

State of New Mexico

# MOUNTAINAIR PUBLIC SCHOOLS



FOR YEAR ENDED JUNE 30, 2017  
ANNUAL FINANCIAL REPORT

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
AUDIT REPORT  
For The Year Ended June 30, 2017  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
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STATE OF NEW MEXICO  
Mountainair Public Schools  
Official Roster  
Year Ended June 30, 2017

Board of Education

<u>Name</u>	<u>Title</u>
Mr. Darrell Roberts	President
Ms. Mary Gustin	Vice-President
Mr. Gabe Chavez	Secretary
Mr. Dustin Kayser	Member
Ms. Frances Gonzales	Member

School Officials

Ms. Dawn Apodaca	Interim Superintendent
Ms. Tammy Zamora	Business Manager

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

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**INDEPENDENT AUDITOR'S REPORT**

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Board of Education  
Mountainair Public Schools  
Mountainair, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General, Cafeteria, IDEA-B Entitlement, Medicaid Title I, Summer Lunch and Pre-K Initiative Funds of the Mountainair Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Mountainair Public Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Mountainair Public Schools non-major governmental and fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2017 as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the School District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the School District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Mountainair Public Schools, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Cafeteria, IDEA-B Entitlement, Medicaid Title I, Summer Lunch and Pre-K Initiative Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Mountainair Public Schools, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in NOTE 17 and 18 to the financial statements, the 2017 financial statements have been restated due to misstatements. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

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

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



### Other Information

Our audit was conducted for the purpose of forming opinions on the Mountainair Public Schools financial statements. The combining and individual non-major fund financial statements, and other supplementary information as required by the New Mexico State Audit Rule (NMAC 2.2.2), are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Cash Receipts and Disbursements - All Funds by School District Classification is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification required by NMAC 2.2.2 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 basis financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Cash Receipts, Disbursements - All Funds by School District Classification fairly states, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2018 on our consideration of the Mountainair Public Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mountainair Public Schools internal control over financial reporting and compliance.



Albuquerque, New Mexico  
March 21, 2018

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2017

Statement 1  
Page 1 of 2

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 2,751,209
Accounts receivable	9,982
Due from grantor	246,442
Inventory	<u>4,344</u>
Total current assets	<u>3,011,977</u>
Non-current assets	
Land (non-depreciable)	57,583
Capital assets (depreciable)	16,057,505
Less accumulated depreciation	<u>(12,426,829)</u>
Total non-current assets	<u>3,688,259</u>
Total assets	<u>6,700,236</u>
 <b>Deferred outflows of resources</b>	
Actuarial experience in Net Pension Liability	21,424
Investment experience in Net Pension Liability	294,769
Change in proportion in Net Pension Liability	-
Change in assumption in Net Pension Liability	100,522
Post measurement date contributions	<u>251,413</u>
Total deferred outflows of resources	<u>668,128</u>
<b>Total assets and deferred outflows of resources</b>	<b><u><u>\$ 7,368,364</u></u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Net Position  
June 30, 2017

Statement 1  
Page 2 of 2

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 12,267
Grants received in advance of eligibility requirements	14,743
Accrued interest payable	76,152
Current portion of long-term liabilities	<u>262,779</u>
Total current liabilities	<u>365,941</u>
Long-term obligations:	
Compensated absences	3,949
Net pension liability	4,938,193
Non-current portion of long-term liabilities	<u>3,133,836</u>
Total long-term liabilities	<u>8,075,978</u>
Total liabilities	<u>8,441,919</u>

**Deferred inflows of resources**

Actuarial experience in Net Pension Liability	46,968
Investment experience in Net Pension Liability	-
Change in proportion in Net Pension Liability	<u>130,158</u>
Total deferred inflows of resources	<u>177,126</u>

**NET POSITION**

Net investment in capital assets	291,644
Restricted for:	
Cafeteria fund (inventory)	4,344
Special grants	255,671
Capital outlay	2,155,747
Debt service	312,955
State mandated reserves	3,761
Unrestricted	<u>(4,274,803)</u>
Total net position	<u>(1,250,681)</u>
<b>Total liabilities, deferred inflows of resources             and net position</b>	<b><u><u>\$ 7,368,364</u></u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Activities  
Year Ended June 30, 2017

Statement 2

<u>Functions/Programs</u>	<u>Program Revenues</u>				Net (Expenses) Revenue and Changes Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$ 1,878,082	\$ 19,248	\$ 344,888	\$ 1,928,054	\$ 414,108
Instructional support	1,880,692	-	362,491	-	(1,518,201)
Food services	176,065	8,203	167,284	15,652	15,074
Depreciation - unallocated	210,929	-	-	-	(210,929)
Interest on long-term obligations	117,838	-	-	-	(117,838)
 Total governmental activities	 <u>4,263,606</u>	 <u>27,451</u>	 <u>874,663</u>	 <u>1,943,706</u>	 <u>(1,417,786)</u>
 General revenues:					
Taxes					
Property taxes, levied for general purposes					30,898
Property taxes, levied for capital projects					139,410
Property taxes, levied for debt service					289,716
Federal and State aid not restricted to specific purpose					
General - SEG					2,792,186
Federal - Forest Reserve					610
Interest and investment earnings					<u>6,179</u>
 Sub-total, general revenues					 <u>3,258,999</u>
 Change in net position					 <u>1,841,213</u>
 Net position - beginning of year					 2,984,318
 Restatement					 <u>(6,076,212)</u>
 Net position - beginning of year - restated					 <u>(3,091,894)</u>
 <b>Net position - end of year</b>					 <b><u><u>\$ (1,250,681)</u></u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2017

Statement 3  
Page 1 of 2

	General	Cafeteria	IDEA-B Entitlement	Medicaid	Title I	Summer Lunch
<b>ASSETS</b>						
Cash on deposit	\$ 25,192	\$ 67,643	\$ -	\$ 152,408	\$ -	\$ 26,496
Accounts receivable, collectible	438	-	-	-	-	-
Due from grantor	-	-	43,245	-	86,942	-
Due from other funds	246,442	-	-	-	-	-
Inventory, at cost	-	4,344	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<b><u>\$ 272,072</u></b>	<b><u>\$ 71,987</u></b>	<b><u>\$ 43,245</u></b>	<b><u>\$ 152,408</u></b>	<b><u>\$ 86,942</u></b>	<b><u>\$ 26,496</u></b>
<b>LIABILITIES</b>						
Due to other funds	\$ -	\$ -	\$ 43,245	\$ -	\$ 86,942	\$ -
Accounts payable	12,267	-	-	-	-	-
Grants received in advance	-	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>12,267</u>	<u>-</u>	<u>43,245</u>	<u>-</u>	<u>86,942</u>	<u>-</u>
<b>FUND BALANCE</b>						
Nonspendable	-	4,344	-	-	-	-
Restricted for:						
Special revenue grants	3,555	67,643	-	152,408	-	26,496
Capital outlay	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
State mandated cash reserves	3,761	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	252,489	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>259,805</u>	<u>71,987</u>	<u>-</u>	<u>152,408</u>	<u>-</u>	<u>26,496</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balance	<b><u>\$ 272,072</u></b>	<b><u>\$ 71,987</u></b>	<b><u>\$ 43,245</u></b>	<b><u>\$ 152,408</u></b>	<b><u>\$ 86,942</u></b>	<b><u>\$ 26,496</u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2017

Statement 3  
Page 2 of 2

	Pre-K Initiative	Bond Building	Local Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ 1,702,600	\$ 447,977	\$ 308,581	\$ 20,312	\$ 2,751,209
Accounts receivable, collectible	-	-	5,170	4,374	-	9,982
Due from grantor	30,502	-	-	-	85,753	246,442
Due from other funds	-	-	-	-	-	246,442
Inventory, at cost	-	-	-	-	-	4,344
<b>Total assets</b>	<b><u>\$ 30,502</u></b>	<b><u>\$ 1,702,600</u></b>	<b><u>\$ 453,147</u></b>	<b><u>\$ 312,955</u></b>	<b><u>\$ 106,065</u></b>	<b><u>\$ 3,258,419</u></b>
<b>LIABILITIES</b>						
Due to other funds	\$ 30,502	\$ -	\$ -	\$ -	\$ 85,753	\$ 246,442
Accounts payable	-	-	-	-	-	12,267
Grants received in advance	-	-	-	-	14,743	14,743
<b>Total liabilities</b>	<b><u>30,502</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>100,496</u></b>	<b><u>273,452</u></b>
<b>FUND BALANCE</b>						
Nonspendable	-	-	-	-	-	4,344
Restricted for:						
Special revenue grants	-	-	-	-	5,569	255,671
Capital outlay	-	1,702,600	453,147	-	-	2,155,747
Debt service	-	-	-	312,955	-	312,955
State mandated cash reserves	-	-	-	-	-	3,761
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	252,489
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>1,702,600</u></b>	<b><u>453,147</u></b>	<b><u>312,955</u></b>	<b><u>5,569</u></b>	<b><u>2,984,967</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 30,502</u></b>	<b><u>\$ 1,702,600</u></b>	<b><u>\$ 453,147</u></b>	<b><u>\$ 312,955</u></b>	<b><u>\$ 106,065</u></b>	<b><u>\$ 3,258,419</u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2017

Statement 4

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

Total fund balances - governmental funds	\$ 2,984,967
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	16,115,088	
Accumulated depreciation	<u>(12,426,829)</u>	
		3,688,259

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

Deferred outflows/inflows	491,002
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Long-term and certain other liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year-end consist of:

Net pension liability	(4,938,193)
Bonds Payable	(3,396,615)
Interest Payable	(76,152)
Compensated Absences	<u>(3,949)</u>

Total net position - governmental funds	<u><u>\$ (1,250,681)</u></u>
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The accompanying notes are an integral part of these financial statements.



STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2017

Statement 5  
Page 1 of 2

	General	Cafeteria	IDEA-B Entitlement	Medicaid	Title I	Summer Lunch
<b>REVENUES</b>						
Property taxes	\$ 30,898	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	8,203	-	-	-	-
Local sources	2,277	-	-	-	-	-
State sources	3,020,109	-	-	-	-	22,699
Federal sources	610	137,590	73,370	105,761	120,565	-
Earnings from investments	1,167	23	-	-	-	-
	<u>3,055,061</u>	<u>145,816</u>	<u>73,370</u>	<u>105,761</u>	<u>120,565</u>	<u>22,699</u>
Total revenues						
<b>EXPENDITURES</b>						
Current:						
Direct instruction	1,446,193	-	60,843	1,647	120,333	-
Instructional support	1,813,483	-	12,527	32,337	232	-
Food services	-	142,920	-	-	-	26,150
Capital outlay	-	-	-	-	-	-
Debt service:						
Bonds	-	-	-	-	-	-
Interest	-	-	-	-	-	-
	<u>3,259,676</u>	<u>142,920</u>	<u>73,370</u>	<u>33,984</u>	<u>120,565</u>	<u>26,150</u>
Total expenditures						
Excess (deficiency) of revenues over expenditures	<u>(204,615)</u>	<u>2,896</u>	<u>-</u>	<u>71,777</u>	<u>-</u>	<u>(3,451)</u>
Other financing sources						
Sale of bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(204,615)</u>	<u>2,896</u>	<u>-</u>	<u>71,777</u>	<u>-</u>	<u>(3,451)</u>
Fund balance beginning of year	475,510	58,533	(3,720)	80,631	598	13,363
Restatement	<u>(11,090)</u>	<u>10,558</u>	<u>3,720</u>	<u>-</u>	<u>(598)</u>	<u>16,584</u>
Fund balance beginning of year - restated	<u>464,420</u>	<u>69,091</u>	<u>-</u>	<u>80,631</u>	<u>-</u>	<u>29,947</u>
Fund balance end of year	<u>\$ 259,805</u>	<u>\$ 71,987</u>	<u>\$ -</u>	<u>\$ 152,408</u>	<u>\$ -</u>	<u>\$ 26,496</u>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2017

Statement 5  
Page 2 of 2

	Pre-K Initiative	Bond Building	Local Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ 139,410	\$ 289,716	\$ -	\$ 460,024
Charges for services	-	-	-	-	19,248	27,451
Local sources	-	-	-	-	-	2,277
State sources	48,093	-	-	25,910	56,300	3,173,111
Federal sources	-	-	-	-	69,827	507,723
Earnings from investments	-	4,457	-	51	481	6,179
Total revenues	<u>48,093</u>	<u>4,457</u>	<u>139,410</u>	<u>315,677</u>	<u>145,856</u>	<u>4,176,765</u>
<b>EXPENDITURES</b>						
Current:						
Direct instruction	48,093	-	-	-	119,657	1,796,766
Instructional support	-	-	13,408	2,980	5,725	1,880,692
Food services	-	-	-	-	6,995	176,065
Capital outlay	-	1,039,829	30,200	-	15,652	1,085,681
Debt service:						
Bonds	-	-	-	222,304	-	222,304
Interest	-	-	-	53,548	-	53,548
Total expenditures	<u>48,093</u>	<u>1,039,829</u>	<u>43,608</u>	<u>278,832</u>	<u>148,029</u>	<u>5,215,056</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,035,372)</u>	<u>95,802</u>	<u>36,845</u>	<u>(2,173)</u>	<u>(1,038,291)</u>
Other financing sources						
Sale of bonds	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Total other financing sources	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Net change in fund balances	<u>-</u>	<u>464,628</u>	<u>95,802</u>	<u>36,845</u>	<u>(2,173)</u>	<u>461,709</u>
Fund balance beginning of year	-	1,197,495	357,345	271,779	10,247	2,461,781
Restatement	<u>-</u>	<u>40,477</u>	<u>-</u>	<u>4,331</u>	<u>(2,505)</u>	<u>61,477</u>
Fund balance beginning of year - restated	<u>-</u>	<u>1,237,972</u>	<u>357,345</u>	<u>276,110</u>	<u>7,742</u>	<u>2,523,258</u>
Fund balance end of year	<u>\$ -</u>	<u>\$ 1,702,600</u>	<u>\$ 453,147</u>	<u>\$ 312,955</u>	<u>\$ 5,569</u>	<u>\$ 2,984,967</u>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2017

Statement 6

Total net change in fund balances - governmental funds \$ 461,709

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

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

Capital outlays	3,013,735	
Depreciation expense	<u>(210,929)</u>	
Excess of depreciation expense over capital outlay		2,802,806

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

Compensated absences payable		1,048
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Governmental funds report School district pension  
contributions as expenditures. However in the Statement  
of Activities, the cost of pension benefits earned net of employee  
contributions is reported as pension expense

Pension contributions		251,975
Pension expense		(334,339)

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

Proceeds of bond issue		(1,500,000)
Repayment of long-term debt		222,304
Interest		<u>(64,290)</u>

Change in net position of governmental activities		<u><b>\$ 1,841,213</b></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 28,377	\$ 28,377	\$ 31,600	\$ 3,223
Charges for services	-	-	-	-
Local sources	10,000	10,000	5,304	(4,696)
State sources	3,081,574	3,026,041	3,020,109	(5,932)
Federal sources	-	-	610	610
Earnings from investments	500	500	1,167	667
Total revenues	<u>\$ 3,120,451</u>	<u>\$ 3,064,918</u>	<u>\$ 3,058,790</u>	<u>\$ (6,128)</u>
EXPENDITURES				
Direct instruction	\$ 1,726,300	\$ 1,685,017	\$ 1,446,193	\$ 238,824
Instructional support	1,930,406	1,918,401	1,801,216	117,185
Food services	-	-	-	-
Total expenditures	<u>\$ 3,656,706</u>	<u>\$ 3,603,418</u>	<u>\$ 3,247,409</u>	<u>\$ 356,009</u>
BUDGETED CASH BALANCE	<u>\$ 536,255</u>	<u>\$ 538,500</u>		

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Cafeteria  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	-	\$ 7,750	\$ 8,203	\$ 453
Local sources	-	-	-	-
Federal sources	-	150,746	137,590	(13,156)
Earnings from investments	-	20	23	3
	<u>-</u>	<u>\$ 158,516</u>	<u>\$ 145,816</u>	<u>\$ (12,700)</u>
EXPENDITURES				
Food services	\$ -	\$ 222,277	\$ 144,149	\$ 78,128
	<u>\$ -</u>	<u>\$ 222,277</u>	<u>\$ 144,149</u>	<u>\$ 78,128</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ 63,761</u>		

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
IDEA-B Entitlement  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 70,530	\$ 90,150	\$ 105,484	\$ 15,334
Total revenues	<b><u>\$ 70,530</u></b>	<b><u>\$ 90,150</u></b>	<b><u>\$ 105,484</u></b>	<b><u>\$ 15,334</u></b>
EXPENDITURES				
Direct instruction	\$ 70,530	\$ 75,229	\$ 60,843	\$ 14,386
Instructional support	-	14,921	12,527	2,394
Total expenditures	<b><u>\$ 70,530</u></b>	<b><u>\$ 90,150</u></b>	<b><u>\$ 73,370</u></b>	<b><u>\$ 16,780</u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Medicaid  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 25,000	\$ 25,000	\$ 105,761	\$ 80,761
Total revenues	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 105,761</u>	<u>\$ 80,761</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 20,000	\$ 1,647	\$ 18,353
Instructional support	<u>105,628</u>	<u>144,408</u>	<u>32,337</u>	<u>112,071</u>
Total expenditures	<u>\$ 105,628</u>	<u>\$ 164,408</u>	<u>\$ 33,984</u>	<u>\$ 130,424</u>
BUDGETED CASH BALANCE	<u>\$ 80,628</u>	<u>\$ 139,408</u>		

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Title 1  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 183,344</u>	<u>\$ 296,285</u>	<u>\$ 135,264</u>	<u>\$ (161,021)</u>
Total revenues	<u><b>\$ 183,344</b></u>	<u><b>\$ 296,285</b></u>	<u><b>\$ 135,264</b></u>	<u><b>\$ (161,021)</b></u>
EXPENDITURES				
Direct instruction	\$ 183,344	\$ 275,285	\$ 120,333	\$ 154,952
Instructional support	<u>-</u>	<u>21,000</u>	<u>232</u>	<u>20,768</u>
Total expenditures	<u><b>\$ 183,344</b></u>	<u><b>\$ 296,285</b></u>	<u><b>\$ 120,565</b></u>	<u><b>\$ 175,720</b></u>

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



STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Summer Lunch  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 29,807</u>	<u>\$ 32,307</u>	<u>\$ 22,699</u>	<u>\$ (9,608)</u>
Total revenues	<u><b>\$ 29,807</b></u>	<u><b>\$ 32,307</b></u>	<u><b>\$ 22,699</b></u>	<u><b>\$ (9,608)</b></u>
EXPENDITURES				
Food services	<u>\$ 38,578</u>	<u>\$ 41,078</u>	<u>\$ 26,150</u>	<u>\$ 14,928</u>
Total expenditures	<u><b>\$ 38,578</b></u>	<u><b>\$ 41,078</b></u>	<u><b>\$ 26,150</b></u>	<u><b>\$ 14,928</b></u>
BUDGETED CASH BALANCE	<u><b>\$ 8,771</b></u>	<u><b>\$ 8,771</b></u>		

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Pre-K Initiative  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ 48,093	\$ 48,093	\$ 48,211	\$ 118
Total revenues	<b><u>\$ 48,093</u></b>	<b><u>\$ 48,093</u></b>	<b><u>\$ 48,211</u></b>	<b><u>\$ 118</u></b>
EXPENDITURES				
Direct instruction	\$ 48,093	\$ 48,093	\$ 48,093	\$ -
Total expenditures	<b><u>\$ 48,093</u></b>	<b><u>\$ 48,093</u></b>	<b><u>\$ 48,093</u></b>	<b><u>\$ -</u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2017

ASSETS	
Cash	<u>\$ 64,232</u>
Total Assets	<u><b>\$ 64,232</b></u>
LIABILITIES	
Deposits held for others	<u>\$ 64,232</u>
Total Liabilities	<u><b>\$ 64,232</b></u>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Mountainair Public Schools provides Kindergarten, elementary, middle and secondary educational services to school age residents of the School District.

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

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

Notes to Financial Statements (continued)

B. Basis of Presentation

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

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

Governmental Funds

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

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

Special Revenue Fund - Cafeteria Fund - This program provides financing for the 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.

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

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

Special Revenue Fund - Title I ESEA Fund - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

Notes to Financial Statements (continued)

Summer Lunch - To account for resources received to buy summer lunches for school age children in the School District area.

Pre-K Initiative - To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the District who want to enroll their child in a high quality Pre-K program can do so, regardless of income or ethnicity.

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

### **Program Revenues**

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

### **Allocation of Indirect Expenses**

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

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

#### **Governmental Funds**

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

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

#### REVENUES

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

Notes to Financial Statements (continued)

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

Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

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

**Fiduciary Funds**

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

D. Budgets and Budgetary Accounting

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

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



Notes to Financial Statements (continued)

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Department of Education an estimated budget for the school district for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State Department of Education (SDE) by the school district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division, but this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Mountainair Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

Notes to Financial Statements (continued)

E. Encumbrances

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

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Investments**

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

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

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

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

Notes to Financial Statements (continued)

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

**3. Accounts Receivable**

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

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 438	\$ 9,544	\$ -	\$ 9,982
Intergovernmental	-	160,689	85,753	246,442
Other	-	-	-	-
	<u>\$ 438</u>	<u>\$ 170,233</u>	<u>\$ 85,753</u>	<u>\$ 256,424</u>

**4. Inventories**

Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The Commodities shown in the Cafeteria Fund total \$10,746.

**5. Capital Assets**

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

Notes to Financial Statements (continued)

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Land improvements	20 years
Buildings & building improvements	30 years
Furniture & equipment	5 years
Auto/Vehicle	5 years

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

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

**6. Compensated Absences**

The Superintendent may accumulate up to 30 days of vacation leave. Twelve-month employees may accumulate up to twenty days of vacation leave. Any leave beyond these limits must be used by June 30 of the current contract year or within eighteen months after the granting of a special provision to extend the limits. Upon cancellation of the employment contract, no payment shall be made for more than ten days of unused vacation leave for twelve-month employees and thirty days for the Superintendent. A liability for compensated absences is not reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

**7. Fund Balance**

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

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

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

Notes to Financial Statements (continued)

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

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

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

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

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

**8. Restricted Net Position**

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

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

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

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

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

**9. Deferred Inflows of Resources**

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

**10. Deferred Outflows of Resources**

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

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

**11. Interfund Transactions**

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

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

**12. Estimates**

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

**13. Pensions**

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

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

My Bank	Operational (Investment)	\$ 66,621
My Bank	General	579,554
My Bank	High School Activities	54,078
My Bank	Elementary Activities	10,241
My Bank	Debt Service	10,585
My Bank	Payroll Clearing	262,574
My Bank	Food Service	76,712
My Bank	High School Athletics	558
My Bank		<u>568,095</u>

Total \$ 1,629,018

New Mexico Finance Authority \$ 1,461,800

Total amount on deposit \$ 3,090,818  
Outstanding checks (275,677)

Total per financial statements \$ 2,815,141

At June 30, 2017, the carrying amount of the School Districts deposits was \$1,353,341 and the bank balance was \$1,629,018. Of this balance \$250,000 was covered by federal depository insurance and \$1,328,922 was covered by collateral. The remaining \$689,509 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30 \$ 1,629,018  
Less F.D.I.C. (250,000)

Uninsured Funds 1,379,018  
50% Collateral Requirement 689,509  
Pledged Collateral 1,328,922

Excess of Pledged Collateral \$ 639,413

*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 District 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, \$1,379,018 of the School's bank balance of \$1,629,018 was exposed to custodial credit risk as follows:

A. Uninsured and uncollateralized	\$ 50,096
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>1,328,922</u>
Total	<u>\$1,379,018</u>



Notes to Financial Statements (continued)

The remaining \$50,096 is comprised of amounts in excess of those required to be collateralized under State law.

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

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

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

<u>Independent Bankers Bank Dallas, TX</u>	<u>Maturity Date</u>	<u>Fair Market Value</u>
Clovis MUNI SD #189414KU8	8-01-24	\$ 466,160
Hobbs SD#16 #433866CQ1	7-15-19	250,475
Hobbs SD#16 #433866EEO	7-15-20	511,745
Los Lunas SD #545562QS2	7-15-18	<u>100,542</u>
		<b><u>\$1,328,922</u></b>

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<b><u>\$1,629,018</u></b>	Less than 6 months

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

The amount held at the New Mexico Finance authority totaling \$1,461,800 is collateralized within the NMFA guidelines. This information is not available by the individual Agency but the financials statements for the NMFA are available by writing to New Mexico Finance Authority, 207 Shelby Street, Santa Fe, New Mexico 87501.

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

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

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>June 30, 2017</u>
Governmental activities:					
Land	\$ 57,583	\$ -	\$ -	\$ -	\$ 57,583
Total not being depreciated	<u>57,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,583</u>
Construction in Progress	278,130	-	-	(278,130)	-
Land improvements	874,418	-	-	61,699	936,117
Buildings and improvements	9,530,078	2,967,883	-	1,995,964	14,493,925
Vehicles	-	30,200	-	387,154	417,354
Machinery and equipment	1,328,708	15,652	-	(1,151,926)	192,434
Software	-	-	-	17,675	17,675
Library books	<u>474,356</u>	<u>-</u>	<u>-</u>	<u>(474,356)</u>	<u>-</u>
Total	<u>12,485,690</u>	<u>3,013,735</u>	<u>-</u>	<u>558,080</u>	<u>16,057,505</u>
Less accumulated depreciation for:					
Land improvements	(399,512)	(52,544)	-	(42,674)	(494,730)
Buildings and improvements	(3,678,317)	(102,175)	-	(7,674,678)	(11,455,170)
Vehicles	-	(39,730)	-	(277,451)	(317,181)
Machinery and equipment	(1,069,854)	(16,480)	-	944,261	(142,073)
Software	-	-	-	(17,675)	(17,675)
Library books	<u>(415,044)</u>	<u>-</u>	<u>-</u>	<u>415,044</u>	<u>-</u>
Total accumulated depreciation	<u>(5,562,727)</u>	<u>(210,929)</u>	<u>-</u>	<u>(6,653,173)</u>	<u>(12,426,829)</u>
Total capital assets being depreciated	<u>6,922,963</u>	<u>2,802,806</u>	<u>-</u>	<u>(6,095,093)</u>	<u>3,630,676</u>
Net capital assets	<u>\$ 6,980,546</u>	<u>\$ 2,802,806</u>	<u>\$ -</u>	<u>\$ (6,095,093)</u>	<u>\$ 3,688,259</u>

The School District has no infrastructure as of June 30. Depreciation expense was charged to governmental activities as follows:

Unallocated	\$ 210,929
Total depreciation	<u>\$ 210,929</u>

The School District received \$1,928,054 in Capital Asset Improvements from the Public School Finance Authority.

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year ended June 30, the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>	Due Within <u>One Year</u>
Compensated absences	\$ 4,997	\$ 6,294	\$ (7,342)	\$ 3,949	\$ -
2008 GO Bonds	335,000	-	(200,000)	135,000	135,000
2012 GO Bonds	283,919	-	(22,304)	261,615	22,779
2014 GO Bonds	1,500,000	-	-	1,500,000	105,000
2016 GO Bonds	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
Total	<u>\$ 2,123,916</u>	<u>\$ 1,506,294</u>	<u>\$ (229,646)</u>	<u>\$ 3,400,564</u>	<u>\$ 262,779</u>

Notes to Financial Statements (continued)

Payments on the general obligation bonds are made by the debt service funds.

B. General Obligation Bonds

The general obligation bonds will be paid from taxes levied against property owners living within the School District boundaries. The School District has pledged future property taxes to repay the outstanding. Total annual principal and interest payments for all General Obligation Bonds are expected to require 100% of gross revenue in the Debt Service Fund. The annual requirements to retire general obligation bonds as of June 30, are as follows:

Date of issue - November 1, 2016

Original amount - \$1,500,000

Interest rate - 0.787% to 2.880%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 33,968	\$ 33,968
2019	35,000	25,313	60,313
2020	35,000	24,859	59,859
2021	5,000	24,583	29,583
2022	5,000	24,506	29,506
2023-2027	245,000	116,289	361,289
2028-2032	650,000	53,712	703,712
2033-2037	525,000	172,375	697,375
<b>Total</b>	<b><u>\$ 1,500,000</u></b>	<b><u>\$ 475,605</u></b>	<b><u>\$ 1,975,605</u></b>

Date of issue - October 27, 2014

Original amount - \$1,500,000

Interest rate - 2.20% to 3.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 105,000	\$ 38,785	\$ 143,785
2019	180,000	34,510	214,510
2020	190,000	28,960	218,960
2021	195,000	23,965	218,965
2022	200,000	19,420	219,420
2023-2027	630,000	26,220	656,220
<b>Total</b>	<b><u>\$ 1,500,000</u></b>	<b><u>\$ 171,860</u></b>	<b><u>\$ 1,671,860</u></b>

Date of issue - January 13, 2012

Original amount - \$363,668

Interest rate - 1.274%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 22,779	\$ 3,399	\$ 26,178
2019	23,325	3,211	26,536
2020	23,944	2,992	26,936
2021	24,639	2,741	27,380
2022	25,402	2,461	27,863
2023-2027	141,526	6,717	148,243
<b>Total</b>	<b><u>\$ 261,615</u></b>	<b><u>\$ 21,521</u></b>	<b><u>\$ 283,136</u></b>

Notes to Financial Statements (continued)

Date of issue - October 15, 2008

Original amount - \$550,000

Interest rate - 3.85% to 5.00%

<u>Due in Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 135,000	\$ 2,768	\$ 137,768
Total	<u>\$ 135,000</u>	<u>\$ 2,768</u>	<u>\$ 137,768</u>

C. Operating Leases

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

D. Short-Term Liabilities

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

5. REVENUES

A. Property Tax Levies

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

B. State Equalization Guarantee

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

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$2,792,186 state equalization guarantee distributions during the year ended June 30, 2017.

C. Transportation Distribution

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

Notes to Financial Statements (continued)

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

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

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

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

The District received \$211,713 in transportation distribution during the year ended June 30, 2017.

D. SB-9 State Match

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

The District received \$9,094 in state SB-9 matching during the year ended June 30, 2017.

E. Public School Capital Outlay

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

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

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.

4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

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

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

During the year ended June 30, 2017, the District received \$- in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2017, the District received \$16,210 in instructional materials allocation.

G. Federal Grants

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

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

6. CASH OVERDRAFTS

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

7. CENTRAL REGION EDUCATIONAL COOPERATIVE

Mountainair Public Schools is a member of Central Region Educational Cooperative, which was established by the New Mexico State Board of Education. This REC operates as an agency for school districts and provides cooperative services as its primary service. The REC administers several federal award programs for municipal schools. Central Region Educational Cooperative issues a separate, publicly available audited financial report that includes expenditures of federal awards and supplementary information. That report may be obtained by writing Central Region Educational Cooperative, P.O. Box 37440, Albuquerque, New Mexico 87176.

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Cafeteria</u>	<u>IDEA-B Entitlement</u>	<u>Medicaid</u>
Revenues per modified accrual basis	\$ 3,055,061	\$ 145,816	\$ 73,370	\$ 105,761
Receivables	3,729	-	-	-
Deferred revenues/ Due from grantor	-	-	32,114	-
	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Revenues per budgetary basis	<u>\$ 3,058,790</u>	<u>\$ 145,816</u>	<u>\$ 105,484</u>	<u>\$ 105,761</u>
Expenditures per modified accrual basis	\$ 3,259,676	\$ 142,920	\$ 73,370	\$ 33,984
Accounts payable	(12,267)	-	-	-
Inventory	-	1,229	-	-
	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Expenditures per budgetary basis	<u>\$ 3,247,409</u>	<u>\$ 144,149</u>	<u>\$ 73,370</u>	<u>\$ 33,984</u>
		<u>Summer Lunch</u>	<u>Pre-K Initiative</u>	
Revenues per modified accrual basis	\$ 120,565	\$ 22,699	\$ 48,093	
Receivables	-	-	-	
Due from grantor	14,699	-	118	
	<u>          -</u>	<u>          -</u>	<u>          -</u>	
Revenues per budgetary basis	<u>\$ 135,264</u>	<u>\$ 22,699</u>	<u>\$ 48,211</u>	
Expenditures per modified accrual basis	\$ 120,565	\$ 26,150	\$ 48,093	
Accounts payable	-	-	-	
Inventory	-	-	-	
	<u>          -</u>	<u>          -</u>	<u>          -</u>	
Expenditures per budgetary basis	<u>\$ 120,565</u>	<u>\$ 26,150</u>	<u>\$ 48,093</u>	

**9. BUDGETED ACTIVITY FUNDS**

The Student Activity Funds, while budgeted under Non-Instructional Support in the financial statements, are considered for reporting purposes as Agency Funds. These monies are retained by the District in a fiduciary capacity. Monies are received from student groups and are expended for purposes determined by the students within guidelines established by the School District. The changes in those balances follow:

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>
<b>ASSETS</b>				
Cash	\$ 45,567	\$ 179,774	\$ (161,109)	\$ 64,232
Total assets	<u>\$ 45,567</u>	<u>\$ 179,774</u>	<u>\$ (161,109)</u>	<u>\$ 64,232</u>
<b>LIABILITIES</b>				
Elementary School	\$ 10,921	\$ 23,993	\$ (24,760)	\$ 10,154
High School	34,646	155,781	(136,349)	54,078
Total liabilities	<u>\$ 45,567</u>	<u>\$ 179,774</u>	<u>\$ (161,109)</u>	<u>\$ 64,232</u>

**10. INSURANCE COVERAGE**

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

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

**11. SURETY BOND**

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

**12. RISK MANAGEMENT**

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

**13. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD**

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

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



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

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

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

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

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

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

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

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

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

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

**Benefit Options** - The Plan has three benefit options available.

**Option A - Straight Life Benefit** - The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

**Option B - Joint 100% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

**Option C - Joint 50% Survivor Benefit** - The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

Notes to Financial Statements (continued)

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010.
- Tier 2 membership is comprised of employees who became members after July 1, 201, but prior to July 1, 2013.
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal year ended June 30, 2017, the School District paid employee and employer contributions of \$439,624, which equal the amount of the required contributions for the fiscal year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2017, the School District reported a liability of \$7,549,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the School District's proportion was 0.10491%, which was an increase of 0.00693% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$338,035. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 21,424	\$ 46,968
Changes in assumptions	100,522	-
Net difference between projected and actual earnings on pension plan investments	294,769	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	130,158
District contributions subsequent to the measurement date	<u>251,413</u>	<u>-</u>
Total	<u>\$ 668,128</u>	<u>\$ 177,126</u>

\$251,413 reported as deferred outflows of resources related to pensions resulting from the School District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ (26,349)
2019	66,124
2020	127,930
2021	71,882
2022	-

Notes to Financial Statements (continued)

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

Inflation	3.00%
Salary Increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years
Mortality	<b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. <b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. <b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. <b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. <b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for pre-retirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll growth	3.5% per year (with no allowance for membership growth).

Notes to Financial Statements (continued)

Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	35%	
Fixed income	28%	
Alternatives	36%	
Cash	<u>1%</u>	
Total	<u>100%</u>	<u>7.75%</u>

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.75%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long-term expected rate of return on Pension 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 member and employer contributions will be made at the current statutory levels.

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
School District's proportionate share of the net pension liability	\$ 6,540,522	\$ 4,938,193	\$ 3,608,712

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in separately issued NMERB's financial reports. The reports can be found on the NMERB's Website at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

**Payables to the pension plan.** At June 30, 2017, the School District had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2017.

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

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which 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.

Notes to Financial Statements (continued)

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

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

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

The Mountainair Public Schools contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$36,221, \$38,258 and \$39,056, respectively, which equal the required contributions for each year.

15. CONCENTRATIONS

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

16. BUDGET VIOLATIONS

The Athletics Fund had a budget overrun of \$12,140.



17. RESTATEMENT OF FUND BALANCE

The Special Revenue - EE & ER bonding Act Fund had a restatement of \$4,330 for cash that should be reported in the Debt Service Fund (Major Fund). The Special Revenue - Student Library Fund had a restatement of \$985 of a receivable created several years prior that was never requested for reimbursement and will never be received. The Special Revenue Fund - K-3 Plus had a restatement of \$840 of a receivable created several years prior that was never requested for reimbursement and will never be received. The IDEA-B Entitlement Fund (Major Fund) had a restatement of \$3,720 of a receivable created several years prior that was never requested for reimbursement and will never be received. The Title I Fund (Major Fund) had a restatement of \$598 of a receivable created several years prior that was never requested for reimbursement and will never be received. The Summer Lunch Fund (Major Fund) had a restatement of \$16,584 for previously deferred revenues that were eligible. The Bond Building Fund (Major Fund) had a restatement of \$40,477 in payables. The Debt Service Fund (Major Fund) had a restatement of \$4,331 for cash that was incorrectly reported in a Special Revenue Fund. The Cafeteria Fund (Major Fund) had a restatement of \$15,683 for a correction in the June 30, 2016 cash balance and \$(5,126) for a due from other funds created several years prior that will not be repaid. The Operational Fund had a restatement of \$11,090 for a correction in the June 30, 2016 cash balance. The total restatement is \$61,477 as shown on page 11.

18. NET POSITION RESTATEMENT

The School District had a prior period adjustment of \$558,080 in Capital Assets and \$(6,653,173) in accumulated depreciation. There was a \$42,596 restatement for taxes receivable. Also, included is the restatement of \$61,477 to Fund Balance per Note 17.

19. RELATED PARTIES

Due to the size of the District and surrounding community, in the ordinary course of business, the District has and expects to continue to have transactions with its employees and elected officials. In the opinion of management, such transactions were on substantially the same terms, including interest rates, and collateral, as those prevailing at the time of comparable transactions with other persons and did not involve more than a normal risk of collectability or present any other unfavorable features to the District.

The District has entered into a contract for providing bus services with a company owned and operated by a member of the Board of Education. The contract is for one year ending June 30, 2017 and is not to exceed \$31,216. No amounts were due or remaining on the contract as of June 30, 2017.

20. FUND BALANCE CLASSIFIED

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

Fund Balances	General Fund	Cafeteria	Medicaid	Summer Lunch	Bond Building	Local Capital		Debt Service	Non-Major Governmental Fund	Totals
						Improvements SB-9				
Nonspendable:										
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	4,344	-	-	-	-	-	-	-	4,344
Total nonspendable	-	4,344	-	-	-	-	-	-	-	4,344
Restricted for:										
Transportation services	-	-	-	-	-	-	-	-	-	-
Instructional materials	3,555	-	-	-	-	-	-	-	-	3,555
Capital improvements	-	-	-	-	1,702,600	453,147	-	-	-	2,155,747
Debt service payments	-	-	-	-	-	-	312,955	-	-	312,955
Athletic services	-	-	-	-	-	-	-	558	-	558
Special grants	-	-	152,408	26,496	-	-	-	5,011	-	183,915
Cafeteria services	-	67,643	-	-	-	-	-	-	-	67,643
State mandated cash reserve	3,761	-	-	-	-	-	-	-	-	3,761
Total restricted	7,316	67,643	152,408	26,496	1,702,600	453,147	312,955	5,569	-	2,728,134
Committed to:										
Other purposes	-	-	-	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-	-	-	-
Unassigned:										
	252,489	-	-	-	-	-	-	-	-	252,489
Total Fund Balances	\$ 259,805	\$ 71,997	\$ 152,408	\$ 26,496	\$ 1,702,600	\$ 453,147	\$ 312,955	\$ 5,569	\$ -	\$ 2,984,967

**NON-MAJOR GOVERNMENTAL FUNDS**

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by the State Department of Education.

**NON-INSTRUCTIONAL SUPPORT** - To account for the interest earned on public monies and used to buy Turkeys at Thanksgiving and a Scholarship Banquet. There is no Authority for the creation of this fund.

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

**FRESH FRUIT & VEGETABLES** - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

**IDEA-B RESULTS PLAN** - 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. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

**IMPROVING TEACHER QUALITY** - 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.

**EQUIPMENT ASSISTANCE PROGRAM** - To account for resources received to provide funds for equipment purchases that cost over \$5,000. Funding and Authority provided by Federal Regulations at 2 C.F.R. § 200.331(a).

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

**DUAL CREDIT INSTRUCTIONAL MATERIALS** - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

**STUDENT LIBRARY FUND** - To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

**READ2LEAD** - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

**BREAKFAST FOR ELEMENTARY STUDENTS** - To account for grant funds received to fund the Elementary Breakfast Program. Financing and authority are 6.12.9 fo the New Mexico Administrative Code (NMAC).

**NM GROWN** - To account for funds provided by New Mexico Public Education Department to purchase New Mexico locally grown fresh fruits and vegetables for School meal programs. Authority is from the Public Education Department.

**NM ARTS GRANT** - To account for funds used for art given by the State of New Mexico. Authority is the State of New Mexico, Public Education Department.

**K-3 PLUS** - To account for funds used to demonstrate that increased time in kindergarten and the early grades narrows the achievement gap between disadvantaged students and other students, increases cognitive skills and leads to higher test scores for all participants. Authority is from the Public Education Department.

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017

Statement A-1  
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	Non- Instructional Support Fund	IDEA-B Preschool Fund	Fresh Fruits & Vegetables Fund	IDEA-B Results Plan Fund	Improving Teacher Quality Fund
<b>ASSETS</b>					
Cash on deposit	\$ 5,011	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	4,234	1,648	23,129	9,660
Total assets	<b>\$ 5,011</b>	<b>\$ 4,234</b>	<b>\$ 1,648</b>	<b>\$ 23,129</b>	<b>\$ 9,660</b>
<b>LIABILITIES</b>					
Cash overdraft	\$ -	\$ 4,234	\$ 1,648	\$ 23,129	\$ 9,660
Grants received in advance	-	-	-	-	-
Total liabilities	-	4,234	1,648	23,129	9,660
<b>FUND BALANCES</b>					
Restricted	5,011	-	-	-	-
Total fund balance	5,011	-	-	-	-
Total liabilities and fund balances	<b>\$ 5,011</b>	<b>\$ 4,234</b>	<b>\$ 1,648</b>	<b>\$ 23,129</b>	<b>\$ 9,660</b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017

Statement A-1  
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	USDA Equipment Assistance Fund	REAP Fund	EE&RE Bonding Act Fund	Dual Credit Fund	Student Library Fund	Read2Lead Fund
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ 14,080	\$ -	\$ -	\$ -	\$ -
Due from grantor	<u>15,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,725</u>	<u>25,577</u>
Total assets	<b><u>\$ 15,652</u></b>	<b><u>\$ 14,080</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,725</u></b>	<b><u>\$ 25,577</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ 15,652	\$ -	\$ -	\$ -	\$ 5,725	\$ 25,577
Grants received in advance	<u>-</u>	<u>14,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>15,652</u>	<u>14,080</u>	<u>-</u>	<u>-</u>	<u>5,725</u>	<u>25,577</u>
<b>FUND BALANCES</b>						
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<b><u>\$ 15,652</u></b>	<b><u>\$ 14,080</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,725</u></b>	<b><u>\$ 25,577</u></b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2017

Statement A-1  
Page 3 of 3

	Breakfast Program Fund	NM Grown Fund	NM Arts Fund	K-3 Plus Fund	Athletics Fund	Totals
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ 663	\$ -	\$ 558	\$ 20,312
Due from grantor	128	-	-	-	-	85,753
Total assets	<b><u>\$ 128</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 663</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 558</u></b>	<b><u>\$ 106,065</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ 128	\$ -	\$ -	\$ -	\$ -	\$ 85,753
Grants received in advance	-	-	663	-	-	14,743
Total liabilities	128	-	663	-	-	100,496
<b>FUND BALANCES</b>						
Restricted	-	-	-	-	558	5,569
Total fund balance	-	-	-	-	558	5,569
Total liabilities and fund balances	<b><u>\$ 128</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 663</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 558</u></b>	<b><u>\$ 106,065</u></b>

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



STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

Statement A-2  
Page 1 of 3

	Non- Instructional Support Fund	IDEA-B Preschool Fund	Fresh Fruits & Vegetables Fund	IDEA-B Results Plan Fund	Improving Teacher Quality Fund
<b>REVENUES</b>					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-
State sources	-	-	-	-	-
Federal sources	-	7,074	5,922	23,129	18,050
Earnings from investments	481	-	-	-	-
Total revenues	<u>481</u>	<u>7,074</u>	<u>5,922</u>	<u>23,129</u>	<u>18,050</u>
<b>EXPENDITURES</b>					
Direct instruction	2,696	7,074	-	23,136	18,050
Instructional support	-	-	-	-	-
Food services	-	-	5,922	-	-
Total expenditures	<u>2,696</u>	<u>7,074</u>	<u>5,922</u>	<u>23,136</u>	<u>18,050</u>
Net change in fund balance	<u>(2,215)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>-</u>
Fund balance beginning of year	7,226	-	-	7	-
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance beginning of year-restated	<u>7,226</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 5,011</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

Statement A-2  
Page 2 of 3

	USDA Equipment Assistance Fund	REAP Fund	EE&ER Bonding Act Fund	Dual Credit Fund	Student Library Fund	Read2Lead Fund
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	-
State sources	-	-	-	285	5,725	37,750
Federal sources	15,652	-	-	-	-	-
Earnings from investments	-	-	-	-	-	-
<b>Total revenues</b>	<u>15,652</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>5,725</u>	<u>37,750</u>
<b>EXPENDITURES</b>						
Direct instruction	-	-	-	285	-	37,750
Instructional support	-	-	-	-	5,725	-
Food services	15,652	-	-	-	-	-
<b>Total expenditures</b>	<u>15,652</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>5,725</u>	<u>37,750</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance beginning of year	-	-	4,330	-	(985)	-
Restatement	<u>-</u>	<u>-</u>	<u>(4,330)</u>	<u>-</u>	<u>985</u>	<u>-</u>
Fund balance beginning of year-restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2017

Statement A-2  
Page 3 of 3

	Breakfast Program Fund	NM Grown Fund	NM Arts Fund	K-3 Plus Fund	Athletics Fund	Totals
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 19,248	\$ 19,248
Local sources	-	-	-	-	-	-
State sources	573	500	3,063	8,404	-	56,300
Federal sources	-	-	-	-	-	69,827
Earnings from investments	-	-	-	-	-	481
<b>Total revenues</b>	<u>573</u>	<u>500</u>	<u>3,063</u>	<u>8,404</u>	<u>19,248</u>	<u>145,856</u>
<b>EXPENDITURES</b>						
Direct instruction	-	-	3,063	8,404	19,199	119,657
Instructional support	-	-	-	-	-	5,725
Food services	573	500	-	-	-	22,647
<b>Total expenditures</b>	<u>573</u>	<u>500</u>	<u>3,063</u>	<u>8,404</u>	<u>19,199</u>	<u>148,029</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>	<u>(2,173)</u>
Fund balance beginning of year	-	-	-	(840)	509	10,247
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>840</u>	<u>-</u>	<u>(2,505)</u>
Fund balance beginning of year-restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>509</u>	<u>7,742</u>
<b>Fund balance at end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 558</u></u>	<u><u>\$ 5,569</u></u>

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

**GENERAL FUND**

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

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

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Combining Balance Sheet  
General Fund  
June 30, 2017

Statement B-1

	Operational	Transporation	Instructional Materials	Total
<b>ASSETS</b>				
Cash on deposit	\$ 268,079	\$ -	\$ 3,555	\$ 271,634
Accounts receivable, collectible	438	-	-	438
Total assets	<b>\$ 268,517</b>	<b>\$ -</b>	<b>\$ 3,555</b>	<b>\$ 272,072</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 12,267	\$ -	-	\$ 12,267
Total liabilities	12,267	-	-	12,267
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	3,761	-	3,555	7,316
Unassigned	252,489	-	-	252,489
Total fund balance	256,250	-	3,555	259,805
Total liabilities and fund balance	<b>\$ 268,517</b>	<b>\$ -</b>	<b>\$ 3,555</b>	<b>\$ 272,072</b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
General Fund  
Year Ended June 30, 2017

Statement B-2

	Operational	Transportation	Instructional Materials	Total
<b>REVENUES</b>				
Property taxes	\$ 30,898	\$ -	\$ -	\$ 30,898
Charges for services	-	-	-	-
Local sources	2,277	-	-	2,277
State sources	2,792,186	211,713	16,210	3,020,109
Federal sources	610	-	-	610
Earnings from investments	1,167	-	-	1,167
Total revenues	2,827,138	211,713	16,210	3,055,061
<b>EXPENDITURES</b>				
Direct instruction	1,408,255	-	37,938	1,446,193
Instructional support	1,601,757	211,726	-	1,813,483
Food service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	3,010,012	211,726	37,938	3,259,676
Net change in fund balance	(182,874)	(13)	(21,728)	(204,615)
Fund balance at beginning of year	450,214	13	25,283	475,510
Restatement	(11,090)	-	-	(11,090)
Fund balance at beginning of year - restated	439,124	13	25,283	464,420
Fund balance at end of year	<b>\$ 256,250</b>	<b>\$ -</b>	<b>\$ 3,555</b>	<b>\$ 259,805</b>

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
General Fund - Operational Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 28,377	\$ 28,377	\$ 31,600	\$ 3,223
Charges for services	-	-	-	-
Local sources	10,000	10,000	5,304	(4,696)
State sources	2,844,982	2,801,467	2,792,186	(9,281)
Federal sources	-	-	610	610
Earnings from investments	500	500	1,167	667
Total revenues	<u>\$ 2,883,859</u>	<u>\$ 2,840,344</u>	<u>\$ 2,830,867</u>	<u>\$ (9,477)</u>
EXPENDITURES				
Direct instruction	\$ 1,690,389	\$ 1,646,874	\$ 1,408,255	\$ 238,619
Instructional support	1,706,675	1,706,675	1,589,490	117,185
Food services	-	-	-	-
Total expenditures	<u>\$ 3,397,064</u>	<u>\$ 3,353,549</u>	<u>\$ 2,997,745</u>	<u>\$ 355,804</u>
BUDGETED CASH BALANCE	<u>\$ 513,205</u>	<u>\$ 513,205</u>		

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
General Fund - Transportation Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	223,731	211,713	211,713	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
 Total revenues	 <u><b>\$ 223,731</b></u>	 <u><b>\$ 211,713</b></u>	 <u><b>\$ 211,713</b></u>	 <u><b>\$ -</b></u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	223,731	211,726	211,726	-
Food services	-	-	-	-
 Total expenditures	 <u><b>\$ 223,731</b></u>	 <u><b>\$ 211,726</b></u>	 <u><b>\$ 211,726</b></u>	 <u><b>\$ -</b></u>
 BUDGETED CASH BALANCE	 <u><b>\$ -</b></u>	 <u><b>\$ 13</b></u>		

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



STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
General Fund - Instructional Materials Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	12,861	12,861	16,210	3,349
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 12,861</u>	<u>\$ 12,861</u>	<u>\$ 16,210</u>	<u>\$ 3,349</u>
EXPENDITURES				
Direct instruction	\$ 35,911	\$ 38,143	\$ 37,938	\$ 205
Instructional support	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>\$ 35,911</u>	<u>\$ 38,143</u>	<u>\$ 37,938</u>	<u>\$ 205</u>
BUDGETED CASH BALANCE	<u>\$ 23,050</u>	<u>\$ 25,282</u>		

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Mountainair Public School District's proportion of net pension liability (asset)	0.06862%	0.06951%	0.06987%
Mountainair Public School District's proportionate share of the net pension liability (asset)	\$ 4,938,193	\$ 4,502,348	\$ 3,986,585
Mountainair Public School District's covered-employee payroll	\$ 1,817,758	\$ 1,897,846	\$ 1,983,187
Mountainair Public School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	262.59%	237.23%	201.02%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 251,413	\$ 313,456	\$ 275,663
Contributions in relation to the contractually required contribution	<u>251,413</u>	<u>273,305</u>	<u>275,663</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 40,151</u>	<u>\$ -</u>
Mountainair Public School District's covered-employee payroll	\$ 1,817,758	\$ 1,897,846	\$ 1,983,187
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

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

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

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Notes to Required Supplementary Information  
Year Ended June 30, 2017

***Changes in benefit terms and assumptions.***

There were no benefit or assumption changes adopted since the last actuarial valuation. However, the actual cost of living adjustment (COLA) was less than the expected 2.0%, which resulted in a net \$138,000,000 decrease in the unfunded actuarial liability.

See Independent Auditor's Report

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
MOUNTAINAIR PUBLIC SCHOOLS  
Schedule of Cash Receipts and  
Disbursements - All Funds by  
School District Classification  
Year Ended June 30, 2017

	Operational	Transportation	Instructional Materials	Food Services	Athletics	Non- Instructional	Budgeted Non- Instructional
Cash Balance, June 30, 2016	\$ 446,047	\$ 13	\$ 25,283	\$ 50,294	\$ 509	\$ 45,567	\$ 7,226
Restatement of Cash	(11,090)	-	-	15,683	-	-	-
Cash Receipts, 2016-2017	2,830,867	211,713	16,210	135,069	19,248	179,774	481
Cash Disbursements, 2016-2017	<u>(2,997,745)</u>	<u>(211,726)</u>	<u>(37,938)</u>	<u>(133,403)</u>	<u>(19,199)</u>	<u>(161,109)</u>	<u>(2,696)</u>
Cash Balance, June 30, 2017	<u><b>\$ 268,079</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,555</b></u>	<u><b>\$ 67,643</b></u>	<u><b>\$ 558</b></u>	<u><b>\$ 64,232</b></u>	<u><b>\$ 5,011</b></u>
	Local	State	Federal Projects	Bond Building	Capital Improvement SB-9	Local Capital Improvement SB-9	Debt Service
Cash Balance, June 30, 2016	\$ -	\$ (71,458)	\$ (149,813)	\$ 1,237,972	\$ -	\$ 343,081	\$ 259,131
Restatement of Cash	-	12,253	-	-	-	-	4,331
Cash Receipts, 2016-2017	-	157,247	429,538	1,504,457	-	148,504	323,950
Cash Disbursements, 2016-2017	<u>-</u>	<u>(132,815)</u>	<u>(297,747)</u>	<u>(1,039,829)</u>	<u>-</u>	<u>(43,608)</u>	<u>(278,831)</u>
Cash Balance, June 30, 2017	<u><b>\$ -</b></u>	<u><b>\$ (34,773)</b></u>	<u><b>\$ (18,022)</b></u>	<u><b>\$ 1,702,600</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 447,977</b></u>	<u><b>\$ 308,581</b></u>

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

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

**INDEPENDENT AUDITOR'S REPORT**

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Board of Education  
Mountainair Public Schools  
Mountainair, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Cafeteria, IDEA-B Entitlement, Medicaid and Kindergarten 3-Plus Funds of the Mountainair Public Schools, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Mountainair Public Schools basic financial statements, and the combining and individual funds and have issued our report thereon dated March 21, 2018.

Internal Control Over Financial Reporting

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

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

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



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

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness.

We did identify certain deficiencies in the accompanying Status of Comments and Responses that we consider to be Significant Deficiencies; Athletics Fund Transactions Never Reported (2017-004), Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-007), High School Activity Bank Reconciliation (2017-008), Reconciled Bank Balances not Agreeing to Financial Statements (2017-010), Imprest Bank Account (2017-011), Capital Asset Listing (2017-014), Long-Term Debt Not Recorded on Books of Record or on PED Quarterly Reports (2017-015), Non-Budgeted Fund (2017-020).

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mountainair Public Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards which are described in the accompanying Status of Comments and Responses as Monthly Activity Reports Prepared Late (2017-001), Quickbooks Software Used for Activity Accounts (2017-002), Deficit Activity Fund Balances (2017-003), Athletic Fund Budget Overrun (2017-005), Knowledge and Review of Audit Report (2017-006), Incomplete Bank Reconciliations (2017-009), Public Education Quarterly Report Incorrect (2017-012), No Depreciation Policy (2017-013), Receipt Issues (2017-016), Charges at the Concession Stand (2017-017), Expenditures Reported (2017-018), Contract Services (2017-019), Money for Meals (2017-021), Payment before Services are Rendered (2017-022), Annual Leave Policy (2017-023), State Withholding Reports (CRS-1s) (2017-024), IRS Form 1099 & 1096 (2017-025), Drug Test Listing (2017-026) and Late Audit Report (2017-027).

#### Responses to the Findings

Mountainair Public Schools responses to the findings identified in our audit are described in the accompanying Status of Comments and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Albuquerque, New Mexico  
March 21, 2018

**STATUS OF COMMENTS AND RESPONSES**

**Prior Year Audit Findings:**

NONE

**Current Year Audit Findings:**

1. Monthly Activity Reports Prepared Late (2017-001)
2. QuickBooks Software Used for Activity Accounts (2017-002)
3. Deficit Activity Fund Balances (2017-003)
4. Athletics Fund Transactions Never Reported (2017-004)
5. Athletic Fund Budget Overrun (2017-005)
6. Knowledge and Review of Audit Report (2017-006)
7. Transactions Made by Third Parties Not Recorded on Books of Record or Public Education Department Quarterly Report (2017-007)
8. High School Activity Bank Reconciliation (2017-008)
9. Incomplete Bank Reconciliations (2017-009)
10. Reconciled Bank Balances Not Agreeing to Financial Statements (2017-010)
11. Imprest Bank Account (2017-011)
12. Public Education Quarterly Report Incorrect (2017-012)
13. No Depreciation Policy (2017-013)
14. Capital Asset Listing (2017-014)
15. Long-Term Debt Not Recorded on Books of Record or Public Education Department Quarterly Reports (2017-015)
16. Receipt Issues (2017-016)
17. Charges at the Concession Stand (2017-017)
18. Expenditures Reported to the Public Education Department (2017-018)
19. Contract Services (2017-019)
20. Violations of the Anti-Donation Clause of the Non-budgeted Fund (2017-020)
21. Money for Meals (2017-021)
22. Payment Before Services are Rendered (2017-022)
23. Annual Leave Policy (2017-023)
24. State Withholding Reports (CRS-1's) (2017-024)
25. IRS Form 1099 and 1096 (2017-025)
26. Drug Test Listing (2017-026)
27. Late Audit Report (2017-027)

Monthly Activity Reports Prepared Late - Other Matter  
(2017-001)

CONDITION                    The monthly bank reconciliations and financial reports for the Elementary Activities were not being prepared on a timely basis. The July, 2016 report was not prepared until May, 2017.

Also, these reports are not being reviewed by anyone in the business office.

CRITERIA                    PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips and cancelled checks shall be made available to the school districts auditor during the annual audit."

Also, PSAB 18 Student Activity states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each days business."

Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). In addition , school districts shall establish any other criteria applicable to such statements to maintain accountability for assets."

CAUSE                        No one in management is reviewing these.

EFFECT                      Reports are not being prepared timely.

RECOMMENDATION

Someone in the business office needs to be assigned to reviewing these reports on a monthly basis.

RESPONSE

The Superintendent and Business Manager will make sure to review the Elementary School financial reports on a monthly basis and are prepared timely. Beginning July, 2018 activity accounts will be moved to Visions and reconciled at the administration office.

QuickBooks Software Used for Activity Accounts - Other Matter  
(2017-002)

CONDITION

The Elementary and the High School are using QuickBooks to prepare financial information for the School Activity accounts. By using QuickBooks the accounts are not being tracked or reconciled correctly.

This situation is due to:

A) The employee using QuickBooks has not been adequately trained and because of this QuickBooks "plugs" misposted items.

This is usually due to checks being posted to the wrong activity account.

B) The QuickBooks balances are not being reconciled to the monthly reports provided to the activity sponsors.

C) No one including anyone in the Business Office is reviewing these financial reports to ensure they are correct or that any errors or mispostings are corrected.

D) The beginning balances on the monthly reports (July 1, 2016) did not reconcile to the QuickBooks general ledger at the beginning of the year.

CRITERIA

The Public Education Department Manual of Procedures specifically PSAB Supplement 7 - cash controls states "School Districts must establish internal controls over cash to ensure that assets are protected and are accounted for in a professional and timely manner".

CAUSE

Business Office staff were not aware of the missing step in internal control procedures ensuring activity fund resources were adequately accounted for and reconciled.

EFFECT Fraud, waste or abuse can occur if proper internal controls do not exist. In this case, proper oversight of the Activity account monthly reports.

RECOMMENDATION A Business Office employee should be tasked with reviewing and reconciling these reports monthly.

Also, both the Elementary and the High Schools should be trained and required to use the Visions Software.

RESPONSE The Superintendent will make sure internal controls are accounted for and reconciliations are done timely at both the Elementary and High School. Beginning July 2018, the activity accounts for both schools will be moved to Visions and reconciled at the Administration Office. Both schools will have Visions installed and be trained to input requisitions at the building level.

Deficit Activity Fund Balances - Compliance Matter  
(2017-003)

CONDITION                    Individual activity accounts had a deficit balance as of June 30, 2017. Elementary activity accounts were: Office \$80, Yearbook \$123 and Activities \$403. The High School activity accounts with deficit cash balances were Class of 2022 by \$39 and District Athletics activity by \$64. There were negative cash balances at the beginning of the year also. The Snack Machine activity by \$195, the Class of 2019 by \$21 and the District Athletics activity by \$47.

CRITERIA                    PSAB 18 Student Activities states: "Under no circumstances shall an activity fund remain in a deficit balance at the end of the fiscal year".

CAUSE                        School staff were not aware of this requirement by the Public Education Department.

EFFECT                      By creating deficit balances the management of the School District are creating a liability in which they will have to provide resources to eliminate these deficits.

RECOMMENDATION            Management should monitor the activity fund balances to ensure deficits do not occur and all monies owed to the School are collected.

RESPONSE                    The Business Manager will make sure that all activity accounts are in the positive and make sure that Elementary and High Schools secretaries and principals are aware that activity accounts cannot be in a negative at the end of a fiscal year.



Athletics Fund Transactions Never Reported -  
Significant Deficiency  
(2017-004)

CONDITION

The Athletics Fund transactions were never reconciled (bank account also), reviewed or reported in the Visions Software or the Public Education Department Quarterly Reports. As shown on page 54 \$558 in cash, as shown on page 57, \$19,248 in revenues and \$19,199 in expenditures were not reported to the Public Education Department or to the School Board as being a fund administered by the Business Office.

CRITERIA

PSAB 18 Student Activity and Athletics states "Sub Fund 22000 shall be used to account for the transactions, both revenue and expenditures for Athletic Activities. Athletic funds are to be considered *public monies* and therefore require adherence to all applicable laws, rules and regulations. Reference PSAB 3, UCOA."

Also, PSAB 7 Cash Controls states "General Ledger control must exist over all bank accounts. Each fund must be accounted for in a separate self-balancing set of accounts for its assets, liabilities, equity, revenues, expenditure and transfers. The Cash Report should flow directly from the General Ledger."

Also, PSAB 7 Cash Controls states "The School district shall submit the Cash Reports to PED by the last working day of the month following the end of the reporting period."

PSAB 2 Internal Control Structure states "Upon completion of the final close for each fiscal year, the School district determines the actual cash balances for all funds and reports them to the Public Education Department by the designated deadline."

CAUSE

Management did not ensure the Athletic funds transactions were accounted for. This also, includes the Board of the School District and

the School Districts Budget Analyst as no one questioned or requested or required this fund to be accounted for in the Visions program or in the PED quarterly reports.

EFFECT

None of the transactions for this fund have been accounted for, reported on, reviewed or approved. Thus, PED requirements have not been followed.

RECOMMENDATION

Management should immediately require this fund be accounted for, reported and reconciled by the business office. The Board should review the transactions of this fund (at a minimum) of a quarterly basis. The School District analyst should insure this fund be reported on the PED quarterly reports.

RESPONSE

The Business Manager will make sure that all athletic credits and debits are accounted for on a monthly basis. Beginning July 2018 Athletic accounts will be moved to the Administration Office and reconciled with all other administrative accounts monthly.

Athletic Fund Budget Overrun - Compliance Matter

(2017-005)

CONDITION	The School District overspent the final approved budget of the Athletics Fund by \$12,140.
CRITERIA	NMSA 1978 Section 22-8-11 B requires all funds to be spent within established guidelines set for budgets.
CAUSE	Management did not insure budget adjustment requests were obtained from PED by the required deadline.
EFFECT	The School District had adequate cash (and revenues) to pay the overrun but not the required budget authority from PED.
RECOMMENDATION	Management and the Board should review its budget quarterly and request all budget adjustments at that time to ensure budget overruns do not occur.
RESPONSE	The Superintendent and Business Manager will make sure the Athletic account always has the proper amount of budget authority for spending. The Athletic account will be run through the Visions program at the Administration Office beginning 7-1-18.

Knowledge and Review of Audit Report - Other Matter

(2017-006)

CONDITION	<p>Neither management of the School District or those on the Board are reviewing the balances and financial statements reported in the audit report.</p> <p>This includes \$100 reported as other assets on the Balance Sheet of the 2016 audit report. An \$839 cash overdraft in Fresh Fruits and Vegetables Fund going all the way back to the 2013 audit report which will clearly never be received since it is so old. Also, a \$2,944 cash overdraft in Breakfast After the Bell, of which was received but not posted to the correct fund.</p>
CRITERIA	<p>SAS 122 implies that Management of the School District have sufficient expertise in selecting and applying accounting principles in conformity with generally accepted accounting principles. Which means that Management should be able to review the balances, financial statements and notes to the financial statements and answer questions that the Board might request.</p>
CAUSE	<p>Neither the Board or Management has made this knowledge and review of the audit report a priority.</p>
EFFECT	<p>Management was not aware of or agreed to several items reported in the 2016 audit report.</p>
RECOMMENDATION	<p>Management and the Board should make the review of their audit report a priority.</p>
RESPONSE	<p>The Superintendent will make sure that the auditor comes and gives a complete overview of the audit to the Board of Education upon approval from NMSAO.</p>

Transactions Made by Third Parties  
Not Recorded on Books of Record or  
Public Education Department  
Quarterly Report - Significant Deficiency  
(2017-007)

CONDITION	Funds held at New Mexico Finance Authority were never recorded on the School District's books of record or Public Education Department quarterly reports. These included cash balances of \$1,461,791, interest earned of \$4,505, Bond Principal of \$22,304, Bond Interest of \$3,553 and Bond Issue Costs of \$47,098.
CRITERIA	<p>PSAB 7 Cash Controls states "General ledger control must exist over all bank accounts. Each fund must be accounted for in a self-balancing set of accounts for assets, liabilities, equity, revenues, expenditures and transfers. It is imperative to good internal control that all financial transactions are recorded immediately."</p> <p>Also, PSAB 7 Cash Controls states "Section 6-10-2 NMSA 1978 make it necessary to establish a Cash Control ledger for each fund."</p> <p>PSAB 2 Internal Control Structure states "Upon completion of the final close for each fiscal year, the school district determines the actual cash balances for all funds and reports them to the Public Education Department by the designated deadline."</p>
CAUSE	Management did not ensure these transactions were booked.
EFFECT	Cash balances, expenditures and interest income were understated on the School District's books of record. Adjustments had to be made to adjust certain trial balances so these amounts were included.

RECOMMENDATION

Management should ensure all amounts/transactions are posted/recorded to the School District's books of record.

RESPONSE

The Business Manager will make sure to include information from all checking accounts that contain any monies for Mountainair Public Schools when completing monthly or quarterly reports to the PED.

High School Activity Bank Reconciliation - Significant Deficiency

(2017-008)

CONDITION                    The High School Activity Bank Reconciliation shows \$2,909 more than what is actually in the bank.

CRITERIA                     PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips and cancelled checks shall be made available to the school districts auditor during the annual audit."

Also, PSAB 18 Student Activity states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each days business."

Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). In addition , school districts shall establish any other criteria applicable to such statements to maintain accountability for assets."

CAUSE                         The activity funds are reported using QuickBooks. Employees using QuickBooks have not been adequately trained on how to use QuickBooks. Also, no one in the Business Office is reviewing these reconciliations to insure they are 1) correct, 2) agree to the Activity Balances or 3) agree to the QuickBooks financial statements.

EFFECT The cash balances reported are overstated and do not reconcile to the financial statements.

RECOMMENDATION The Business Office should immediately reconcile, review and approve these financial statements, bank reconciliations and Activity account balances immediately and each month thereafter.

RESPONSE The Superintendent will make sure internal controls are accounted for at both buildings. Beginning July 2018, the activity accounts for both schools will be moved to Visions and reconciled at the Administration Office. High School and Elementary will have Visions installed and be trained to input requisitions at the building level.



Incomplete Bank Reconciliations - Other Matter

(2017-009)

CONDITION	Management is not including all relevant information with the bank reconciliations. This includes the outstanding check list or a deposit in transit list. If there are ever additional adjustments these are not included as to why these are adjustments, an explanation or any support for where these adjustments were derived.
CRITERIA	PSAB 7 Cash Controls states "A bank reconciliation is a schedule indicating and explaining any differences between the bank and the school districts cash records. There should be outstanding deposits/checks lists to support these amounts."
CAUSE	Management has not been adequately trained nor has it been brought to their attention that these documents need to be included and kept on file.
EFFECT	Bank reconciliations cannot always be reviewed for accuracy.
RECOMMENDATION	Business Office staff need to immediately start including these documents with their bank reconciliations.
RESPONSE	The Business Manager will make sure check listings and other distribution listings are included in all reconciliations monthly.

Reconciled Bank Balances Not Agreeing to Financial Statements -  
Significant Deficiency

(2017-010)

CONDITION	Bank balances upon being reconciled with outstanding check lists or deposits in transit are not then reconciled to the financial statements from the Visions Program. The Food Service Bank Account did not agree to the five funds (general ledger) cash balances. The bank account only held \$76,712 and the general ledger was reporting \$83,067. Which means the school district's financial statements had to be adjusted by \$6,356.
CRITERIA	PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis." Also, PSAB 2 Internal Control Structure and NMAC 6.20.2.11 states "Transactions shall be properly recorded on a timely basis in order to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP)."
CAUSE	Management has not been adequately trained nor has it been brought to their attention that these documents need to be reconciled to the bank statements monthly.
EFFECT	The bank had \$6,356 less than the financial statements reported.
RECOMMENDATION	Management needs to be trained on how to ensure the bank statements are reconciled to the books of record.
RESPONSE	The Business Manager will be doing monthly reconciling and reporting to the PED. The Business Manager will get additional training from Tyler Technology on reconciling also.

Imprest Bank Account - Significant Deficiency

(2017-011)

CONDITION                    The Payroll imprest bank account is not being reconciled correctly. The monthly reconciled balance is not the same each month. Upon review of these bank reconciliations prior to the audit year it appears this situation existed in the prior year also. As of June 30, 2017 it appeared that the payroll clearing account had \$50,152 that could not be accounted for. These are monies that could be budgeted for and used.

CRITERIA                      All imprest accounts should be reconciled correctly monthly, resulting in a zero balance. This complies with good accounting practices. Also, NMSA 1978 Section 6-10-2 Public Money states "It is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business."

                                    Also, PSAB 7 Cash Controls states "All bank accounts shall be reconciled on a monthly basis."

                                    Also, PSAB 14 Payroll states "The payroll clearing account should reconcile to a zero balance after payroll checks and all applicable withholdings and school district matching payments are paid."

CAUSE                            Management is not adequately trained on how to reconcile this account.

EFFECT                         The General Fund would have to cover any cash deficiencies that might occur. However, currently the bank account has \$50,152 too much.

RECOMMENDATION

Management needs to adequately reconcile this bank account immediately.

RESPONSE

Bank accounts will be combined after July 1, 2018 to ensure that monies are deposited in the correct accounts when reimbursements are done. There will be less transferring between accounts making less room for error.

Public Education Quarterly Report Incorrect - Other Matter

(2017-012)

CONDITION	The June 30, 2017 PED quarterly report was prepared incorrectly. The Cash report shows \$211,980 in payroll liabilities that could not be verified. There are no transactions reported in the Athletics Fund. \$4,330 is being adjusted (taken out) of the cash report incorrectly based on it being "held" at NMFA.
CRITERIA	<p>PSAB 7 Cash Controls states "The School district shall submit the Cash Reports to the PED by the last working day of the month following the end of the reporting period."</p> <p>Also, PSAB 7 Cash Controls states "The Cash Report should flow directly from the General Ledger. The cash balance of the cash report should tie directly to the general ledger cash accounts total."</p>
CAUSE	Management is not adequately trained on how to report the transactions on the PED quarterly report.
EFFECT	The PED quarterly report is not correct.
RECOMMENDATION	Management needs to be trained on how to prepare these reports and have them reviewed before being submitted to the PED.
RESPONSE	The Business Manager and Superintendent will get additional training and make sure quarterly/monthly reports are overseen prior to submitting to PED.

No Depreciation Policy - Other Matter

(2017-013)

CONDITION	The School District has not approved a depreciation policy so depreciation can be charged to capital assets according to Board approval.
CRITERIA	The School District needs a depreciation policy so capital assets can be depreciated according to Board policy. This is due to the implementation of GASB 34.
CAUSE	The School District has not approved a policy for management to follow.
EFFECT	Depreciation may be charged incorrectly because no set policy is in place.
RECOMMENDATION	The School District should approve a policy as soon as possible. Management should then implement that policy as soon as possible.
RESPONSE	The Superintendent will work with the Board of Education on a depreciation policy and make sure it is implemented as soon as possible.

Capital Asset Listing - Significant Deficiency

(2017-014)

CONDITION	The Business office is not using, completing or ensuring the Visions package of the Capital Asset/Depreciation listing is being not only used for audit purposes but for the School Districts needs. This list was not complete before the end of the fiscal year, which partially caused a delay in the completion of the audit.
CRITERIA	NMSA 1978 Section 12-6-10 requires "Each agency to maintain one copy of its fixed asset inventory." These items will be \$5,000 or more.
CAUSE	Management was not ensuring that this list was complete and accurate before the end of the fiscal year.
EFFECT	The Capital Asset listing needed to be adjusted by \$3,201,080 and the depreciation listing needed to be adjusted by \$9,296,173.
RECOMMENDATION	Staff of the School District need to be trained on how to complete the fixed asset listing based on what was purchased during the year. Also, to calculate depreciation on those assets.
RESPONSE	The Admin secretary will work with the Board of Education on a depreciation policy and make sure it is implemented as soon as possible.

Long-Term Debt not Recorded on Books of Record  
or on PED Quarterly Reports - Significant Deficiency

(2017-015)

CONDITION	Management of the School District is not including the EE (Energy Efficiency) & RE (Renewable Energy) Bonds Fund anywhere in the Visions Books of Record or on the Public Education Department quarterly reports. Also, these transactions are being shown as a Special Revenue Fund in the prior years audit report when it should be in the Debt Service Fund. The budget analyst for the School District also did not require this amount to be included in the PED quarterly report.
CRITERIA	<p>PSAB 7 Cash Controls states "Section 6-10-2 NMSA 1978 make it necessary to establish a Cash Control ledger for each fund."</p> <p>Also, PSAB 7 Cash Controls states "The school district shall submit the Cash Reports to the PED by the last working day of the month following the end of the reporting period."</p> <p>PSAB 7 Cash Controls states "The Cash Report should flow directly from the General Ledger."</p>
CAUSE	Management was unaware of this requirement.
EFFECT	Debt Service cash, bonds paid, interest paid, interest income and SEG income are understated. (These transactions are reported in the Debt Service Fund in the audit report.)
RECOMMENDATION	Management should start posting these transactions to the books of record and the PED quarterly report immediately.
RESPONSE	The Business Manager will make sure that all bank accounts with money for Mountainair Public Schools are accounted for and reconciled monthly.



Receipt Issues - Other Matter

(2017-016)

CONDITION

1. School District staff are not using pre-numbered receipt books. By handwriting the receipt numbers the receipt numbers went from #013599 to #0135600 (in the Business Office). At the Elementary there were 17 receipts used without them having any numbers (pre-numbered or handwritten). 2. Twenty-one out of twenty-one receipts totaling \$5,170 do not have the Fund and account code written on them as to ensure the correct fund and correct revenue code are being posted. 3. Receipts are being written out of sequence. Receipts used for General types of revenues are numbered by the Business Manager. (They are not pre-numbered). The handwritten (numbered) receipt has #135692 dated June 23, 2017. Then receipt #135693, 135694 and 135695 are dated in July, 2017. The next seven receipts #135696 to #135702 are dated June 30, 2017. The High School receipt books went from receipt #17762 to #18000, then #618801 to #619040, then the next set went from #11361 to #11599. The Elementary had three receipts that were tested dated 8-18-16, 9-6-16 and 11-8-16 but were not numbered (pre-numbered or handwritten). The Elementary had receipts #33753 to #33909 of which the three chosen above were not included. 4. One receipt totaling \$1,131 was posted to Fund 27149 Pre-K Initiative when it actually belonged to Fund 24109 Preschool. The Fund name was correct, but not the Fund number that was written on the receipt. This is an example of revenues not being posted to the correct fund. 5. Two receipts out of two receipts tested (shown) as voided did not have all copies attached. 6. Cash used for petty cash boxes (\$150 for concession) are not clearly shown as being re-deposited at the end of the School year.

CRITERIA	<p>PSAB 2 Internal Control structure states "Sequential numbering of receipts is required." "Each receipt has a description of payment and has sufficient documentation for review, these entries include the source, date, amount, fund, receipt number, and a description of the payment."</p> <p>Also, PSAB 7 Cash Controls states "If a receipt is voided, all copies shall be marked VOID and retained in the receipt books."</p> <p>Also, PSAB 7 Cash Controls states "All change (petty) cash funds should be deposited to the bank when not needed such as over school breaks or at the end of the school year."</p>
CAUSE	<p>Management of the School District have not been adequately trained to ensure cash receipts, collections, cash postings and voided receipts are handled correctly.</p>
EFFECT	<p>Revenues/cash receipts could be mishandled posted to the wrong fund or not reported correctly.</p>
RECOMMENDATION	<p>Staff need to be trained on how to prepare a receipt, post it to the books of record and write them in sequence. Also, how to properly void a receipt.</p>
RESPONSE	<p>The Superintendent and Business Manager will make sure that Elementary and High Schools secretaries are properly trained on writing receipts and the proper way to void a receipt. Elementary and High School activity accounts will be moved to Visions beginning July 2018 and will be reconciled at the District level.</p>

Charges at the Concession Stand - Other Matter

(2017-017)

CONDITION	Various people have been allowed to "charge" items at the School District Concession stand. There is no list of these people, how much they charged or when it was paid back. There is no Public Education Department regulation that "allows" charges for anything.
CRITERIA	According to Public Education Department regulations "school districts must establish internal controls over cash to ensure assets are protected and accounted for in a professional and timely manner". Also, School Districts are on a cash basis which does not allow "charges."
CAUSE	Management and the Board were not aware that this practice cannot occur.
EFFECT	Monies could be lost. Items may never be paid for.
RECOMMENDATION	The School District should discontinue this practice immediately.
RESPONSE	The Superintendent will make sure that Jr. Class sponsors operate on a cash basis within their concession stand. There will be no charging or tabs allowed.

Expenditures Reported - Other Matter

(2017-018)

CONDITION                    The amount of expenditures reported on the Public Education Departments quarterly report does not match the reimbursement requested for certain grants. This includes Title I and Read2Lead. The amount shown on the quarterly report as expenditures for the Title I Fund was \$129,401, however the amount requested for reimbursement from the Public Education Department was \$120,565. The amount shown on the quarterly report as expenditures for Read2Lead Fund was \$37,750, however the total amount requested for reimbursement from the Public Education Department was \$40,022.

CRITERIA                    PSAB 7 Cash Controls states "As funds are made available to a school district to disburse cash to cover the approved budgeted expenditures, adequate internal controls and statutory compliance (Section 6-10-2 NMSA, 1978) make it necessary to establish a Cash Control ledger for each fund."

                                  PSAB 4 Federal and State Grants "The total amount of the request must match the expenditure report."

CAUSE                        Management is not reviewing these amounts that are reported to PED, on the books of record or ensuring reimbursement requests match/agree to the amounts actually spent.

EFFECT                      The Operational Fund must report these expenditures which may not be budgeted for or may not have adequate cash resources to pay for the expenditures.

RECOMMENDATION            Management needs to review the books and records, quarterly reports and all reimbursement requests to ensure all funds are reporting the correct expenditures and that adequate funds are being requested to pay for those expenditures.

RESPONSE

Business Manager will make sure to reconcile all reimbursements at the end of the year and make sure expenses and reimbursements are equal.

Contract Services - Other Matter

(2017-019)

CONDITION Two individuals were paid to perform services for the New Mexico Arts Grant Fund. One was paid \$1,450, the other was paid \$1,400. There was no contract for either specifying the number of hours to be completed or the agreed upon rate for the performance of those services.

CRITERIA All services should have some sort of agreement as to 1. The services to be performed, 2. the hourly rate (or total contract amount) 3. An agreement as to where and when these services will be performed and a 4. Not to exceed (or cap) amount.

CAUSE Management did not obtain this agreement (contract).

EFFECT The Contractors may dispute the amount or what type of services are to be performed. Thus, creating a legal dispute with the School District.

RECOMMENDATION Management should obtain contracts or agreements for all services to ensure payments, what type of services, etc are agreed to before those services are obtained.

RESPONSE The Superintendent, Business Manager and secretary will make sure they secure contracts from the Director of the NM Arts Grant showing a specified amount prior to paying out any contract money. The Business Manager will be working on obtaining new W-9's for all vendors.

Violations of the Anti-Donation Clause in the Non-Budgeted Fund -  
Significant Deficiency

(2017-020)

CONDITION                    The School District is using interest earned on public monies to purchase awards for certain students, Turkeys for Teachers and food for a Scholarship Banquet. The total amount spent was \$1,837. The budget analyst did not review this fund or ask why this fund was in existence. This fund has been in existence for sometime. These payments appear to violate the anti-donation clause and violate PED regulations concerning Activity Funds.

CRITERIA                    According to the Anti-donation clause of New Mexico (Article IX, Section 14) "a school district shall not directly or indirectly lend or pledge its credit or make any donation to or in aid of any person."

                                  According to the Public Education Department "Student activity accounts represent monies raised or collected by and/or for school sponsored student activities." "The activity accounts are typically used to account for monies raised by the students for the students."

CAUSE                        The School district used public monies to pay for non-student purchases which appear to violate the anti-donation clause and the PED regulations concerning student activity accounts.

EFFECT                      The School District used public monies to pay for non-student purchases which appear to violate the anti-donation clause and the PED regulations concerning student activity accounts.

RECOMMENDATION            The School District needs to discontinue using this fund immediately.

RESPONSE                    The Business Manager will move Board Activity Account to activity accounts reconciliations and no public monies will be deposited in this account.

Money for Meals - Other Matter

(2017-021)

CONDITION	The High School Activities account is providing extra money to individuals to pay for meals for Athletics kids when on the road. However, this extra money does not appear to be needed nor does it appear to be "paid back" if it was not needed. The check paid out of the High School Athletics Fund for \$254 covered <u>all</u> of the meals for the students. Thus, there was no need for an additional check written out of the High School Varsity Football activity for \$40. There was no invoice attached to the \$40 expenditure, nor could it be determined that this money was redeposited to the Varsity Football Activity since it was not "used."
CRITERIA	PSAB 7 Cash Controls states "A form for permission to travel and another to <u>reconcile expenses, after the trip</u> , is required.  All payments need to be properly supported by invoices. If these payments are not made then the amount should be re-deposited to replenish the account.
CAUSE	Management is not ensuring clear concise records are being maintained to ensure all cash transactions can be properly accounted for, tracked, approved and reviewed.
EFFECT	Payments could be made for goods/services not received.
RECOMMENDATION	The practice of providing extra money should cease immediately.
RESPONSE	The High School secretaries and coaches will make sure that all monies given to students for meals on athletic trips are accounted for by a signature or initial when the student is given the money. There will be a list generated for every trip when money is distributed.



Payment Before Services are Rendered - Compliance Matter

(2017-022)

CONDITION	Management of the School District are paying bus contractors in July before school starts and their services are required.  One Bus Contractor was paid \$13,570 on July 10, 2017 and the other was paid \$2,033 on the same date. School does not start until August. Both contracts were entered into on June 6, 2017.
CRITERIA	NMSA 1978 Section 13-1-158 states "No check shall be issued until the services have been received."
CAUSE	Management is not ensuring these payments be made until after the school services are obtained.
EFFECT	The School District has paid for services not yet rendered.
RECOMMENDATION	The practice of paying for bus services before the services are rendered needs to cease.
RESPONSE	The Superintendent will discuss contracts with Transportation providers and will not be distributing contract's amounts prior to the start of school.

Annual Leave Policy - Compliance Matter

(2017-023)

CONDITION	The contract for the Superintendent and the 9 hour employee contracts state different annual leave amounts that can be earned or accrued compared to the personnel policy. Example: Superintendents contract states 20 days can be used for any payout while the personnel policy states 30 days. The 9 hour contracts state that unused leave may not be accumulated while the personnel policy states that they may accumulate up to ten days of vacation.
CRITERIA	Good accounting policies require that all forms of policies, agreements, contracts and grants have the same restrictions, verbiage and policies so there is no confusion.
CAUSE	This situation has never been brought to the attention of management by anyone. This includes, the Board, employees, prior auditors, etc.
EFFECT	Employees could be paid incorrectly.
RECOMMENDATION	The contracts should be changed to reflect what is stated in the personnel policy since it was approved and has been used longer than the one year contracts.
RESPONSE	The Business Manager will amend the Superintendent's contract to make sure it matches the leave policy that is included in the Board Policy.

State Withholding Reports (CRS-1's) - Compliance Matter

(2017-024)

CONDITION                    The CRS-1's could not be reconciled to the State withholding from each employee for the 2016-2017 fiscal year. (\$191) The CRS-1's for the calendar year could not be reconciled (or agreed) to the State withholding reported on the W-3 submitted to the IRS or NM Taxation and Revenue Department. (\$1,810) For the fiscal year ending 2017 the School District was charged \$1,003 in penalties and \$99 in interest for late filing of CRS-1 reports.

CRITERIA                     According to NM Taxation and Revenue regulations 7-9-11 CRS-1 reports are due by the 25<sup>th</sup> day of the next month.

                                  According to NMAC 3.2.2.15, taxpayers who are registered for gross receipts, or withheld income tax purposes must file a CRS-1 Combined Report Form for each reporting period whether or not any tax is due.

                                  Also, all CRS-1 reports should report the correct withholding each month and agree to the monthly payroll records. These monthly payroll records should then agree to the W-2's and W-3 sent to the IRS.

CAUSE                         Management has not been properly trained on how to prepare these reports. It is unclear as to why the reports are not being sent in on time.

EFFECT                        Management is not withholding or submitting the correct amounts to NM Taxation and Revenue. Also, management is paying penalties and interest that have not been budgeted for or allowed.

RECOMMENDATION            Management should be trained on how to prepare and submit these reports correctly and on a timely basis.

RESPONSE                    The Business Manager will make sure that CRS-1 payments are made in a timely manner to reduce the penalty charges for late payments.

IRS Form 1099 & 1096 - Compliance Matter

(2017-025)

CONDITION	Management is preparing 1099 forms, however, the corresponding 1096 is not. The IRS copy of the 1099 form due to the IRS is also not being submitted, only the copy for the Vendors is being mailed out.
CRITERIA	<p>The IRS copy of the 1099 forms and the 1096 that accumulates all of the 1099 forms must be submitted to the IRS by January 31 of each year.</p> <p>According to Form 1096 instructions, any person or entity who files any 1099 form must file Form 1096 to transmit those forms to the IRS.</p>
CAUSE	It is unclear as to why management is not submitting these reports correctly.
EFFECT	There may be penalties and interest assessed by the IRS.
RECOMMENDATION	Management should be trained on how to prepare and submit these forms by the deadline.
RESPONSE	The Business Manager will make sure when 1099's are completed a copy with a 1096 is submitted to the IRS within the time frame offered.

Drug Test Listing - Compliance Matter

(2017-026)

CONDITION	Management did not obtain a drug test on a bus driver upon their hiring. Also, this person has not been placed on a list of any kind so that a random drug test could occur. This bus driver has been with the school several years.
CRITERIA	According to the Federal Motor Carrier Safety Administration employees with CDL duties must be tested upon their hiring and then be placed on a list to ensure a random drug test can be done.
CAUSE	Management was not aware of this requirement.
EFFECT	The School could be fined \$10,000 by the FMCSA.
RECOMMENDATION	The School needs to place this driver on a drug-testing list immediately.
RESPONSE	The Superintendent and Transportation Director will make sure that all drivers that transport students either on a bus with a CDL or in a Suburban are on a drug and alcohol random testing list and will be tested at least once a semester.

Late Audit Report - Compliance Matter

(2017-027)

CONDITION	The audit report was submitted to the State Auditor after the required deadline of November 15, 2017.
CRITERIA	School District audits are required to be submitted to the State Auditor by November 15 as required by NMAC 2.2.2.9A(1)(d).
CAUSE	The auditing firm was not chosen and submitted to the State Auditor's Office by the required deadline.
EFFECT	NMAC 2.2.2.9A(1)(d) was not followed.
RECOMMENDATION	Management needs to ensure all required documents are submitted to the State Auditor's Office by the required deadline.
RESPONSE	The Superintendent and the Business Manager will make sure that all required documents are submitted to the State Auditor's Office by the required deadline.

#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2017 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

#### EXIT CONFERENCE

An exit conference was held at the School District on March 21, 2018, to discuss the current audit report. In attendance were Ms. Dawn A. Apodaca, Superintendent, Ms. Frances Gonzales, Board Member, Mr. Darrell Roberts, Board President, Ms. Loretta Moseley, Parent/Community Member, Ms. Tammy Zamora, Business Manger and Ms. Pamela A. Rice, CPA, Contract Auditor.