiscal years ending June 30, 2019, 2018, and 2017, were \$99,859, \$88,563, and \$90,478, respectively, which equal the amount of the required contributions for each fiscal year.

GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2018. As part of adopting GASB 68, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2019.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

For the year ended June 30, 2019, the District recognized pension expense of \$451,134. At the June 30, 2019, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,979	\$ 51,599
Changes in assumptions	558,770	-
Net difference between projected and actual earnings on pension plan investments	6,002	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,176	7,124
District contributions subsequent to the measurement date	99,859	-
Total	\$ 667,786	\$ 58,723

\$99,859 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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:

2020	\$	313,776
2021		199,841
2022		(4,492)
2023		79
2024		-
Total	\$	509,204

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2018. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2018 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2018. Specifically, the liabilities measured as of June 30, 2018 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary Increases	Composed of 2.50% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increases for less than 10 years of service.
Investment rate of return	7.25%
Single Discount Rate	5.69%
Retirement Age	Experience based table of rates based on age and service. Adopted by NMERB on April 21, 2017 in conjunction with the six-year experience study for the period ended June 30, 2016.
Mortality	Mortality Healthy Males – RP-2000 Combined Mortality Table with white collar adjustments, generational mortality improvements with Scale BB from the table's base year of 2000. Healthy Females – 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.

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

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9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Discount rate: A single discount rate of 5.69% was used to measure the total ERB pension liability as of June 30, 2018. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2018. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (4.69%) or one percentage point higher (6.69%) than the single discount rate.

	1% Decrease (4.69%)	Current Discount Rate (5.69%)	1% Increase (6.69%)
District's proportionate share of net pension	<u>\$ 3,523,552</u>	<u>\$ 2,711,223</u>	<u>\$ 2,048,414</u>

Pension plan fiduciary net position Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2018 and June 30, 2017 which are publicly available at www.nmerb.org.

Payables to the pension plan The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2018 the District did not owe ERB any funds.

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

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

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

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

Funding Policy - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorized the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses for the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Mosquero Municipal Schools contributions to the RHCA for the years ended June 30, 2019, 2018 and 2017 were \$14,368, \$12,743 and \$14,531, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 121,123
Net difference between projected and actual earnings on OPEB plan investments	-	8,096
Difference between expected and actual experience	-	38,412
Change in proportion and differences between employer contributions and proportionate share of contributions	-	91,810
Contributions made after the measurement date	14,368	-
	\$ 14,368	\$ 259,441

Deferred outflows of resources totaling \$14,368 represent School 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 Ending		
2020	\$	(62,043)
2021		(62,043)
2022		(62,043)
2023		(52,342)
2024		(20,970)
		\$ (259,441)

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

Actuarial 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% to 12.50%, based on years of service, including inflation.
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare 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:

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	2.1%
U.S equity - large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. 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, 4.08% 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 Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
\$ <u>785,170</u>	\$ <u>648,775</u>	\$ <u>541,265</u>

The following presents the net OPEB liability of the Authority, as well as what the Authority'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:

1% Decrease	Current Trend Rate	1% Increase
\$ <u>548,422</u>	\$ <u>648,775</u>	\$ <u>727,438</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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, 2018.

Payable Changes in the Net OPEB Liability – At June 30, 2019, the Authority reported a payable of \$0 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

11. LOSS CONTINGENCIES

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

12. ANALYSIS FOR IMPAIRMENT

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2019.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2019, the date the financial statements were available to be issued.

16. TAX ABATEMENT

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.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2015</u>		<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>
The Mosquero Municipal Schools' proportion of the net pension liability	\$ 1,315,734	\$	1,482,646	\$	1,653,740	\$	2,540,539	\$	2,711,223
The Mosquero Municipal Schools' proportionate share of the net pension liability	0.02306%		0.02289%		0.02298%		0.02286%		0.02280%
The Mosquero Municipal Schools' covered-employee payroll	\$ 650,783	\$	656,401	\$	650,921	\$	637,146	\$	733,411
The Mosquero Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.96 %		237.23 %		251.94 %		398.74 %		369.67 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %		63.97 %		61.58 %		52.95 %		52.17 %

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

See independent auditors' report

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD (ERB) PLAN
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 90,459	\$ 91,227	\$ 90,478	\$ 88,563	\$ 99,859
Contributions in relation to the contractually required contribution	<u>90,459</u>	<u>91,227</u>	<u>90,478</u>	<u>88,563</u>	<u>99,859</u>
Contribution deficiency (excess)	-	-	-	-	-
The Mosquero Municipal Schools' covered-employee payroll	<u>\$ 650,783</u>	<u>\$ 656,401</u>	<u>\$ 650,921</u>	<u>\$ 637,146</u>	<u>\$ 733,411</u>
Contributions as a percentage of covered-employee payroll	<u>13.90 %</u>	<u>13.90 %</u>	<u>13.90 %</u>	<u>13.90 %</u>	<u>13.62 %</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The Mosquero Municipal Schools will present information for those years for which information is available.

See independent auditors' report

MOSQUERO MUNICIPAL SCHOOLS
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 FISCAL YEARS

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

	2018	2019
Mosquero Municipal Schools's proportion of the net OPEB liability	0.01692%	0.01492%
Mosquero Municipal Schools's proportionate share of the net OPEB liability	\$ 766,759	\$ 648,775
Mosquero Municipal Schools's covered-employee payroll	\$ 637,146	\$ 640,160
Mosquero Municipal Schools's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	120.34%	101.35%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%	13.14%

MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF CONTRIBUTIONS OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS

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

	2018	2019
Contractually required contribution	\$ 19,114	\$ 23,315
Contributions in relation to the contractually required contribution	\$ <u>19,114</u>	\$ <u>23,030</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 285</u>
Mosquero Municipal Schools's covered-employee payroll	\$ 637,146	\$ 640,160
Contribution as a percentage of covered-employee payroll	3.83%	3.60 %

MOSQUERO MUNICIPAL SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

ERB PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions that were reflected in the actuarial valuation as of June 30, 2018.

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%.

RHCA PLAN

Changes in benefit provisions. There were no modifications to the benefit provisions as this is the first year of adoption of the OPEB accounting standard.

Changes in assumptions and methods. There were no modifications to the assumptions and methods as this is the first year of adoption of the OPEB accounting standard.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue	ED TECH Debt Service	Total
ASSETS			
Cash on deposit	\$ 10,633	\$ 73,169	\$ 83,802
Accounts receivable	15,289	2,182	17,471
Inventory, at cost	2,770	-	2,770
Due from grantors	-	-	-
	<u>28,692</u>	<u>75,351</u>	<u>104,043</u>
Total assets	<u>\$ 28,692</u>	<u>\$ 75,351</u>	<u>\$ 104,043</u>
LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 7,486	\$ -	\$ 7,486
Accounts payable	-	-	-
	<u>7,486</u>	<u>-</u>	<u>7,486</u>
Total liabilities	7,486	-	7,486
Deferred inflows:			
Property tax	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	-	-	-
Total deferred inflows and liabilities			
	<u>7,486</u>	<u>-</u>	<u>7,486</u>
Fund balances:			
Nonspendable - inventory	2,770	-	2,770
Restricted, reported in:			
Special revenue funds	18,436	-	18,436
Capital project funds	-	-	-
Retirement of long-term debt	-	75,351	75,351
	<u>21,206</u>	<u>75,351</u>	<u>96,557</u>
Total fund balance	21,206	75,351	96,557
Total liabilities, deferred inflows, and fund balances			
	<u>\$ 28,692</u>	<u>\$ 75,351</u>	<u>\$ 104,043</u>

See independent auditors' report

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	<u>Special Revenue</u>	<u>ED TECH Debt Service</u>	<u>Total</u>
Revenues:			
Property taxes	\$ -	\$ 47,684	\$ 47,684
Oil and gas taxes	-	15,774	15,774
Copper tax	-	2,612	2,612
Charges for services	17,337	-	17,337
State sources	53,078	-	53,078
Federal sources	24,132	-	24,132
	<u>94,547</u>	<u>66,070</u>	<u>160,617</u>
Total revenues	94,547	66,070	160,617
Expenditures:			
Current:			
Direct instruction	16,248	-	16,248
Instructional support	4,974	468	5,442
Food services	3,241	-	3,241
Central services	4,543	-	4,543
Capital outlay	46,516	-	46,516
Debt services:			
Principal payments	-	54,000	54,000
Interest	-	1,792	1,792
	<u>75,522</u>	<u>56,260</u>	<u>131,782</u>
Total expenditures	75,522	56,260	131,782
Net changes in fund balances	19,025	9,810	28,835
Fund balance - beginning of year	<u>2,181</u>	<u>65,541</u>	<u>67,722</u>
Fund balance - end of year	<u>\$ 21,206</u>	<u>\$ 75,351</u>	<u>\$ 96,557</u>

See independent auditors' report

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

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

FOOD SERVICE (21000) - 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.

ATHLETICS (22000) - This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

IDEA-B PRESCHOOL (24109) - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

TEACHER/PRINCIPAL TRAINING & RECRUITING (24154) - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

Rural Education Achievement Program Fund (25233) - is used to provide financial assistance to rural district to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

2012 GO BOND LIBRARY (27107) - To account for monies received from, Laws of 2012 to be used to improve the library, acquire library books or library resources that support the library program.

NM HIGHWAY DEPARTMENT (28120) - The purpose of this fund is for Local Government Road Fund Program (LGRF) for the design, construction management and parking lot improvements of the school district parking lots and access roads as per Cooperative Agreement

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

SUN SAFETY (28146) - 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 evidencebased. Funding is provided by Comprehensive Cancer Program, Public Health Division, New Mexico Department of Health.

FUEL UP TO PLAY 60 (29102) - To account for resources received to improve students awareness of the importance of healthy eating and increased physical activity.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	IDEA-B Preschool 24109	Teacher/Princi pal Training & Recruiting 24154	Rural Education Achievement Program 25233	2012 GO Bond Student Library 27107	NM Highway Department 28120
ASSETS							
Cash on deposit	\$ 7,487	\$ 3,146	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	7,803	3,063	250	-	4,173	-
Inventory, at cost	2,770	-	-	-	-	-	-
Total assets	<u>\$ 10,257</u>	<u>\$ 10,949</u>	<u>\$ 3,063</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 4,173</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,063</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 4,173</u>	<u>\$ -</u>
Total liabilities	-	-	3,063	250	-	4,173	-
Fund balances:							
Nonspendable - inventory	2,770	-	-	-	-	-	-
Restricted, reported in:							
Special revenue funds	<u>7,487</u>	<u>10,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>10,257</u>	<u>10,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 10,257</u>	<u>\$ 10,949</u>	<u>\$ 3,063</u>	<u>\$ 250</u>	<u>\$ -</u>	<u>\$ 4,173</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019

	<u>Special Revenue Funds</u>		<u>Total Special Revenue Funds</u>
	<u>Sun Safety 28146</u>	<u>Fuel up to Play 60 29102</u>	
ASSETS			
Cash on deposit	\$ -	\$ -	\$ 10,633
Accounts receivable	-	-	15,289
Inventory, at cost	-	-	2,770
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,692</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 7,486
Total liabilities	-	-	7,486
Fund balances:			
Nonspendable - inventory	-	-	2,770
Restricted, reported in:			
Special revenue funds	-	-	18,436
Total fund balance	<u>-</u>	<u>-</u>	<u>21,206</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,692</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Special Revenue Funds						
	Food Service 21000	Athletics 22000	IDEA-B Preschool 24109	Teacher/Princi pal Training & Recruiting 24154	Rural Education Achievement Program 25233	2012 GO Bond Student Library 27107	NM Highway Department 28120
Revenues:							
Charges for services	\$ 7,637	\$ 9,700	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	250	-	4,173	46,516
Federal sources	4,930	-	3,189	-	16,013	-	-
Total revenues	<u>12,567</u>	<u>9,700</u>	<u>3,189</u>	<u>250</u>	<u>16,013</u>	<u>4,173</u>	<u>46,516</u>
Expenditures:							
Current:							
Direct instruction	-	-	3,189	250	11,470	-	-
Instructional support	-	1	-	-	-	4,173	-
Food services	3,241	-	-	-	-	-	-
Central services	-	-	-	-	4,543	-	-
Capital outlay	-	-	-	-	-	-	46,516
Total expenditures	<u>3,241</u>	<u>1</u>	<u>3,189</u>	<u>250</u>	<u>16,013</u>	<u>4,173</u>	<u>46,516</u>
Net changes in fund balances	9,326	9,699	-	-	-	-	-
Fund balance - beginning of	<u>931</u>	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ 10,257</u>	<u>\$ 10,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
JUNE 30, 2019

	Special Revenue Funds		
	Sun Safety 28146	Fuel up to Play 60 29102	Total Special Revenue Funds
Revenues:			
Charges for services	\$ -	\$ -	\$ 17,337
State sources	2,000	139	53,078
Federal sources	-	-	24,132
	2,000	139	94,547
Total revenues			
Expenditures:			
Current:			
Direct instruction	1,200	139	16,248
Instructional support	800	-	4,974
Food services	-	-	3,241
Central services	-	-	4,543
Capital outlay	-	-	46,516
	2,000	139	75,522
Total expenditures			
Net changes in fund balances	-	-	19,025
Fund balance - beginning	-	-	2,181
Fund balance - end of year	\$ -	\$ -	\$ 21,206

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

EDUCATION TECHNOLOGY DEBT SERVICE (43000) - To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2019

	Education Technology Debt Service 43000
ASSETS	
Cash on deposit	\$ 73,169
Accounts receivable	<u>2,182</u>
Total assets	<u>\$ 75,351</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	
Deferred inflows:	
Property tax	<u>\$ -</u>
Total deferred inflows	<u>-</u>
Fund balances:	
Restricted, reported in:	
Retirement of long-term debt	<u>75,351</u>
Total fund balance	<u>75,351</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 75,351</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUND
JUNE 30, 2019

	Education Technology Debt Service 43000
	43000
Revenues:	
Property taxes	\$ 47,684
Oil and gas taxes	15,774
Cooper taxes	2,612
Total revenues	66,070
Expenditures:	
Current:	
Instructional support	468
Debt service:	
Bond	54,000
Interest	1,792
Total expenditures	56,260
Net changes in fund balances	9,810
Fund balance - beginning of year	65,541
Fund balance - end of year	\$ 75,351

GENERAL FUND

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2019

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Material 14000</u>	<u>Total</u>
ASSETS					
Cash	\$ 67,414	\$ 28,555	\$ -	\$ -	\$ 95,969
Accounts receivable	1,258	685	12,600	-	14,543
Due from other funds	<u>34,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,140</u>
 Total assets	 <u>\$ 102,812</u>	 <u>\$ 29,240</u>	 <u>\$ 12,600</u>	 <u>\$ -</u>	 <u>\$ 144,652</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 9,282	\$ 164	\$ 12,600	\$ -	\$ 22,046
 Total liabilities	 <u>9,282</u>	 <u>164</u>	 <u>12,600</u>	 <u>-</u>	 <u>22,046</u>
 Fund balances:					
Unassigned, reported in:					
General fund	<u>93,530</u>	<u>29,076</u>	<u>-</u>	<u>-</u>	<u>122,606</u>
 Total fund balances	 <u>93,530</u>	 <u>29,076</u>	 <u>-</u>	 <u>-</u>	 <u>122,606</u>
 Total liabilities, deferred inflows, and fund balances	 <u>\$ 102,812</u>	 <u>\$ 29,240</u>	 <u>\$ 12,600</u>	 <u>\$ -</u>	 <u>\$ 144,652</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Material 14000	Total
REVENUES					
Taxes	\$ 27,394	\$ -	\$ -	\$ -	\$ 27,394
Oil and gas taxes	9,185	-	-	-	9,185
Copper production taxes	1,522	-	-	-	1,522
Charges for services	2,530	25,117	-	-	27,647
State sources	1,360,616	-	174,887	1,020	1,536,523
Earnings from investments	9,834	-	-	-	9,834
Miscellaneous	3,046	-	-	-	3,046
Total revenues	<u>1,414,127</u>	<u>25,117</u>	<u>174,887</u>	<u>1,020</u>	<u>1,615,151</u>
EXPENDITURES					
Current:					
Direct instruction	570,487	-	-	1,020	571,507
Instructional support	395,240	-	-	-	395,240
Central services	152,036	-	-	-	152,036
Operation and maintenance	269,920	22,439	-	-	292,359
Food services	42,766	-	-	-	42,766
Transportation			176,872		176,872
Bonds					
Interest					
Total expenditures	<u>1,430,449</u>	<u>22,439</u>	<u>176,872</u>	<u>1,020</u>	<u>1,630,780</u>
Net change in fund balance	(16,322)	2,678	(1,985)	-	(15,629)
Fund balance at beginning of year	<u>109,852</u>	<u>26,398</u>	<u>1,985</u>	<u>-</u>	<u>138,235</u>
Fund balance at end of year	<u>\$ 93,530</u>	<u>\$ 29,076</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,606</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 42,000	\$ 32,816	\$ 26,136	\$ (6,680)
Oil and gas taxes	2,984	8,531	9,185	654
Copper production	1,333	1,333	1,522	189
Charges for services	-	-	2,530	2,530
State sources	1,173,397	1,143,386	1,360,616	217,230
Earnings from investments	925	950	9,834	8,884
Miscellaneous	8	10	3,046	3,036
	<u>1,220,647</u>	<u>1,187,026</u>	<u>1,412,869</u>	<u>225,843</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	566,691	573,827	561,205	12,622
Instruction support	312,199	398,946	395,240	3,706
Central services	87,087	204,600	152,036	52,564
Operation and maintenance	231,266	277,823	269,920	7,903
Food services	20,224	44,148	42,766	1,382
	<u>1,217,467</u>	<u>1,499,344</u>	<u>1,421,167</u>	<u>78,177</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>3,180</u>	<u>(312,318)</u>	<u>(8,298)</u>	<u>304,020</u>
Other financial sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	3,180	(312,318)	(8,298)	304,020
Fund balance - beginning of year	<u>109,852</u>	<u>109,852</u>	<u>109,852</u>	<u>-</u>
Fund balance - end of year	<u>\$ 113,032</u>	<u>\$ (202,466)</u>	<u>\$ 101,554</u>	<u>\$ 304,020</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (8,298)	
Net revenue accruals			1,258	
Net expenditure accruals			<u>(9,282)</u>	
Net changes in fund balance GAAP basis			<u>\$ (16,322)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
TEACHERAGE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 32,437	\$ 30,000	\$ 24,432	\$ (5,568)
Total revenues	32,437	30,000	24,432	(5,568)
Expenditures:				
Current:				
Operation and maintenance	30,384	50,331	22,275	28,056
Total expenditures	30,384	50,331	22,275	28,056
Excess (deficiency) of revenues over expenditures	2,053	(20,331)	2,157	22,488
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	2,053	(20,331)	2,157	22,488
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ 2,053</u>	<u>\$ (20,331)</u>	<u>\$ 2,157</u>	<u>\$ 22,488</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 2,157	
Net revenue accruals			685	
Net expenditure accruals			<u>(164)</u>	
Net changes in fund balance GAAP basis			<u>\$ 2,678</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
TRANSPORTATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 162,605	\$ 163,280	\$ 162,287	\$ (993)
Total revenues	162,605	163,280	162,287	(993)
Expenditures:				
Current:				
Transportation	<u>162,605</u>	<u>164,272</u>	<u>164,272</u>	<u>-</u>
Total expenditures	<u>162,605</u>	<u>164,272</u>	<u>164,272</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(992)</u>	<u>(1,985)</u>	<u>(993)</u>
Other financial sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(992)	(1,985)	(993)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ (992)</u>	<u>\$ (1,985)</u>	<u>\$ (993)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (1,985)	
Net revenue accruals			12,600	
Net expenditure accruals			<u>(12,600)</u>	
Net changes in fund balance GAAP basis			<u>\$ (1,985)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-
GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 1,171	\$ 1,020	\$ 1,020	\$ -
Total revenues	1,171	1,020	1,020	-
Expenditures:				
Current:				
Direct instruction	5,003	1,020	1,020	-
Total expenditures	5,003	1,020	1,020	-
Excess (deficiency) of revenues over expenditures	(3,832)	-	-	-
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(3,832)	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ (3,832)	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2019</u>
General Activity - 90000	\$ 3,840	\$ 9,668	\$ (7,823)	\$ -	\$ 5,685
Year Book - 90001	859	495	(432)	-	922
FFA - 90002	3,759	10,406	(9,408)	-	4,757
Media - 90003	3,397	3,172	(5,571)	-	998
HC Roundup - 90004	539	11,396	(7,123)	-	4,812
Senior Class - 90005	373	1,270	(798)	-	845
Families - 90006	60	3,080	(3,136)	-	4
Paint the Town - 90008	5,525	-	-	-	5,525
5th & 6th Grade - 90009	172	121	(50)	-	243
3rd & 4th Grade - 90010	669	2,352	(1,579)	-	1,442
Arena - 90011	-	1,059	(129)	-	930
	<u>\$ 19,193</u>	<u>\$ 43,019</u>	<u>\$ (36,049)</u>	<u>\$ -</u>	<u>\$ 26,163</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2019

Farmers and Stockmens

Description of Pledge Collateral	Market Value	Maturity Date	CUSIP#
Tiered Maturities			
FHLB	\$ 625,000	2/27/2020	3615000086
FHLB	<u>200,000</u>	6/30/2020	3615000090
Total	<u>\$ 825,000</u>		

Mosquero Municipal Schools secures their public monies in United States Securities as listed above. The Schools are in compliance as disclosed in Note 3.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS
JUNE 30, 2019

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
<hr/>				
Farmers and Stockman				
General Operational	Checking	<u>\$ 1,521,166</u>	<u>\$ (80,418)</u>	<u>\$ 1,440,748</u>
Total deposits		<u>\$ 1,521,166</u>	<u>\$ (80,418)</u>	<u>\$ 1,440,748</u>

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
CASH RECONCILIATION
JUNE 30, 2019

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000	Food Service 21000	Athletics Account 22000	Non- Instructional 90000's	Federal Flowthrough 24000	Federal Direct 25000
Cash, June 30, 2018	\$ 109,091	\$ 23,590	\$ 1,985	\$ -	\$ -	\$ 1,250	\$ 19,193	\$ (19,682)	(16,844)
Cash receipts, 2018- 2019	1,413,629	25,117	174,887	1,020	12,567	9,700	43,019	16,567	27,251
Cash disbursements, 2018-2019	<u>(1,421,166)</u>	<u>(20,152)</u>	<u>(176,872)</u>	<u>1,020</u>	<u>5,080</u>	<u>7,804</u>	<u>36,049</u>	<u>6,534</u>	<u>17,942</u>
Cash balance, June 30, 2019	<u>\$ 101,554</u>	<u>\$ 28,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,487</u>	<u>\$ 3,146</u>	<u>\$ 26,163</u>	<u>\$ (9,649)</u>	<u>\$ (7,535)</u>
	State Flowthrough 27000	Local / State 28000	Local / State 29000	Cap. Impro. SB 9 31700 & 37101	Debt Service Fund 41000	Ed. Tech. Debt Service 43000	Total		
Cash, June 30, 2018	\$ -	\$ -	\$ -	\$ 170,873	\$ 793,614	\$ 64,230	\$ 1,147,300		
Cash receipts, 2018- 2019	46,174	48,516	139	151,571	800,487	65,199	2,835,843		
Cash disbursements, 2018-2019	<u>(63,130)</u>	<u>(48,516)</u>	<u>(139)</u>	<u>(150,981)</u>	<u>(530,750)</u>	<u>(56,260)</u>	<u>(2,393,537)</u>		
Cash balance, June 30, 2019	<u>\$ (16,956)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,463</u>	<u>\$ 1,063,351</u>	<u>\$ 73,169</u>	<u>\$ 1,440,748</u>		

COMPLIANCE SECTION



**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 AUDITORS' REPORT**

Mr. Brian S. Colón, Esq.
State Auditor of the State of New Mexico
Board of Directors of Mosquero Municipal Schools

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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. (2019-002)

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.(2019-001, 2019-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. (2018-004) (2018-014)

Management Responses to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 15, 2019

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Materials weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

PRIOR AUDIT FINDINGS		Current status
		Resolved
2013-001	Budget Overruns	Resolved
2016-003	Segregation of Duties	Resolved
2017-002	Cafeteria Inventory	Resolved
2017-003	Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report	Resolved
2017-004	Payment of Accrued Leave	Resolved
2018-001	Variances on Bank Reconciliations	Resolved
2018-002	Outstanding Balances	Resolved
2018-003	Requests for Reimbursement for Special Revenue Grant Incorrect	Resolved
2019-001	No Depreciation Policy	Revised and Repeated
2018-005	Missing Rental Agreements	Resolved
2018-006	Damage Deposit Not Charged	Resolved
2018-007	Rents for Teacherages not Received	Resolved
2018-008	Special Revenue Grant Revenues Recorded in General Fund	Resolved
2018-009	Monies Received not Verified	Resolved
2018-010	Accrued Leave Issues	Resolved
2018-011	Contract Addendums Missing	Resolved
2018-012	Salary Schedule Not Used	Resolved
2018-013	Receivable from Other Agency	Resolved
2019-002	IRS Form 941 Incorrect	Revised and Repeated
2018-015	Payment Before Services are Rendered	Resolved
2018-016	Charges to a Fund that Didn't Exist	Resolved
2018-017	Stipends to Employers	Resolved
2018-018	Money for Meals	Resolved
2018-019	Violations of Anti- Donation Clause	Resolved
2018-020	Old Outstanding Invoices	Resolved
2018-021	1099 Forms Incomplete	Resolved
2018-022	Utilities for Teacherages	Resolved
2018-023	Late Audit Report	Resolved
CURRENT AUDIT FINDINGS		Current status
2019-003	Per Diem	New
2019-004	Capital Assets	New
2019-005	Journal Entry Approval and Documentation	New

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

**No Depreciation Policy (Finding That Did Not Rise to the Level of a Significant Deficiency) -
2019-001 (2018-004)**

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval. The District is working on implementing a depreciation policy that will be presented to the board at the next board meeting.
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 depreciation policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School District should approve and implement a depreciation policy as soon as possible.
RESPONSE	The superintendent will have a policy for the board to review in the next board meeting. A depreciation policy will be reviewed and implemented in fiscal year 19/20.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

IRS Form 941 Incorrect (Other Non- Compliance) - 2019-002 (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. The District has contracted accountants to help fix this issue.

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 interests 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 as soon as possible. This has been corrected in the accounting software by June 2019 and should not reoccur.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Per Diem (Significant Deficiency)- 2019-003

CONDITION	Six per diem requests were created, signed and authorized by superintendent for the superintendent travel reimbursement. 1 out of 8 samples for prior superintendent did not have proper supporting documentation.
CRITERIA	Section 2.42.2.9 NMAC -Upon written request of a public officer or an employee, agency heads may grant written approval for a public officer or employee of that agency or local public body to be reimbursed actual expenses in lieu of the per diem rate where overnight travel is required. The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts. The affidavit must accompany the travel voucher and include the signature of the agency head or governing board.
CAUSE	Lack of segregation of duties.
EFFECT	Management is not compliant with Section 2.42.2.9 of NMAC and risks disbursing funds for unauthorized travel expenses.
RECOMMENDATION	School District should implement segregation of duties for request and approval of per diem. Supporting documentation should be required for every per diem request.
RESPONSE	A change has been implemented, Business Manager reviews and signs superintendent's travel reimbursement for authorization of payment and visibly signs off on the travel.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets (Material Weakness)- 2019-004

CONDITION	An annual count was not completed, and the Trustees did not certify the capital asset listing for June 30, 2019. The Capital Asset listing is not updated perpetually and was not updated at year end.
CRITERIA	As per section 2.20.1.8 of NMAC, agencies should implement systematic and well-documented methods for accounting for their fixed assets.
CAUSE	Since a capital asset listing is only required to be certified once a year, updating the list is often forgotten and may cause discrepancies with beginning and year end totals.
EFFECT	The actual value of the schools fixed assets was not reflected correctly in fiscal year 2019 schedule of fixed assets.
RECOMMENDATION	The school should keep track of fixed assets with appropriate controls on access and authorization of transactions.
RESPONSE	The school will ensure to keep an accurate track of fixed assets and certify the list once a year by presenting it at the board meeting prior to fiscal year end.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Adjusting Journal Entry Documentation (Significant Deficiency)- 2019-005

CONDITION	8 out of 10 journal entries tested contained only a memo describing the adjustment as documentation.
CRITERIA	Section 6-5-2, NMSA 1978, requires that the authority shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.
CAUSE	Management was not aware that all journal entries required supporting documentation.
EFFECT	Lack of documentation and incorrect accounting increases the risk of potential errors and misstatements in the financial statements.
RECOMMENDATION	Management should attach supporting documentation to all adjusting entries.
RESPONSE	Management will assure all adjusting journal entries have appropriate supporting documentation.

EXPECTED COMPLETION: 06/30/2020

Responsible Employee: Business Manager

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
FINANCIAL STATEMENT PREPARATION
FOR THE YEAR ENDED JUNE 30, 2019

The financial statements of Mosquero Municipal Schools as of, and for the year ended June 30, 2019 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO
MOSQUERO MUNICIPAL SCHOOLS
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was conducted October 22, 2019 in a closed meeting of the Mosquero Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Mosquero Municipal Schools

Johnna Bruhn	Superintendent
Pat Copeland	Business Manager
Victor R. Vigil	Board President

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Manager
Jesse Olivar	Staff Auditor
Itza Sosa	Staff Auditor

An exit conference was conducted November 4, 2019 in a closed meeting of the Mosquero Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Mosquero Municipal Schools

Johnna Bruhn	Superintendent
Pat Copeland	Business Manager
Victor R. Vigil	Board President

Beasley, Mitchell & Co., LLP

Itza Sosa	Staff Auditor
Ashley Tierney	Staff II Auditor