

Truth or Consequences Municipal Schools

Financial Statements

For the Year Ended June 30, 2017

**TRUTH OR CONSEQUENCES
MUNICIPAL SCHOOLS**

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 June 30, 2017
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STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Official Roster
June 30, 2017

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
John C. Johnson		President
Brett Smith		Vice President
Crystal Runyan-Diamond		Secretary
Doug Whitehead		Member
Jeanne Feazell		Member
	<u>Administrative Officials</u>	
Dr. Craig Cummins		Superintendent
Stephanie Brownfield		Director of Federal Programs
Sabrina Bierner		Business Manager

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INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Truth or Consequences, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District'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 District'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, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Truth or Consequences Municipal Schools, as of June 30, 2017, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 60 through 62 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of the District's 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 District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
November 9, 2017

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Net Position
 June 30, 2017

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 4,495,108
Receivables:	
Property taxes	280,367
Due from other governments	474,569
Inventory	5,067
Total current assets	5,255,111
Noncurrent assets	
Restricted assets:	
Restricted cash and cash equivalents	2,195,937
Capital assets	59,133,955
Less: accumulated depreciation	(22,478,148)
Total noncurrent assets	38,851,744
<i>Total assets</i>	44,106,855
Deferred outflows of resources	
Deferred outflows - pension related	1,894,244
Employer contributions subsequent to the measurement date	1,164,418
<i>Total deferred outflows of resources</i>	3,058,662
<i>Total assets and deferred outflows of resources</i>	\$ 47,165,517

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

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 265,592
Accrued payroll	556,458
Accrued interest	110,539
Current portion of bonds payable	<u>1,175,000</u>
Total current liabilities	<u>2,107,589</u>
Noncurrent liabilities	
Accrued compensated absences	356,408
Bonds payable	9,765,000
Bond premium, net of accumulated amortization of \$26,725	61,648
Net pension liability	<u>20,843,031</u>
Total noncurrent liabilities	<u>31,026,087</u>
<i>Total liabilities</i>	<u>33,133,676</u>
Deferred inflows of resources	
Deferred inflows - pension related	<u>522,993</u>
<i>Total deferred inflows of resources</i>	<u>522,993</u>
Net position	
Net investment in capital assets	27,011,161
Restricted for:	
Debt service	2,429,035
Capital projects	800,163
Special revenue	511,363
Unrestricted	<u>(17,242,874)</u>
<i>Total net position</i>	<u>13,508,848</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 47,165,517</u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Activities
 For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
Instruction	\$ 10,129,203	\$ 27,561	\$ 1,461,160
Support services - students	1,379,672	3,754	199,021
Support services - instruction	219,485	597	31,661
Support services - general administration	535,003	1,456	77,175
Support services - school administration	717,174	1,951	103,454
Central services	761,849	2,073	109,898
Operation and maintenance of plant	2,190,871	5,961	316,038
Student transportation	1,276,192	-	747,640
Food services operations	1,023,897	10,675	863,902
Community services operations	2,788	8	402
Interest and other charges	271,690	-	-
<i>Total governmental activities</i>	<u>\$ 18,507,824</u>	<u>\$ 54,036</u>	<u>\$ 3,910,351</u>

General Revenues:

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Total general revenues

Change in net position

Net position, beginning

Net position - restatement (Note 16)

Net position - as restated

Net position, ending

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

		Net (Expense) Revenue and Changes in Net Position
		Primary
Program Revenues		Government
Capital Grants and		Governmental
Contributions		Activities
<hr/>		<hr/>
\$	32,309	\$ (8,608,173)
	4,401	(1,172,496)
	700	(186,527)
	1,706	(454,666)
	2,288	(609,481)
	2,430	(647,448)
	6,988	(1,861,884)
	-	(528,552)
	-	(149,320)
	9	(2,369)
	-	(271,690)
<hr/>		<hr/>
\$	50,831	(14,492,606)
<hr/>		<hr/>
		157,097
		1,782,807
		25,077
		10,399,419
		13,598
		24,481
		<hr/>
		12,402,479
		<hr/>
		(2,090,127)
		18,518,693
		(2,919,718)
		<hr/>
		15,598,975
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		\$ 13,508,848
		<hr/>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund 11000, 13000, 14000	Title I 24101	Kindergarten - Three Plus 27166
<i>Assets</i>			
Cash and cash equivalents	\$ 1,629,810	\$ -	\$ -
Receivables:			
Property taxes	19,831	-	-
Due from other governments	-	246,566	81,484
Inventory	-	-	-
Due from other funds	603,966	-	-
<i>Total assets</i>	<u>\$ 2,253,607</u>	<u>\$ 246,566</u>	<u>\$ 81,484</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 37,564	\$ -	\$ -
Accrued payroll	556,458	-	-
Due to other funds	-	249,459	181,146
<i>Total liabilities</i>	<u>594,022</u>	<u>249,459</u>	<u>181,146</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	13,513	-	-
<i>Total deferred inflows of resources</i>	<u>13,513</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Nonspendable:			
Inventory	-	-	-
Spendable:			
Restricted for:			
Transportation	1,263	-	-
Instructional materials	97,560	-	-
Food services	-	-	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
Committed for:			
Subsequent year's expenditures	1,486,419	-	-
Unassigned	60,830	(2,893)	(99,662)
<i>Total fund balances</i>	<u>1,646,072</u>	<u>(2,893)</u>	<u>(99,662)</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 2,253,607</u>	<u>\$ 246,566</u>	<u>\$ 81,484</u>

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

Bond Building Capital Projects Fund 31100	Capital Improvements SB- 9 Local 31701	Debt Service Fund 41000	Other Governmental Funds	Total
\$ 1,391,476	\$ 860,162	\$ 2,195,937	\$ 613,660	\$ 6,691,045
-	35,668	224,868	-	280,367
-	-	-	146,519	474,569
-	-	-	5,067	5,067
-	-	-	-	603,966
<u>\$ 1,391,476</u>	<u>\$ 895,830</u>	<u>\$ 2,420,805</u>	<u>\$ 765,246</u>	<u>\$ 8,055,014</u>
\$ 13,311	\$ 95,667	\$ -	\$ 119,050	\$ 265,592
-	-	-	-	556,458
21,163	-	-	152,198	603,966
<u>34,474</u>	<u>95,667</u>	<u>-</u>	<u>271,248</u>	<u>1,426,016</u>
-	28,629	153,594	-	195,736
-	28,629	153,594	-	195,736
-	-	-	5,067	5,067
-	-	-	-	1,263
-	-	-	-	97,560
-	-	-	394,690	394,690
-	-	-	9,725	9,725
-	-	-	115,907	115,907
1,357,002	771,534	-	-	2,128,536
-	-	2,267,211	-	2,267,211
-	-	-	-	1,486,419
-	-	-	(31,391)	(73,116)
<u>1,357,002</u>	<u>771,534</u>	<u>2,267,211</u>	<u>493,998</u>	<u>6,433,262</u>
<u>\$ 1,391,476</u>	<u>\$ 895,830</u>	<u>\$ 2,420,805</u>	<u>\$ 765,246</u>	<u>\$ 8,055,014</u>

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

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2017

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

Fund balances - total governmental funds	\$ 6,433,262
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	36,655,807
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	195,736
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows related to employer contributions subsequent to measurement date	1,164,418
Deferred outflows related to pension liability	1,894,244
Deferred inflows related to pension liability	(522,993)
Liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(356,408)
Accrued interest payable	(110,539)
Bonds payable	(10,940,000)
Bond premiums (net of amortization)	(61,648)
Net pension liability	<u>(20,843,031)</u>
<i>Total net position - governmental activities</i>	<u><u>\$ 13,508,848</u></u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

	General Fund 11000, 13000, 14000	Title I 24101	Kindergarten - Three Plus 27166
<i>Revenues</i>			
Property taxes	\$ 155,403	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	47,508	659,244	-
Federal direct	-	-	-
Local sources	-	-	-
State flowthrough	111,771	-	158,554
State direct	10,399,419	-	-
Transportation distribution	747,640	-	-
Charges for services	2,732	-	-
Investment income	1,230	-	-
Miscellaneous	24,481	-	-
<i>Total revenues</i>	<u>11,490,184</u>	<u>659,244</u>	<u>158,554</u>
<i>Expenditures</i>			
Current:			
Instruction	7,311,506	354,746	148,917
Support services - students	794,020	-	-
Support services - instruction	35,427	37,899	-
Support services - general administration	445,612	26,356	-
Support services - school administration	667,252	-	-
Central services	514,133	225,506	-
Operation and maintenance of plant	1,469,630	-	-
Student transportation	822,620	14,737	9,637
Other support services	-	-	-
Food services operations	-	-	-
Community services operations	2,788	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>12,062,988</u>	<u>659,244</u>	<u>158,554</u>
<i>Net change in fund balances</i>	<u>(572,804)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as originally stated</i>	2,298,466	-	-
<i>Fund balances - restatement (note 16)</i>	<u>(79,590)</u>	<u>(2,893)</u>	<u>(99,662)</u>
<i>Fund balances - beginning</i>	<u>2,218,876</u>	<u>(2,893)</u>	<u>(99,662)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,646,072</u>	<u>\$ (2,893)</u>	<u>\$ (99,662)</u>

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

Bond Building Capital Projects Fund 31100	Capital Improvements SB- 9 Local 31701	Debt Service Fund 41000	Other Governmental Funds	Total
\$ -	\$ 34,939	\$ 1,753,764	\$ -	\$ 1,944,106
-	-	-	1,555,558	2,262,310
-	-	-	50,546	50,546
-	-	-	117,326	117,326
-	-	-	560,650	830,975
-	33,739	-	17,092	10,450,250
-	-	-	-	747,640
-	-	-	51,304	54,036
5,408	553	6,249	158	13,598
-	-	-	-	24,481
<u>5,408</u>	<u>69,231</u>	<u>1,760,013</u>	<u>2,352,634</u>	<u>16,495,268</u>
-	-	-	679,062	8,494,231
-	-	-	465,723	1,259,743
-	-	-	4,021	77,347
-	500	17,380	18,504	508,352
-	-	-	1,061	668,313
-	-	-	-	739,639
351,286	470,718	-	-	2,291,634
-	-	-	184,865	1,031,859
-	-	-	-	-
-	-	-	881,792	881,792
-	-	-	-	2,788
1,529,430	46,582	-	15,505	1,591,517
-	-	1,295,000	-	1,295,000
-	-	275,934	-	275,934
<u>1,880,716</u>	<u>517,800</u>	<u>1,588,314</u>	<u>2,250,533</u>	<u>19,118,149</u>
<u>(1,875,308)</u>	<u>(448,569)</u>	<u>171,699</u>	<u>102,101</u>	<u>(2,622,881)</u>
3,232,310	1,220,103	2,095,512	409,262	9,255,653
-	-	-	(17,365)	(199,510)
<u>3,232,310</u>	<u>1,220,103</u>	<u>2,095,512</u>	<u>391,897</u>	<u>9,056,143</u>
<u>\$ 1,357,002</u>	<u>\$ 771,534</u>	<u>\$ 2,267,211</u>	<u>\$ 493,998</u>	<u>\$ 6,433,262</u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ (2,622,881)

Governmental funds report capital outlays as expenditures. However, in the Statement
 of Activities, the cost of those assets is allocated over their estimated useful lives
 and reported as depreciation expense:

Capital expenditures	1,905,487
Depreciation expense	(1,776,727)

Revenues in the Statement of Activities that do not provide current financial resources
 are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable	20,875
Change in unavailable revenue related to grants receivable	(98,446)

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

District pension contributions subsequent to measurement date	1,164,418
Pension expense	(1,891,909)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial
 resources to governmental funds, while the repayment of the principal of long-term
 debt consumes the current financial resources of governmental funds. Neither
 transaction, however, has any effect on net position. Also, governmental funds
 report the effect of premiums, discounts, and similar items when debt is first issued,
 whereas these amounts are deferred and amortized in the Statement of Activities:

Current year amortization of bond premiums	(3,986)
Increase in accrued compensated absences not due and payable	(90,188)
Decrease in accrued interest payable	8,230
Principal payments on bonds	<u>1,295,000</u>

Change in net position of governmental activities \$ (2,090,127)

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 General Fund - 11000, 13000, 14000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 152,373	\$ 152,373	\$ 154,602	\$ 2,229
Intergovernmental revenue:				
Federal flowthrough	212,327	63,742	47,508	(16,234)
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	156,510	144,752	111,771	(32,981)
State direct	10,774,151	10,557,828	10,399,419	(158,409)
Transportation distribution	860,075	750,207	748,903	(1,304)
Charges for services	-	-	2,732	2,732
Investment income	1,320	1,320	1,230	(90)
Miscellaneous	-	-	24,481	24,481
Total revenues	12,156,756	11,670,222	11,490,646	(179,576)
<i>Expenditures</i>				
Current:				
Instruction	7,216,771	7,580,608	7,318,884	261,724
Support services - students	886,287	886,287	783,113	103,174
Support services - instruction	33,287	35,947	35,427	520
Support services - general administration	498,590	506,490	445,612	60,878
Support services - school administration	655,395	667,795	667,252	543
Central services	500,618	541,858	514,133	27,725
Operation and maintenance of plant	1,487,593	1,493,803	1,444,236	49,567
Student transportation	862,075	834,396	822,620	11,776
Other support services	19,790	19,790	-	19,790
Food services operations	-	-	-	-
Community services operations	5,737	5,737	2,788	2,949
Capital Outlay	2,115,092	1,223,293	-	1,223,293
Total expenditures	14,281,235	13,796,004	12,034,065	1,761,939
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,124,479)</u>	<u>(2,125,782)</u>	<u>(543,419)</u>	<u>1,582,363</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,124,479	2,125,782	-	(2,125,782)
Total other financing sources (uses)	<u>2,124,479</u>	<u>2,125,782</u>	<u>-</u>	<u>(2,125,782)</u>
<i>Net change in fund balance</i>	-	-	(543,419)	(543,419)
<i>Fund balance - beginning of year</i>	-	-	2,195,849	2,195,849
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,652,430</u>	<u>\$ 1,652,430</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (543,419)
Adjustments to revenues for taxes, amounts due to NMPED, and intergovernmental revenue				(462)
Adjustments to expenditures for supplies and payroll expenditures				(28,923)
Net change in fund balance (GAAP Basis)				<u>\$ (572,804)</u>

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Title I Special Revenue Fund - 24101
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Exhibit C-2

	Budgeted Amounts			Actual	Variances
	Original	Final			Favorable (Unfavorable)
					Final to Actual
<i>Revenues</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	
Intergovernmental revenue:					
Federal flowthrough	668,534	759,546	763,746		4,200
Federal direct	-	-	-		-
State flowthrough	-	-	-		-
State direct	-	-	-		-
Charges for services	-	-	-		-
Investment income	-	-	-		-
Miscellaneous	-	-	-		-
Total revenues	668,534	759,546	763,746		4,200
<i>Expenditures</i>					
Current:					
Instruction	360,202	447,838	354,746		93,092
Support services	67,167	70,043	64,255		5,788
Central services	228,810	226,922	225,506		1,416
Operation and maintenance of plant	-	-	-		-
Student transportation	12,355	14,743	14,737		6
Food services operations	-	-	-		-
Capital outlay	-	-	-		-
Debt service:					
Principal	-	-	-		-
Interest	-	-	-		-
Total expenditures	668,534	759,546	659,244		100,302
Excess (deficiency) of revenues over expenditures	-	-	104,502		104,502
<i>Other financing sources (uses)</i>					
Designated cash (budgeted increase in cash)	-	-	-		-
Total other financing sources (uses)	-	-	-		-
Net change in fund balance	-	-	104,502		104,502
Fund balance - beginning of year	-	-	(353,961)		(353,961)
Fund balance - end of year	\$ -	\$ -	\$ (249,459)		\$ (249,459)
Net change in fund balance (Non-GAAP Budgetary Basis)					\$ 104,502
Adjustments to revenues for federal grants					(104,502)
No adjustments					-
Net change in fund balance (GAAP Basis)					\$ -

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Kindergarten - Three Plus Special Revenue Fund - 27166
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Exhibit C-3

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	172,178	147,396	(24,782)
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	-	172,178	147,396	(24,782)
<i>Expenditures</i>				
Current:				
Instruction	-	162,541	149,017	13,524
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	9,637	9,637	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	172,178	158,654	13,524
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(11,258)	(11,258)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balance</i>	-	-	(11,258)	(11,258)
<i>Fund balance - beginning of year</i>	-	-	(169,888)	(169,888)
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ (181,146)	\$ (351,034)
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (11,258)
Adjustments to revenues for state grants				11,158
Adjustments to expenditures for accounts payable and accrued payroll				100
<i>Net change in fund balance (GAAP Basis)</i>				\$ -

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Statement of Fiduciary Net Position
 Agency Funds
 June 30, 2017

Exhibit D-1

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
<i>Current assets</i>		
Cash and cash equivalents	\$ 38,632	\$ 237,936
	<u> </u>	<u> </u>
<i>Total assets</i>	<u> </u>	<u> </u>
 <i>Current liabilities</i>		
Accrued payroll	\$ -	\$ -
Due to student organizations	-	237,936
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u> </u>	<u> </u>
 <i>Net Position</i>		
Restricted net position - endowment	<u> </u>	<u> </u>
	38,632	-
	<u> </u>	<u> </u>
<i>Total net position</i>	<u> </u>	<u> </u>
	\$ 38,632	\$ -
	<u> </u>	<u> </u>

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
June 30, 2017

Exhibit D-2

<i>Additions:</i>	
Investment earnings	\$ 20
<i>Total additions</i>	<u>20</u>
<i>Deductions:</i>	
Scholarships	-
Other deductions	<u>386</u>
<i>Total deductions</i>	<u>386</u>
<i>Change in net position</i>	(366)
<i>Beginning net position</i>	<u>38,998</u>
<i>Ending net position</i>	<u><u>\$ 38,632</u></u>

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

Truth or Consequences Municipal Schools (the “District”) 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 NM Public Education Department and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates five schools within the District and has a population of over 1,300 students. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

The summary of significant accounting policies of the District is presented to assist in the understanding of the District’s financial statements. The financial statements and notes are the representation of Truth or Consequences Municipal Schools’ management, who is responsible for their integrity and objectivity. The financial statements of the 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.

During the year ended June 30, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 79, *Certain External Investment Pools and Pool Participants*, No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, are required to be implemented for the fiscal year ending June 30, 2017.

The pronouncement adopted that materially affects the financial statements and disclosures of the District for the year ended June 30, 2017 is GASB Statement No. 77 *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government’s financial position and economic condition. During fiscal year 2017, no tax abatements were provided as forgone revenue for the District from any other government entity.

In addition, effective for June 30, 2017 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets.

It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has no component units and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Truth or Consequences Municipal Schools does not have business-type activities as of June 30, 2017.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Ad valorem taxes (property taxes) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The *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 accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Under the requirements of GASB Statement No. 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), which may include funds that were not required to be presented as major but were at the discretion of management:

General Fund:

The *Operational Fund* is used to account for the State Equalization Guarantee from the NM State Legislature and is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The *Transportation Fund* is used to account for the costs associated with transporting school age children. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. Authority for the creation of this fund is the New Mexico Public Education Department.

Special Revenue Funds:

Title I (24101) – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

Kindergarten – Three Plus (27166) – To account for legislative appropriations to provide an extended school year for kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional instructional time to prepare students for the next grade level. Authority for the creation of this fund is the New Mexico Public Education Department.

Capital Projects Funds:

The *Bond Building Capital Projects Fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

Capital Improvement SB-9 Local (31701) – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Debt Service Funds:

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the government reports the following fund types:

Fiduciary Funds:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies for Audrey Lang to provide scholarships. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the 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 in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

Cash and 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 twelve months or less from the date of acquisition.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2017, the District held \$1,224 in the State Treasurer's Investment Pool.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity (continued)

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2017, there are no items are required to be valued using valuation techniques.

Restricted Assets: Restricted assets are those that are set aside for restrictions resulting from enabling legislation for future capital outlay expenditures and debt service payments. The District's restricted assets are made up of all debt service funds.

Receivables and Payables: Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Sierra County. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Sierra County Treasurer in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are actually consumed. Inventory is valued at cost. In the General Fund, inventory consists of expendable supplies held for consumption. Inventory in the Food Service Fund consists of U.S.D.A. commodities and other purchased food and non-food supplies.

The cost of purchased inventory is recorded as an expenditure at the time individual inventory items are consumed. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase III government for purposes of implementing GASB Statement No. 34. However, the District does not have any infrastructure assets to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

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

Buildings and improvements	20-50 years
Equipment and Furniture	3-10 years

Accrued Payroll Liabilities: In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

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 District has five types of items that qualify for reporting in this category.

Accordingly, the items, change in proportion of \$135,384, change in assumption of \$424,281, net difference between projected and actual investment earnings on pension plan investments of \$1,244,155, differences between expected and actual experience of \$90,425, and employer contributions subsequent to measurement date of \$1,164,418 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

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 liability for deferred inflows of resources.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$195,736 related to property taxes that are considered “unavailable”.

In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes in proportion, \$324,749; and difference between expected and actual experience, \$198,244 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.

Compensated Absences: Qualified employees are entitled to earn and accumulate annual leave and leave. For annual leave, twelve (12) month employees are granted annual days up front. Unused annual leave shall carry over as annual leave. If an employee leaves the District during the contract year, annual leave days will be pro-rated accordingly. Upon resignation, retirement or death, any twelve (12) month employee who has completed twenty-four (24) months of employment shall be entitled to and shall be paid for a maximum of forty (40) days of earned and unused annual leave at his or her regular rate of pay.

For leave, at the time of resignation, retirement or death, employees with at least five (5) consecutive years of service with the District may sell back up to fifty (50) days of accumulated leave at the following rates: 1. Certified employees (Bachelor’s Degree +): \$75.00/day, 2. Educational assistants and Non-certified paraprofessionals with at least an Associates’ Degree or equivalent: \$65.00/day, 3. All other bargaining unit employees: \$55.00/day

The District’s policies, regarding vacation time, permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. These liabilities have typically been liquidated from general fund resources.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

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

Net Position and Fund Equity: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The detail of the District’s fund balances is presented on the face of the fund financial statements.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consist of net position with “legally enforceable” constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.

If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for “debt service or capital projects.”

Unrestricted Net Position: All other net positions that do not meet the definition of “restricted” or “net investment in capital assets”.

The government-wide Statement of Net Position reports \$3,740,561 of restricted net position related to grants, capital projects and debt service.

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For committed and assigned fund balance, the District’s highest level of decision-making authority is the Board of Education. Formal action by the Board of Education is required to establish a fund balance commitment or assignment.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, fund balance is classified and displayed in five components, as displayed below:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2017, the nonspendable fund balance of the District is comprised of inventory in the Food Service fund of \$5,067, which is not in spendable form.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking formal action.

Assigned: Consist of amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. Formal action by the District's Board of Education is required to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund except for those other governmental funds reflecting a deficit.

Inter-fund 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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financials include management's estimate of the useful lives of capital assets and the net pension liability (including the related components).

E. Revenues

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The District received \$10,399,419 in state equalization guarantee distributions during the year ended June 30, 2017.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$1,944,106 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Sierra County collects County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$747,640 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$89,544.

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 districts 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 school 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.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

During fiscal year 2017, the District did not receive any special capital outlay funds.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay 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 \$33,739 in state SB-9 matching during the year end June 30, 2017.

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

The District also receives revenues from Federal departments which are unrestricted to expenditures for special purposes. These revenues are reported in the Operational Fund.

F. 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 Plan (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 payment (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB 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.
5. 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 SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. 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 District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

9. 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 Truth or Consequences Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual function.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017, is presented.

The appropriated budget for the year ended June 30, 2017, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Operational Fund	\$ (2,124,479)	\$ (2,124,479)
Transportation Fund	\$ -	\$ (1,303)
Instructional Materials Fund	\$ -	\$ -
Title I Fund	\$ -	\$ -
Kindergarten – Three Plus Fund	\$ -	\$ -

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in the individual budgetary comparison. The District budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

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

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

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

The collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2017, \$5,392,691 of the District's deposits of \$6,391,580 was exposed to custodial credit risk. \$5,210,414 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. As of June 30, 2017, \$182,277 is uninsured and uncollateralized. As of June 30, 2017, the carrying amount of these deposits was \$6,967,613; total amount of deposits (and other cash equivalents) of \$7,155,084 less outstanding items of \$1,87,471. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

	<u>Bank of the Southwest</u>	<u>BBVA Compass</u>	<u>First Savings Bank</u>	<u>Citizens Bank of Las Cruces</u>	<u>Total</u>
Amount of deposits	\$ 1,937,715	\$ 248,889	\$ 514,512	\$ 3,690,464	\$ 6,391,580
FDIC Coverage	<u>(250,000)</u>	<u>(248,889)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(998,889)</u>
Total uninsured public funds	<u>1,687,715</u>	<u>-</u>	<u>264,512</u>	<u>3,440,464</u>	<u>5,392,691</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>1,505,438</u>	<u>-</u>	<u>264,512</u>	<u>3,440,464</u>	<u>5,210,414</u>
Uninsured and uncollateralized	<u>\$ 182,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,277</u>
Collateral requirement (50% of uninsured funds)	\$ 843,858	\$ -	\$ 132,256	\$ 1,720,232	\$ 2,696,346
Pledged Collateral	<u>1,505,438</u>	<u>50,000</u>	<u>265,286</u>	<u>4,099,546</u>	<u>5,920,270</u>
Over (Under) collateralized	<u>\$ 661,580</u>	<u>\$ 50,000</u>	<u>\$ 133,030</u>	<u>\$ 2,379,314</u>	<u>\$ 3,223,924</u>

Investments:

The District has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) for bonds in the amount of \$762,280. These funds are backed by the full faith and credit of the U.S. government, therefore, there is no custodial, foreign, or interest rate risk subject to disclosure for the District. These are classified as cash equivalents due the liquidity of the funds.

The District does not have a risk policy beyond that required by State Statute. The District invests in the State Treasurer Local Governmental Investment Pool, a New Mexico sponsored investment alternative.

The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer, with the advice and consent of the State Board of Finance, is authorized to invest money held in the short-term investment fund in accordance with Sections 6-10-10P and Sections -10-10.1A and E, NMSA 1978. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested.

Investments are valued at fair value based on quoted market prices as of the valuation date.

Participation in the pool is voluntary. The District has \$1,224 on deposit in the pool at June 30, 2017, which is AAAM rated with a weighted average maturity of 58 days (WAM (R)) and 106 days (WAM (F)).

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 4,495,108
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	2,195,937
Fiduciary funds - Exhibit D-1	<u>276,568</u>
 Total cash and cash equivalents	 6,967,613
 Plus: reconciling items	 <u>187,471</u>
 Bank balance of deposits and other cash equivalents	 <u><u>\$ 7,155,084</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2017 are as follows:

	General Fund	Title I	Kindergarten - Three Plus	Bond Building
Property taxes receivable	\$ 19,831	\$ -	\$ -	\$ -
Due from other governments:				
Federal sources	-	246,566	81,484	-
State sources	-	-	-	-
Local sources	-	-	-	-
	<u>\$ 19,831</u>	<u>\$ 246,566</u>	<u>\$ 81,484</u>	<u>\$ -</u>
	Capital Improvements SB-9 Local	Debt Service Fund	Other Governmental Funds	Total
Property taxes receivable	\$ 35,668	\$ 224,868	\$ -	\$ 280,367
Due from other governments:				
Federal sources	-	-	74,274	402,324
State sources	-	-	56,665	56,665
Local sources	-	-	15,580	15,580
	<u>\$ 35,668</u>	<u>\$ 224,868</u>	<u>\$ 146,519</u>	<u>\$ 754,936</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$195,736, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 5. Interfund Receivables, Payables, and Transfers

The District did not have any net operating transfers for the year ended June 30, 2017. There was a new fund created to conform within the funding sources of the prior fund number 31700 (SB-9 State) and is now presented as 31701 (Capital Improvements SB-9 Local). Any state match will be presented in 31700 which is a reimbursement basis fund, therefore all the fund balance at the beginning of the year is presented in fund 31701 Capital Improvements SB-9 Local in Exhibit B-2.

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2017 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund - 11000	Title I IASA - 24101	\$ 249,459
General Fund - 11000	Kindergarten - Three Plus - 27166	181,146
General Fund - 11000	Bond Building - 31100	21,163
General Fund - 11000	Migrant Children Education - 24103	6,182
General Fund - 11000	IDEA-B Entitlement - 24106	18,676
General Fund - 11000	New Mexico Autism Project - 24108	4,021
General Fund - 11000	IDEA-B Preschool - 24109	2,109
General Fund - 11000	IDEA-B Early Intervention - 24112	24,110
General Fund - 11000	Education of Homeless - 24113	2,899
General Fund - 11000	Fresh Fruits & Vegetables - 24118	14,395
General Fund - 11000	Teacher/Principal Training/Recruiting - 24154	4,510
General Fund - 11000	Rural / Low Income Schools - 24160	11,974
General Fund - 11000	Carl D Perkins Secondary - Current - 24174	1,760
General Fund - 11000	ROTC - 25200	146
General Fund - 11000	Spaceport - 26199	3,727
General Fund - 11000	2012 G.O. Bond Student Library Fund - 27107	4,021
General Fund - 11000	Truancy Initiative - 27141	16,076
General Fund - 11000	Pre-K Initiative - 27149	34,936
General Fund - 11000	College Counselor - 27189	2,656
	Total	<u>\$ 603,966</u>

All Interfund balances are to be paid within one year.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance July 1, 2016</u>	<u>Additions and Adjustments</u>	<u>Dispositions</u>	<u>Balance June 30, 2017</u>
Governmental activities:				
Capital assets not depreciated				
Land	\$ 243,455	\$ -	\$ -	\$ 243,455
Construction in process	755,070	1,143,005	-	1,898,075
Total assets not depreciated	<u>998,525</u>	<u>1,143,005</u>	<u>-</u>	<u>2,141,530</u>
Capital assets depreciated				
Buildings and improvements	50,565,933	207,177	-	50,773,110
Equipment and furniture	5,664,010	555,305	-	6,219,315
Total assets depreciated	<u>56,229,943</u>	<u>762,482</u>	<u>-</u>	<u>56,992,425</u>
Total assets	57,228,468	1,905,487	-	59,133,955
Less accumulated depreciation for:				
Buildings and improvements	13,681,875	3,997,510	-	17,679,385
Equipment and furniture	4,299,338	499,425	-	4,798,763
Total accumulated depreciation	<u>17,981,213</u>	<u>4,496,935</u>	<u>-</u>	<u>22,478,148</u>
Governmental activities capital assets, net	<u>\$ 39,247,255</u>	<u>\$ (2,591,448)</u>	<u>\$ -</u>	<u>\$ 36,655,807</u>

A prior period adjustment has been recorded to correct beginning balances, please see Note 16 for more information.

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instruction	\$ 817,295
Support Services – Students	119,929
Support Services – Instruction	142,138
Support Services – General Administration	26,651
Support Services – School Administration	48,861
Central Services	22,210
Operations / Maintenance of Plant	213,207
Transportation Services	244,333
Food Services	142,105
Total	<u>\$ 1,776,727</u>

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 7. Long-Term Debt

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2017 was \$20,910,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

General obligation bonds outstanding at June 30, 2017, are comprised of the following:

	Series 8/1/2005	Series 3/28/2008	Series 10/23/2009	Series 9/8/2011
Original Issue:	\$1,750,000	\$1,750,000	\$1,500,000	\$3,410,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	2.376% - 3.29%	2.819% - 3.881%	0.65% - 3.52%	.27% - 1.84%
Maturity Date:	8/1/2017	8/1/2020	8/1/2023	8/1/2018
	Series 10/30/2012	Series 10/22/2013	Series 7/25/2014	Series 5/29/2014
Original Issue:	\$5,000,000	\$3,000,000	\$3,000,000	1,500,000
Principal Due:	August 1	August 1	August 1	August 1
Interest Due:	February 1 August 1	February 1 August 1	February 1 August 1	February 1 August 1
Interest Rates:	2.00% - 2.25%	2.00% - 3.35%	.10% - 3.38%	.10% - 2.486%
Maturity Date:	8/1/2027	8/1/2028	8/1/2029	8/1/2028

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	\$ 12,235,000	\$ -	\$ 1,295,000	\$ 10,940,000	\$ 1,175,000
Compensated Absences	266,220	142,450	52,262	356,408	-
Total long-term debt	\$ 12,501,220	\$ 142,450	\$ 1,347,262	\$ 11,296,408	\$ 1,175,000

STATE OF NEW MEXICO
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 Notes to Financial Statements
 June 30, 2017

NOTE 7. Long-Term Debt (continued)

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows. The interest rates range from 2.00% to 4.00% with maturity dates until August 1, 2029.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 1,175,000	\$ 254,614	\$ 1,429,614
2019	1,040,000	234,015	1,274,015
2020	975,000	210,330	1,185,330
2021	1,010,000	181,572	1,191,572
2022	700,000	158,409	858,409
2023-2027	4,125,000	503,308	4,628,308
2028-2030	1,915,000	41,426	1,956,426
	<u>\$ 10,940,000</u>	<u>\$ 1,583,674</u>	<u>\$ 12,523,674</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2017, compensated absences increased \$90,188 for annual leave over the prior year accrual.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2017 was \$39,644.

NOTE 8. Risk Management

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler and Machinery, Underground Storage Tanks and Catastrophic Student Accident Insurance.

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$1,250,000 per occurrence for Faithful Performance. A limit of \$1,250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, with all crime coverage subject to a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

STATE OF NEW MEXICO
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 Notes to Financial Statements
 June 30, 2017

NOTE 9. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance of individual funds: The District reported a deficit fund balance at June 30, 2017 in the following funds:

Title I - 24101	\$ 2,893
Kindergarten - Three Plus - 27166	99,662
Migrant Children Education - 24103	5,067
New Mexico Autism Project - 24108	16
Education of Homeless - 24113	2,899
Fresh Fruit & Vegetables - 24118	13,480
Teacher/Principal Training & Recruitment - 24154	209
Rural / Low Income Schools - 24160	8,538
Carl D. Perkins Secondary - Current - 24174	12
ROTC - 25200	146
2012 GO Bond Student Library - 27107	1,015
College Counselor - 27189	<u>9</u>
Total Governmental Funds	<u>\$ 133,946</u>

These deficits will have to be fund via a permanent cash transfer as there were accounting errors in prior periods as noted in Note 16. This is expected to be resolved in this current year.

- B. Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2017.

NOTE 10. Pension Plan - Educational Retirement Board

General Information about the Pension Plan

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

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

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

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 and then becomes re-employed after July 1, 2010 is as follows:

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

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

These members must meet one of the following requirements.

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

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

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Benefit Options – The Plan has three benefit options available.

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

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

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

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

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

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

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$1,164,418 and \$1,148,816, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$20,843,031 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was .28963%, which was a decrease of .0039% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$727,491. At June 30, 2017, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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 Truth or Consequences Municipal Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 90,425	\$ 198,244
Net difference between expected and actual investments on pension plan investments	1,244,155	-
Change in assumptions	424,281	-
Change in proportion	135,384	324,749
District's contributions subsequent to the measurement date	1,164,418	-
Total	\$ 3,058,663	\$ 522,993

\$1,164,418 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a et 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	\$	298,600
2019		231,690
2020		537,564
2021		303,398

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

Inflation	3.0%
Salary increases	Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment rate of return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

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 June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
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 Payroll growth	2% per year, compounded annually. 3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence service.	Approved rates applied to eligible members with at least 10 years of

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:

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 Truth or Consequences Municipal Schools
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NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District’s proportionate share of the net pension liability	<u>\$ 27,606,110</u>	<u>\$ 20,843,031</u>	<u>\$ 15,231,585</u>

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

Payables to the pension plan. The Truth or Consequences Municipal Schools remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the District owed the ERB \$184,442 for the contributions withheld in the month of June 2017.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
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June 30, 2017

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. Truth or Consequences Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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 employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) Former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that are not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, 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 Truth or Consequences Municipal Schools contributions to the RHCA for the year ended June 30, 2017, 2016 and 2015 were \$167,421, \$165,642 and \$166,882, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 12. Construction and Other Significant Commitments

The District has committed to pay for construction contracts that were not completed at June 30, 2017 in the amount of \$11,825.

NOTE 13. 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.

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is November 9, 2017 which is the date on which the financial statements were available to be issued.

NOTE 15. Contingent Liabilities

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

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

Due to the noncompliance matters noted in the Student Nutrition Program, there was a payment made after year end in the amount of \$110,594.16 which was paying back illegitimate claims from the program. This amount has been accrued and reflected as a liability in fund 21000.

NOTE 16. Prior Period Adjustments

There were beginning balance adjustments in the amount of (\$199,510) due to accounts receivable balances recorded in the prior year but were not legitimate receivables. These amounts have been corrected through a restatement as noted in Exhibit A-2 and Exhibit B-2 to restate beginning balances.

In addition, on the government-wide financial statements, assets were not properly depreciated, and the beginning balance of accumulated depreciation has been restated in the amount of (\$2,720,208) (a reduction of net position) to correct the beginning balance.

NOTE 17. Subsequent Accounting Standard Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Financial Statements
June 30, 2017

NOTE 17. Subsequent Accounting Standard Pronouncements (continued)

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The standard will be implemented during the fiscal year ended June 30, 2020. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District does not expect this pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: For reporting periods beginning after December 15, 2019. The District does not expect this pronouncement to have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule A-1

Truth or Consequences Municipal Schools
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
Truth or Consequences Municipal Schools proportion of the net pension liability (asset)	0.28963%	0.2936%	0.2981%
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset)	\$ 20,843,031	\$ 19,015,325	\$ 17,007,632
Truth or Consequences Municipal Schools covered-employee payroll	8,271,424	8,342,192	7,770,122
Truth or Consequences Municipal Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252%	228%	219%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

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

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Contributions
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

Schedule A-2

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 1,164,418	\$ 1,148,816	\$ 1,159,563
Contributions in relation to the contractually required contribution	<u>1,164,418</u>	<u>1,148,816</u>	<u>1,159,563</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Truth or Consequences Municipal Schools' covered-employee payroll	 8,393,694	 8,271,424	 8,342,192
 Contribution as a percentage of covered-employee payroll	 13.9%	 13.9%	 13.9%

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

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms and assumptions.

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

See independent auditors' report.
See notes to required supplementary information.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS

Food Services (21000) – The Food Service Fund is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

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

Migrant Children Education (24103) – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part C (Public Law 107-110).

IDEA-B Entitlement (24106) - To account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

New Mexico Autism Project (24108) – To account for a sub-grant to be used to support the District's implementation of the New Mexico Autism Project and improve the outcomes for students with Autism Spectrum Disorders. Authority for creation of this fund is the New Mexico Public Education Department.

IDEA-B Preschool and IDEA-B Early Intervention (24109 and 24112) – 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).

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Authorized by McKinney-Vento Homeless Assistance Act, Title VII-B, as reauthorized by the No Child Left Behind Act of 2001 (Public Law 107-110).

Fresh Fruit & Vegetables (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title II, Part A, Sec. 2101-2151 (Public Law 107-110).

Rural / Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1964 (ESEA), Title VI, Part B, as amended.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (continued)

Carl D. Perkins (Secondary – Current - 24174) (Secondary Redistribution - 24176) - The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Public Law 105-332).

Title XIX Medicaid 3/21 Years (25153) – To account for funds to provide 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. Authority for creation of this fund is the New Mexico Public Education Department.

ROTC (25200) – provide Federal funding for the implementation of R.O.T.C. programs. Authority for creation of this fund is the New Mexico Public Education Department.

Spaceport (26199) – To account for funds received from Sierra County to be used to supplement science, technology, engineering, and math programs for Grades 6 through 12. Authority for creation of this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials (27103) – To account for legislative appropriations for dual credit instructional materials. Instructional materials are for courses approved by the NM Higher Education Department and through an approved agreement between the District and a college/university. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 GO Bond Student Library (27107) – 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.

Tech Ed (27117) – Funds appropriated by the NM Legislature to support technology in the classroom. Authority for the creation of this fund is the New Mexico Public Education Department.

Truancy Initiative (27141) – Funds appropriated by the NM Legislature to assist with assistance in decreasing truancy within the schools of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

Pre-K Initiative (27149) – 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. Authority for the creation of this fund is the New Mexico Public Education Department.

School Bus (27178) – The purpose of this fund is to account for a program, funded by the Public Education Department, to purchase school buses statewide. Funding is authorized by the Laws of 2013, SB-60, Section 53.

NM Grown Fruits & Vegetables (27183) – The purpose of this fund is to account for a state grant received for the purchase of New Mexico grown fresh fruits and vegetables.

College Counselor (27189) – To account for funding awarded to assist with the transition from secondary education to higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (continued)

NM Highway Grant (29135) - To account for funds received from the NM Department of Transportation to assist with surface needs such as paving school parking areas and bus areas.

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2017

	Food Services 21000	Athletics 22000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Assets</i>				
Cash and cash equivalents	\$ 513,740	\$ 9,725	\$ -	\$ -
Receivables:				
Due from other governments	-	-	1,115	32,535
Inventory	5,067	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 518,807	\$ 9,725	\$ 1,115	\$ 32,535
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 119,050	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	6,182	18,676
Total liabilities	119,050	-	6,182	18,676
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<i>Fund balances</i>				
Nonspendable:				
Inventory	5,067	-	-	-
Spendable:				
Restricted for:				
Food services	394,690	-	-	-
Extracurricular activities	-	9,725	-	-
Education	-	-	-	13,859
Unassigned	-	-	(5,067)	-
Total fund balances	399,757	9,725	(5,067)	13,859
Total liabilities, deferred inflows of resources, and fund balances	\$ 518,807	\$ 9,725	\$ 1,115	\$ 32,535

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	IDEA-B Early Intervention 24112	Education of Homeless 24113	Fresh Fruit & Vegetables 24118
\$ -	\$ -	\$ -	\$ -	\$ -
4,005	2,109	24,110	-	915
-	-	-	-	-
-	-	-	-	-
<u>\$ 4,005</u>	<u>\$ 2,109</u>	<u>\$ 24,110</u>	<u>\$ -</u>	<u>\$ 915</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
4,021	2,109	24,110	2,899	14,395
<u>4,021</u>	<u>2,109</u>	<u>24,110</u>	<u>2,899</u>	<u>14,395</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
(16)	-	-	(2,899)	(13,480)
<u>(16)</u>	<u>-</u>	<u>-</u>	<u>(2,899)</u>	<u>(13,480)</u>
<u>\$ 4,005</u>	<u>\$ 2,109</u>	<u>\$ 24,110</u>	<u>\$ -</u>	<u>\$ 915</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2017

	Teacher/ Principal Training & Recruitment 24154	Rural / Low Income Schools 24160	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary Redistribution 24176
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 331
Receivables:				
Due from other governments	4,301	3,436	1,748	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 4,301</u>	<u>\$ 3,436</u>	<u>\$ 1,748</u>	<u>\$ 331</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	4,510	11,974	1,760	-
<i>Total liabilities</i>	<u>4,510</u>	<u>11,974</u>	<u>1,760</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	331
Unassigned	(209)	(8,538)	(12)	-
<i>Total fund balances</i>	<u>(209)</u>	<u>(8,538)</u>	<u>(12)</u>	<u>331</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 4,301</u>	<u>\$ 3,436</u>	<u>\$ 1,748</u>	<u>\$ 331</u>

See independent auditors' report.

Title XIX Medicaid 3/21 Years 25153	ROTC 25200	Spaceport 26199	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107
\$ 10,548	\$ -	\$ 73,226	\$ 572	\$ -
-	-	15,580	-	3,006
-	-	-	-	-
-	-	-	-	-
<u>\$ 10,548</u>	<u>\$ -</u>	<u>\$ 88,806</u>	<u>\$ 572</u>	<u>\$ 3,006</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	146	3,727	-	4,021
-	146	3,727	-	4,021
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,548	-	85,079	572	-
-	(146)	-	-	(1,015)
<u>10,548</u>	<u>(146)</u>	<u>85,079</u>	<u>572</u>	<u>(1,015)</u>
<u>\$ 10,548</u>	<u>\$ -</u>	<u>\$ 88,806</u>	<u>\$ 572</u>	<u>\$ 3,006</u>

See independent auditors' report.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Tech Ed 27117	Truancy Initiative 27141	Pre-K Initiative 27149	School Bus 27178
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Due from other governments	-	16,076	34,936	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 16,076</u>	<u>\$ 34,936</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	16,076	34,936	-
<i>Total liabilities</i>	<u>-</u>	<u>16,076</u>	<u>34,936</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 16,076</u>	<u>\$ 34,936</u>	<u>\$ -</u>

See independent auditors' report.

NM Grown Fresh Fruits & Vegetables 27183	College Counselor 27189	NM Highway Grant 28120	Total
\$ -	\$ -	\$ 5,518	\$ 613,660
-	2,647	-	146,519
-	-	-	5,067
-	-	-	-
<u>\$ -</u>	<u>\$ 2,647</u>	<u>\$ 5,518</u>	<u>\$ 765,246</u>
\$ -	\$ -	\$ -	\$ 119,050
-	-	-	-
-	2,656	-	152,198
-	2,656	-	271,248
-	-	-	-
-	-	-	-
-	-	-	5,067
-	-	-	394,690
-	-	-	9,725
-	-	5,518	115,907
-	(9)	-	(31,391)
-	(9)	5,518	493,998
<u>\$ -</u>	<u>\$ 2,647</u>	<u>\$ 5,518</u>	<u>\$ 765,246</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

	Food Services 21000	Athletics 22000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	962,348	-	25,574	331,623
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	10,675	40,629	-	-
Investment income	158	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	973,181	40,629	25,574	331,623
<i>Expenditures</i>				
Current:				
Instruction	-	37,046	24,500	117,278
Support services - students	-	-	-	202,820
Support services - instruction	-	-	-	-
Support services - general administration	-	-	1,074	11,525
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	846,174	-	-	-
Capital outlay	-	-	-	-
Total expenditures	846,174	37,046	25,574	331,623
Net change in fund balances	127,007	3,583	-	-
<i>Fund balances - beginning</i>	272,750	6,142	-	-
<i>Fund balances - restatement (note 16)</i>	-	-	(5,067)	13,859
<i>Fund balances - as restated</i>	272,750	6,142	(5,067)	13,859
Fund balances - end of year	\$ 399,757	\$ 9,725	\$ (5,067)	\$ 13,859

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	IDEA-B Early Intervention 24112	Education of Homeless 24113	Fresh Fruit & Vegetables 24118
\$ -	\$ -	\$ -	\$ -	\$ -
4,187	11,417	24,110	5,982	34,999
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>4,187</u>	<u>11,417</u>	<u>24,110</u>	<u>5,982</u>	<u>34,999</u>
4,187	11,417	24,110	5,982	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	34,999
-	-	-	-	-
<u>4,187</u>	<u>11,417</u>	<u>24,110</u>	<u>5,982</u>	<u>34,999</u>
-	-	-	-	-
-	-	-	-	-
(16)	-	-	(2,899)	(13,480)
(16)	-	-	(2,899)	(13,480)
<u>\$ (16)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,899)</u>	<u>\$ (13,480)</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

	Teacher/ Principal Training & Recruitment 24154	Rural / Low Income Schools 24160	Carl D Perkins Secondary - Current 24174	Carl D Perkins Secondary Redistribution 24176
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	35,130	20,943	9,781	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>35,130</u>	<u>20,943</u>	<u>9,781</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	32,670	20,431	9,002	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	1,399	512	460	-
Support services - school administration	1,061	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>35,130</u>	<u>20,943</u>	<u>9,462</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>319</u>	<u>-</u>
<i>Fund balances - beginning</i>	-	-	(331)	331
<i>Fund balances - restatement (note 16)</i>	<u>(209)</u>	<u>(8,538)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>(209)</u>	<u>(8,538)</u>	<u>(331)</u>	<u>331</u>
<i>Fund balances - end of year</i>	<u>\$ (209)</u>	<u>\$ (8,538)</u>	<u>\$ (12)</u>	<u>\$ 331</u>

See independent auditors' report.

Title XIX Medicaid 3/21 Years 25153	ROTC 25200	Spaceport 26199	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107
\$ -	\$ -	\$ -	\$ -	\$ -
89,464	-	-	-	-
-	50,546	-	-	-
-	-	117,326	-	-
-	-	-	-	4,021
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>89,464</u>	<u>50,546</u>	<u>117,326</u>	<u>-</u>	<u>4,021</u>
-	50,692	53,693	-	-
88,540	-	94,797	-	-
-	-	-	-	4,021
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>88,540</u>	<u>50,692</u>	<u>148,490</u>	<u>-</u>	<u>4,021</u>
924	(146)	(31,164)	-	-
9,624	-	116,243	572	-
-	-	-	-	(1,015)
<u>9,624</u>	<u>-</u>	<u>116,243</u>	<u>572</u>	<u>(1,015)</u>
<u>\$ 10,548</u>	<u>\$ (146)</u>	<u>\$ 85,079</u>	<u>\$ 572</u>	<u>\$ (1,015)</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2017

	Tech Ed 27117	Truancy Initiative 27141	Pre-K Initiative 27149	School Bus 27178
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	47,800	308,535	167,918
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>47,800</u>	<u>308,535</u>	<u>167,918</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	288,054	-
Support services - students	-	47,800	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	3,534	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	16,947	167,918
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>47,800</u>	<u>308,535</u>	<u>167,918</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning</i>	-	-	-	-
<i>Fund balances - restatement (note 16)</i>	-	-	-	-
<i>Fund balances - as restated</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

NM Grown Fresh Fruits & Vegetables 27183	College Counselor 27189	NM Highway Grant 28120	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	1,555,558
-	-	-	50,546
-	-	-	117,326
619	31,757	-	560,650
-	-	17,092	17,092
-	-	-	51,304
-	-	-	158
-	-	-	-
<u>619</u>	<u>31,757</u>	<u>17,092</u>	<u>2,352,634</u>
-	-	-	679,062
-	31,766	-	465,723
-	-	-	4,021
-	-	-	18,504
-	-	-	1,061
-	-	-	-
-	-	-	184,865
619	-	-	881,792
-	-	15,505	15,505
<u>619</u>	<u>31,766</u>	<u>15,505</u>	<u>2,250,533</u>
-	(9)	1,587	102,101
-	-	3,931	409,262
-	-	-	(17,365)
-	-	3,931	391,897
<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ 5,518</u>	<u>\$ 493,998</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Balance Sheet
 General Fund
 June 30, 2017

Statement B-1

	Operational 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 1,529,724	\$ 2,526	\$ 97,560	\$ 1,629,810
Receivables:				
Property taxes	19,831	-	-	19,831
Due from other funds	603,966	-	-	603,966
<i>Total assets</i>	<u>\$ 2,153,521</u>	<u>\$ 2,526</u>	<u>\$ 97,560</u>	<u>\$ 2,253,607</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 36,301	\$ 1,263	\$ -	\$ 37,564
Accrued payroll	556,458	-	-	556,458
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>592,759</u>	<u>1,263</u>	<u>-</u>	<u>594,022</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	13,513	-	-	13,513
<i>Total deferred inflows of resources</i>	<u>13,513</u>	<u>-</u>	<u>-</u>	<u>13,513</u>
 <i>Fund Balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Transportation	-	1,263	-	1,263
Instructional materials	-	-	97,560	97,560
<i>Committed for:</i>				
Subsequent year's expenditures	1,486,419	-	-	1,486,419
Unassigned	60,830	-	-	60,830
<i>Total fund balances</i>	<u>1,547,249</u>	<u>1,263</u>	<u>97,560</u>	<u>1,646,072</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 2,153,521</u>	 <u>\$ 2,526</u>	 <u>\$ 97,560</u>	 <u>\$ 2,253,607</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 General Fund
 For the Year Ended June 30, 2017

Statement B-2

	Operational 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Revenues</i>				
Property taxes	\$ 155,403	\$ -	\$ -	\$ 155,403
Intergovernmental revenue:				
Federal flowthrough	47,508	-	-	47,508
State flowthrough	22,227	-	89,544	111,771
State direct	10,399,419	-	-	10,399,419
Transportation distribution	-	747,640	-	747,640
Charges for services	2,732	-	-	2,732
Investment income	1,230	-	-	1,230
Miscellaneous	24,481	-	-	24,481
<i>Total revenues</i>	<u>10,653,000</u>	<u>747,640</u>	<u>89,544</u>	<u>11,490,184</u>
<i>Expenditures</i>				
Current:				
Instruction	7,277,563	-	33,943	7,311,506
Support services - students	794,020	-	-	794,020
Support services - instruction	35,427	-	-	35,427
Support services - general administration	445,612	-	-	445,612
Support services - school administration	667,252	-	-	667,252
Central services	514,133	-	-	514,133
Operation and maintenance plant	1,469,630	-	-	1,469,630
Student transportation	73,637	748,983	-	822,620
Community services operations	2,788	-	-	2,788
Capital Outlay	-	-	-	-
<i>Total expenditures</i>	<u>11,280,062</u>	<u>748,983</u>	<u>33,943</u>	<u>12,062,988</u>
<i>Net change in fund balances</i>	<u>(627,062)</u>	<u>(1,343)</u>	<u>55,601</u>	<u>(572,804)</u>
<i>Fund balances - as originally stated</i>	2,253,901	2,606	41,959	2,298,466
<i>Fund balances - restatement (note 17)</i>	<u>(79,590)</u>	<u>-</u>	<u>-</u>	<u>(79,590)</u>
<i>Fund balances - beginning</i>	<u>2,174,311</u>	<u>2,606</u>	<u>41,959</u>	<u>2,218,876</u>
<i>Fund balances - end of year</i>	<u>\$ 1,547,249</u>	<u>\$ 1,263</u>	<u>\$ 97,560</u>	<u>\$ 1,646,072</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Operational Fund - 11000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement B-3

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 152,373	\$ 152,373	\$ 154,602	\$ 2,229
Intergovernmental revenue:				
Federal flowthrough	212,327	63,742	47,508	(16,234)
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	86,224	86,224	22,227	(63,997)
State direct	10,774,151	10,557,828	10,399,419	(158,409)
Transportation distribution	-	-	-	-
Charges for services	-	-	2,732	2,732
Investment income	1,320	1,320	1,230	(90)
Miscellaneous	-	-	24,481	24,481
Total revenues	11,226,395	10,861,487	10,652,199	(209,288)
<i>Expenditures</i>				
Current:				
Instruction	7,146,485	7,522,080	7,284,941	237,139
Support services - students	886,287	886,287	783,113	103,174
Support services - instruction	33,287	35,947	35,427	520
Support services - general administration	498,590	506,490	445,612	60,878
Support services - school administration	655,395	667,795	667,252	543
Central services	500,618	541,858	514,133	27,725
Operation and maintenance of plant	1,487,593	1,493,803	1,444,236	49,567
Student transportation	2,000	82,886	73,637	9,249
Other support services	19,790	19,790	-	19,790
Food services operations	-	-	-	-
Community services operations	5,737	5,737	2,788	2,949
Capital Outlay	2,115,092	1,223,293	-	1,223,293
Total expenditures	13,350,874	12,985,966	11,251,139	1,734,827
<i>Excess (deficiency) of revenues over expenditures</i>	(2,124,479)	(2,124,479)	(598,940)	1,525,539
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	2,124,479	2,124,479	-	(2,124,479)
Proceeds from sale of capital assets	-	-	-	-
Total other financing sources (uses)	2,124,479	2,124,479	-	(2,124,479)
<i>Net change in fund balance</i>	-	-	(598,940)	(598,940)
<i>Fund balance - beginning of year</i>	-	-	2,151,284	2,151,284
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,552,344	\$ 1,552,344
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (598,940)
Adjustments to revenues for taxes and intergovernmental revenue				801
Adjustments to expenditures for supplies and payroll expenditures				(28,923)
Net change in fund balance (GAAP Basis)				\$ (627,062)

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Pupil Transportation Fund - 13000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement B-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	860,075	750,207	748,903	(1,304)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	860,075	750,207	748,903	(1,304)
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	860,075	751,510	748,983	2,527
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	860,075	751,510	748,983	2,527
<i>Excess (deficiency) of revenues over expenditures</i>	-	(1,303)	(80)	1,223
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	1,303	-	(1,303)
Total other financing sources (uses)	-	1,303	-	(1,303)
<i>Net change in fund balance</i>	-	-	(80)	(80)
<i>Fund balance - beginning of year</i>	-	-	2,606	2,606
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 2,526	\$ 2,526
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (80)
Adjustments for amounts due back to NM PED				(1,263)
No adjustments				-
Net change in fund balance (GAAP Basis)				\$ (1,343)

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Instructional Materials Fund - 14000
 Statement of Revenues, Expenditures, and Changes in
 Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Statement B-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	70,286	58,528	89,544	31,016
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	70,286	58,528	89,544	31,016
<i>Expenditures</i>				
Current:				
Instruction	70,286	58,528	33,943	24,585
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	70,286	58,528	33,943	24,585
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	55,601	55,601
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balance</i>	-	-	55,601	55,601
<i>Fund balance - beginning of year</i>	-	-	41,959	41,959
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 97,560	\$ 97,560
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 55,601
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				\$ 55,601

See independent auditors' report.

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Agency Funds
 Schedule of Changes in Fiduciary Assets and Liabilities
 For the Year Ended June 30, 2017

Schedule I

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
T or C Elementary	\$ 35,702	\$ 81,274	\$ 75,717	\$ 41,259
SEC Elementary	5,311	6,021	6,887	4,445
Arrey Elementary	8,177	16,295	18,513	5,959
T or C Middle School	23,546	24,430	17,714	30,262
Hot Springs High School	75,236	136,741	107,195	104,782
Transportation	166	-	-	166
Special Ed Department	950	-	-	950
Athletics	24,437	62,735	54,880	32,292
Central Office	15,389	4,924	2,492	17,821
Total	<u>\$ 188,914</u>	<u>\$ 332,420</u>	<u>\$ 283,398</u>	<u>\$ 237,936</u>

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Collateral Pledged by Depository for Public Funds
 June 30, 2017

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2017</u>
Bank of the Southwest				
	GNMA II Pool #80119	10/20/2027	Not Provided	\$ 5,438
	Letter of Credit	11/2/2017	Not Provided	<u>1,500,000</u>
	Total Bank of the Southwest			<u>1,505,438</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
BBVA Compass				
	FHLB Atlanta #101046	10/23/2017	Not Provided	<u>50,000</u>
	Total BBVA Compass			<u>50,000</u>
	Name and location of safekeeper for above pledged collateral: Bank of the West, Birmingham Alabama			
First Savings Bank				
	GNR 2012-96 AD	8/20/2027	38378HAU0	78,420
	FHLMC 15 YR	8/1/2031	3132KFNN8	<u>186,866</u>
	Total First Savings Bank			<u>265,286</u>
	Name and location of safekeeper for above pledged collateral: First Savings Bank, Beresford, South Dakota			
Citizens Bank of Las Cruces				
	FHLB Letter of Credit	6/11/2021	Not Provided	2,035,464
	FFCB Letter of Credit	7/9/2021	Not Provided	<u>2,064,082</u>
	Total Citizens Bank of Las Cruces			<u>4,099,546</u>
	Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank, Irving, Texas			
	Total Collateral Pledged			<u>\$ 5,920,270</u>

See independent auditors' report.

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STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Deposits and Investments
 June 30, 2017

Schedule III

<u>Bank Account Type/ Name</u>	<u>Bank of the Southwest</u>	<u>BBVA Compass</u>	<u>First Savings Bank</u>	<u>Citizens Bank of Las Cruces</u>	<u>Total</u>
Cash Deposits:					
Checking - Operational	\$ 1,238,763	\$ -	\$ -	\$ -	\$ 1,238,763
Checking - Payroll	660,320	-	-	-	660,320
Checking - Audrey Lang	38,632	-	-	-	38,632
Checking - Activity	-	248,889	-	-	248,889
Checking - Food Services	-	-	514,512	-	514,512
Checking - Capital	-	-	-	1,494,222	1,494,222
Checking - Debt Service	-	-	-	2,196,242	2,196,242
Total Cash Deposits	<u>1,937,715</u>	<u>248,889</u>	<u>514,512</u>	<u>3,690,464</u>	<u>6,391,580</u>
Other investments (cash equivalents):					
NMFA US MM					762,280
LGIP					1,224
Total other investments (cash equivalents)					<u>763,504</u>
Total Deposits and Investments					7,155,084
Reconciling items	<u>(169,574)</u>	<u>(10,953)</u>	<u>(755)</u>	<u>(6,189)</u>	<u>(187,471)</u>
<i>Reconciled balance June 30, 2017</i>	<u><u>\$ (169,574)</u></u>	<u><u>\$ (10,953)</u></u>	<u><u>\$ (755)</u></u>	<u><u>\$ (6,189)</u></u>	<u><u>\$ 6,967,613</u></u>
Reconciliation to financial statements:					
Cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					\$ 4,495,108
Restricted cash and cash equivalents:					
Government-wide statement of net position - Exhibit A-1					2,195,937
Statement of fiduciary net position agency funds - Exhibit D-1					<u>276,568</u>
<i>Cash and cash equivalents per Financial Statements</i>					<u><u>\$ 6,967,613</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2017

	Operational 11000	Teacherege 12000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Audited Cash June 30, 2016	\$ 2,151,283	\$ -	\$ 2,605	\$ 41,959	\$ 245,734
Add:					
2016-2017 receipts	10,652,198	-	750,207	89,544	927,099
Total cash available	12,803,481	-	752,812	131,503	1,172,833
Less:					
2016-2017 expenditures	(11,251,139)	-	(748,983)	(33,943)	(659,093)
Permanent cash transfers	-	-	(1,303)	-	-
Cash per PED	1,552,342	-	2,526	97,560	513,740
Add / Less:					
Negative cash loans from (to)	(579,076)	-	-	-	-
NMFA cash	-	-	-	-	-
Change in payroll accruals	556,458	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ 1,529,724</u>	<u>\$ -</u>	<u>\$ 2,526</u>	<u>\$ 97,560</u>	<u>\$ 513,740</u>

See independent auditors' report.

(Exhibit D-1)					
Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
\$ 6,141	\$ 188,914	\$ (652,022)	\$ 8,978	\$ 101,202	\$ (385,288)
<u>40,630</u>	<u>331,852</u>	<u>1,477,601</u>	<u>140,656</u>	<u>120,515</u>	<u>865,324</u>
<u>46,771</u>	<u>520,766</u>	<u>825,579</u>	<u>149,634</u>	<u>221,717</u>	<u>480,036</u>
(37,046)	(282,830)	(1,165,343)	(139,232)	(148,491)	(718,299)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,725</u>	<u>237,936</u>	<u>(339,764)</u>	<u>10,402</u>	<u>73,226</u>	<u>(238,263)</u>
-	-	340,095	146	-	238,835
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 9,725</u>	<u>\$ 237,936</u>	<u>\$ 331</u>	<u>\$ 10,548</u>	<u>\$ 73,226</u>	<u>\$ 572</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Cash Reconciliation
 For the Year Ended June 30, 2017

	State Direct 28000	Bond Building 31100	Capital Improvements SB-9 31700	(See Note 5) Capital Improvements SB-9 Local 31701
Audited Cash				
June 30, 2016	\$ 3,931	\$ 1,763,413	\$ -	\$ 1,300,321
Add:				
2016-2017 receipts	17,092	745,657	-	84,266
Total cash available	21,023	2,509,070	-	1,384,587
Less:				
2016-2017 expenditures	(15,505)	(1,879,874)	-	(524,425)
Permanent cash transfers	-	-	-	-
Cash per PED	5,518	629,196	-	860,162
Add / Less:				
Negative cash loans from (to)	-	-	-	-
NMFA cash	-	762,280	-	-
Change in payroll accruals	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ 5,518</u>	<u>\$ 1,391,476</u>	<u>\$ -</u>	<u>\$ 860,162</u>

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Debt Service 41000	(Exhibit D-1) Agency	Total
\$ 2,033,378	\$ 38,612	\$ 6,849,161
<u>1,750,873</u>	<u>20</u>	<u>17,993,534</u>
<u>3,784,251</u>	<u>38,632</u>	<u>24,842,695</u>
(1,588,314)	-	(19,192,517)
<u>-</u>	<u>-</u>	<u>(1,303)</u>
<u>2,195,937</u>	<u>38,632</u>	<u>5,648,875</u>
-	-	-
-	-	762,280
<u>-</u>	<u>-</u>	<u>556,458</u>
<u><u>\$ 2,195,937</u></u>	<u><u>\$ 38,632</u></u>	<u><u>\$ 6,967,613</u></u>

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Truth or Consequences, 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, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of the Truth or Consequences Municipal Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items FS 2017-001 and FS 2017-002 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 findings as items NM 2017-001 and NM 2017-002.

District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Cordova CPAs LLC
Albuquerque, New Mexico
November 9, 2017

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Truth or Consequences Municipal Schools
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Truth or Consequences Municipal Schools' (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Adverse Opinion on Student Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA No. 10.555 Student Nutrition Cluster as described in finding FA 2017-001 for Cash Management and Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Adverse Opinion on Student Nutrition Cluster

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Student Nutrition Cluster program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2017-001 to be a material weakness.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cordova CPAs LLC
Albuquerque, New Mexico
November 9, 2017

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Number	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Education						
<i>Passed through New Mexico Public Education Department</i>						
Title I - IASA	24101	84.010		\$ 659,244	\$ -	\$ -
Migrant Children Education	24103	84.011		25,574	-	-
IDEA-B Entitlement	24106	84.027	(1)	331,623	-	-
IDEA-B Preschool	24109	84.173	(1)	11,417	-	-
IDEA-B Early Intervention	24112	84.027	(1)	24,110	-	-
Education of Homeless	24113	84.196		5,982	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		35,130	-	-
Rural Education	24160	84.358		20,943	-	-
Carl Perkins	24174	84.048		9,462	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>1,123,485</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Education</i>				<u>1,123,485</u>	<u>-</u>	<u>-</u>
U.S. Department of Health and Human Services						
<i>Passed through New Mexico Human Services Department</i>						
Autism and other disabilities	24108	93.998		4,187	-	-
<i>Total U.S. Department of Health and Human Services</i>				<u>4,187</u>	<u>-</u>	<u>-</u>
U.S. Department of Defense						
<i>Federal Direct Payments</i>						
ROTC	25200	12.100		50,692	-	-
<i>Total U.S. Department of Defense</i>				<u>50,692</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture						
<i>Federal Direct Payments</i>						
Schools and Roads - Grants to States	None	10.665		6,182	-	-
<i>Passed through New Mexico Public Education Department</i>						
Fresh Fruits and Vegetables	24118	10.582		34,999	-	-
Student Nutrition Cluster	21000	10.555	(2)*	63,226	-	63,226
Student Nutrition Cluster	21000	10.555	(2)*	782,948	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>881,173</u>	<u>-</u>	<u>63,226</u>
<i>Total U.S. Department of Agriculture</i>				<u>887,355</u>	<u>-</u>	<u>63,226</u>
<i>Total Federal Financial Assistance</i>				<u>\$ 2,065,719</u>	<u>\$ -</u>	<u>\$ 63,226</u>

* Denotes Major Federal Financial Assistance Program
 () Denotes Cluster

See independent auditors' report.
 See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Truth or Consequences Municipal Schools and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

3 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

4 Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,065,719
Total expenditures funded by other sources	<u>17,052,430</u>
<i>Total expenditures (Exh B-2)</i>	<u><u>\$ 19,118,149</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Truth or Consequences Municipal Schools
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditors' report issued on compliance for major programs | Adverse |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |

4. Identification of major programs:

CFDA Number	Federal Program
10.553 and 10.555	Student Nutrition Cluster

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

ES 2017-001 Financial Close and Adjustments (Material Weakness)

Condition: During our audit, we noted that material audit adjustments were necessary to fairly present account balances as follows:

- To adjust accounts payable balances in Visions across various funds that are from prior periods and are not an accurate balance sheet accounts (named 'permanent cash transfers' and 'due from/to other funds') in the amount of \$566,069 and \$61,921.
- To properly account for a current year cash receipt that was recorded in the IDEA-B fund and should have been recorded in the Migrant Ed Fund. The total amount was \$1,114.90.
- To adjust for accounts payable at year end totaling \$265,592.

Criteria: The Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of internal controls with financial close functions to produce accurate and timely financial information in accordance with generally accepted accounting principles and the budgetary basis of accounting (in accordance with NM PED Public Schools Accounting and Budgeting Manual of Procedures).

Effect: Account balances in the accounts noted above were not adjusted as part of the monthly and/or annual financial close, and audit adjustments not identified by management were required to fairly present balances.

Cause: Several of these balances are from prior years and have not been adjusted properly on the District's general ledger. Also during the financial close, the accounts noted above were inadvertently overlooked as part of the monthly and year end required adjustments.

Auditors' Recommendations: We recommend that the District perform a thorough year end analysis on all account balances prior to closing out the fiscal year to ensure all required adjustments are reflected for year-end reporting. In addition, we recommend that the District coordinate with NM PED to adjust any old outstanding balances and ensure all permanent cash transfers take place before the end of FY 2018.

Agency's Response: The Business Manager will coordinate with NMPED to adjust any old outstanding balances and ensure the all permanent cash transfers will place before the end of FY 2018.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

ES 2017-002 Capital Assets (Material Weakness)

Condition: During our audit over capital assets we noted the following:

- The District improperly capitalized purchases of vehicles and did not include one vehicle totaling \$83,000 in current year additions.
- The District does not have a proper internal control process in place to review financial statement data to ensure costs and accumulated depreciation is accurately calculated. A prior period adjustment of \$2,720,208 was recorded as part of properly stating accumulated depreciation.
- The District did not properly certify the annual inventory.

Criteria: According to NMAC 6.20.2.22 and GASB Statement No. 34 (Generally Accepted Accounting Principles), capital assets shall be acquired and accounted for through the development and implementation of a complete property control system and be accounted for in accordance with generally accepted accounting principles. Also, New Mexico Statutes, Section 12-6-10, NMSA, 1978 compilation, requires an annual physical inventory of moveable chattels and equipment. Also, upon completion, the inventory shall be certified by the governing authority as to correctness. Each agency shall maintain one copy in its files. At the time of the annual audit, the state auditor shall ascertain the correctness of the inventory by generally accepted auditing procedures.

Effect: Without proper accounting of capital assets balances year end, the financial statements of the District were misstated. The users of the financial statement may not be provided with timely or accurate capital assets information.

Cause: The District did not have a proper internal control process in place to monitor and review the capital asset listing to ensure complete and accurate financial data for depreciation of capital assets.

Auditors' Recommendations: We recommend that the District 1) begin the reconciliation of capital assets earlier in the process of the financial close at year end 2) ensure that a review of capital asset additions is conducted during the year-end capital asset inventory count 3) A review of the calculations for asset costs and depreciation is performed at year end 4) an annual physical inventory of moveable chattels and equipment should be performed with the results being certified by the governing authority.

Agency's Response: The Business Manager will review what is currently on record and identify any excess deficiencies in the District's capital assets. The Business Manger will ensure that a review of capital asset additions is conducted during the year-end capital asset inventory count, review the calculation for asset costs and depreciation is performed at year end, and an annual physical inventory of moveable chattels and equipment.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION III - FEDERAL AWARD FINDINGS

EA 2017-001 Noncompliance with Cash Management and Reporting Requirements (Material Noncompliance and Material Weakness Over Internal Controls Over Compliance)

Federal Program Information:
Funding Agency: U.S. Department of Agriculture
Award Year: July 1, 2016 to June 30, 2017
Title: Student Nutrition Cluster
CFDA Number: 10.553 and 10.555
Compliance Requirement: Cash Management and Reporting

Condition: During our audit performed in accordance with the Child Nutrition Cluster, we noted the following:

- The District does not have a proper internal control process to accurately count the number of lunches served on a daily basis.
- The District does not have a proper internal controls process to track, monitor, and report information for the Basic Claims Reports.
- The District did not have proper supporting documentation on file to support daily counts that matched to the filed Basic Claims reports.

Criteria: Based on 7 CFR Section 210.8 (b), 225.9 (d), and 225.15 (c) (2) to receive reimbursement payments for meals a sponsor must submit for reimbursement.

Effect: The District could lose future funding from the USDA and did have to reimburse original claims that could not be substantiated in the amount of \$110,594.16 subsequent to FY 2017. These related to discrepancies between supporting documentation and the Basic Claims reports that were filed for FY 2017.

Questioned Costs: Likely questioned costs of \$110,594

Cause: Management in place during the fiscal year did not properly administer the program, including maintaining effective internal controls, adequate documentation, and reporting requirements of the Student Nutrition Program.

Auditors' Recommendation: We recommend that the District develop a proper internal control structure to create a formal process that accurately counts the meals served on a daily basis, a proper formal structure to maintain supporting documentation, and implement proper internal control process to timely and accurately complete the required reporting for the Student Nutrition Program.

Agency's Response: The District has already developed a corrective action plan to ensure that the Student Nutrition Program is run correctly. Management has been replaced and our internal controls have been restructured. We are in the process of ordering the appropriate software for our student counts. All documentation is submitted to the Business Office for verification of counts.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

NM 2017-001 Stale-dated Checks (Other Noncompliance)

Condition: The Schools has 19 stale-dated checks totaling \$6,472.17 dating back to 2013. The District has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written.

Effect: The Schools is not in compliance with Section 6-10-57, NMSA 1978. The Schools' cash balance may be misstated by the amount of the stale checks.

Cause: The Schools overlooked voiding the checks and applying its standard procedures for the stale-dated checks at year end.

Auditors' Recommendation: We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be adhered to. We also recommend that the School remit the stale-dated checks to the New Mexico Taxation and Revenue Department.

Agency Response: The Business Manager will void all outstanding checks and implement a procedure to track and void stale checks within the current FY. The School will remit the stale-dated checks to the New Mexico Taxation and Revenue Department.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION IV – SECTION 12-6-5 NMSA FINDINGS (continued)

NM 2017-002 Anti-Donation (Other Noncompliance)

Condition: During testwork over internal controls over cash disbursements, we noted one instance where a check in the amount of \$500 was disbursed and no good or services had been rendered to the District. The District attempted to contact the payee and the funds were not returned and there was no communication back from the payee.

Criteria: Anti-Donation Clause of the New Mexico Constitution.

Effect: The District paid out funds but did not receive any good or services.

Cause: A mistake after there was turnover in the accounts payable department.

Auditors' Recommendation: We recommend that all goods and services are received prior to the disbursement of any public funds.

Agency Response: The Business Manager will immediately ensure that our AP Office will not disburse any public funds without proper documentation.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Schedule of Corrective Action Plan and Prior Year Findings
For the Year Ended June 30, 2017

CORRECTIVE ACTION PLAN

This correction plan has been prepared by management of Truth or consequences Municipal Schools.

Corrective Action Plan: Management has been replaced and our internal controls have been restructured. We are in the process of ordering the appropriate software for our student counts. All documentation is submitted to the Business Office for verification of counts.

Anticipated completion date for corrective action plan: During fiscal year 2018.

Auditee contact persons responsible for correction action: John Johnson, Board President, Dr. Craig Cummins, Superintendent, Sabrina Bierner, Business Manager

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2016-001 Expenditures in Excess of Budgetary Authority (Other Noncompliance) – Resolved

2016-002 Cash Balances (Other Noncompliance) – Resolved

No federal findings in prior year.

STATE OF NEW MEXICO
Truth or Consequences Municipal Schools
Other Disclosures
June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 9, 2017. In attendance were the following:

Representing Truth or Consequences Municipal Schools:

John C. Johnson – Board President
Dr. Craig Cummins – Superintendent
Sabrina Bierner – Business Manager
Barbara Chavez – Payroll Specialist
Robert Chavez – Accounts Payable Clerk

Representing Cordova CPAs LLC:

Robert Cordova, CPA – Principal
Robert Gonzales, CPA – Principal

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Truth or Consequences Municipal Schools from the original books and records asserted by management. The responsibility for the financial statements remains with Truth or Consequences Municipal Schools.