

STATE OF NEW MEXICO



TULAROSA MUNICIPAL SCHOOLS

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Tularosa Municipal Schools
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017

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Tularosa Municipal Schools
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STATE OF NEW MEXICO
Tularosa Municipal Schools

OFFICIAL ROSTER
June 30, 2017

<u>Name</u>		<u>Title</u>
	<u>Board of Education</u>	
Cody Hill		President
Freddy Leal		Vice President
Lillian Duran		Secretary
Erica Walters		Member
Teresa Marr		Member
	<u>School Officials</u>	
Brenda Vigil		Superintendent
Kathleen Richardson		Business Manager

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Tularosa Municipal Schools
Tularosa, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons of the general fund and the major special revenue funds of Tularosa 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 Tularosa Municipal Schools' basic financial statements as listed in the table of contents. We did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Tularosa Municipal Schools' 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 Tularosa Municipal Schools' 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, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tularosa Municipal Schools, as of June 30, 2017, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13-18, the *Schedule of Proportionate Share of the Net Pension Liability* on page 195, the *Schedule of Contributions* on page 97, and the notes to the required supplementary information on page 99 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 the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on Tularosa Municipal Schools' financial statements that collectively comprise the Districts' basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards are required by Title 2 US Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and supporting schedules 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 Schedule of Expenditures of Federal Awards and the Supporting Schedules, as presented in the Table of Contents, which are 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 statement 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 Schedule of Expenditures of Federal Awards and Supporting Schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017 on our consideration of the Tularosa Municipal Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tularosa Municipal Schools' internal control over financial reporting and compliance.



Precision Accounting, LLC
Albuquerque, New Mexico
September 21, 2017

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**State of New Mexico Tularosa Municipal School District No. 47
Management's Discussion and Analysis**

As management of the Tularosa Municipal School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

In June 1999, GASB approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GASB approved Statement #37 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement #38 "Certain Financial Statement Note Disclosures". Statement #37 clarifies and modifies Statement #34 and should be implemented simultaneously with Statement #34. Statement #38 modifies, establishes and rescinds certain financial statement disclosure requirements.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2017 are as follows:

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$8,628,164 (net position). Of this amount, \$17,014,831 is invested in capital assets, \$2,241,999 is restricted for Capital Projects, \$1,202,150 is restricted for Debt Service, \$417,568 for Special Revenue Funds, \$42,078 is restricted for General Fund, and \$(12,290,462) is unrestricted which was impacted by the net pension liability.
- The District's total net position decreased by \$2,369,076 which is reflected in the District's Statement of Activities.
- The District's total liabilities increased by \$1,091,353 in fiscal year 2017. This increase is due to the impact of the changes in the net pension liability as a GASB 68 required reporting for the fiscal year 2016.
- At June 30, 2017, the unreserved and undesignated fund balance for the general fund was \$1,330,548 which reflects a decrease of \$969,838 from the previous fiscal year as a result of the budget cuts from the State of New Mexico.
- As part of the implementation of GASB 34, total accumulated depreciation on capital assets as of June 30, 2017 is \$25,798,687. This includes current year depreciation in the amount of \$941,438.
- Capital Outlay expenditures increased from \$635,715 in the year ending June 30, 2016 to \$1,179,992 in the year ending June 30, 2017. The majority of capital expenditures relate to the Tularosa High School track renovation project and the Tularosa Elementary School Parking Lot project. The major source of funding for these projects is the Capital Outlay Bond Building Fund.
- The District's general obligation bond debt balance is \$4,260,000 which reflects \$175,000 increase due to the net offset of paying principle payments on old bonds and issuing new debt. There was a \$900,000 new issuance of debt this year.

Basic Financial Statements

In general, the purpose of financial reports is to provide external parties reading the financial statements with information that will help them to make decisions or draw conclusions about the reporting entity. There are many external parties that read and use the District's financial statements; however, these parties do not always have the same objectives. This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader may understand the District's overall financial position. In accordance with required reporting requirements, the District presents (1) government-wide financial statements and (2) fund financial statements.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to that of a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g. uncollected taxes).

Both the *statement of net position* and the *statement of activities* distinguish functions of the District that are primarily supported by property taxes and state revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through fees and charges. The governmental activities of the District include education, pupil transportation, food service and community service. The District does not have any business-type activities.

The *government-wide financial statements* can be found on Exhibits A-1 and A-2 on pages 20-24 of the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Government Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available as the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. A reconciliation to facilitate the comparison of the governmental funds and governmental activities has been provided.

The District has four individual governmental fund groups. Information is presented separately in the governmental fund balance sheets and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the following funds:

General Fund
Debt Service Fund

Capital Projects Fund
Special Revenue Funds

The basic governmental fund financial statements can be found on Exhibits B-1 and B-2 on pages 28 through 35 of the financial statements.

Fiduciary Funds

Fiduciary Funds are used to account for resources held in trust for the benefit of parties outside the District. Fiduciary fund financial statements consist of a statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are not reported in the government-wide financial statements.

The fiduciary fund financial statements can be found in Exhibit D on page 39 of the financial statements.

Overview of the District's Financial Position and Operations the District's overall financial position and operations for the current year as compared to the previous fiscal year are as follows:

**TULAROSA MUNICIPAL SCHOOL DISTRICT'S NET POSITION
COMPARATIVE DATA**

		Current Year 2017		Prior Year 2016
Assets				
Cash and Other Equivalents	\$	4,959,127	\$	6,473,370
Current and Other Assets		330,670		572,548
Capital Assets, Net		20,374,831		20,513,444
Deferred Outflows of Resources		<u>1,679,063</u>		<u>915,212</u>
TOTAL ASSETS		<u>27,343,691</u>		<u>28,474,574</u>
Liabilities				
Current Liabilities		1,330,452		1,369,743
Noncurrent Liabilities		<u>16,980,757</u>		<u>15,850,113</u>
TOTAL LIABILITIES		<u>18,311,209</u>		<u>17,219,856</u>
DEFERRED INFLOWS OF RESOURCES				
		404,318		1,048,679
Net Position				
Net Investment in Capital Assets		17,014,831		16,428,444
Restricted:				
Debt Services		1,202,150		1,117,759
Capital Projects		2,241,999		3,697,237
Special Revenue Funds		417,568		351,397
General Funds		42,078		20,138
Unrestricted		<u>(12,290,462)</u>		<u>(11,408,936)</u>
TOTAL NET POSITION	\$	<u>27,343,691</u>	\$	<u>10,206,039</u>

As noted in the schedule above, the District's unrestricted net position was greatly impacted by the net pension liability and 45% is restricted for the stated purposes. The remainder of the District's net position is net investment in capital assets. This indicates that the accumulated depreciation along with the asset values exceed existing debt.

Governmental activities decreased the District's overall net position by \$2,369,076. This decrease was largely due to the decrease in total assets of \$1,130,883 and the increase in total liabilities of \$1,091,353, which is due to the reporting of the actuarial changes of the net pension liability as per GASB 68. Nonetheless, the District's liquidity, the ability to convert assets into cash to pay for obligations and commitments, remains secure. Cash and cash equivalents represent almost 94% of the District's current assets indicating a highly liquid position.

The major elements of the District's governmental activities contributing to the decrease in the change in net position are listed on the next page.

***TULAROSA MUNICIPAL SCHOOL DISTRICT'S CHANGES IN NET POSITION
COMPARATIVE DATA***

	Current Year 2017	Prior Year 2016
Revenues:		
Program Revenues		
Charges for Services	\$ 207,559	\$ 356,049
Operating Grants & Contributions	2,507,466	2,731,962
Capital Grants & Contributions	<u>166,408</u>	<u>1,615,658</u>
Total Program Revenues	2,881,433	4,703,669
General Revenues:		
Property Taxes		
General Purpose	36,584	36,326
Debt Service	831,357	848,500
Capital Projects	207,487	184,532
Grants & Contributions, not restricted	7,545,468	8,000,502
Unrestricted Investment Earnings	4,825	3,767
Miscellaneous Income	<u>1,045</u>	<u>2,520</u>
Total General Revenues	<u>8,626,766</u>	<u>9,076,147</u>
TOTAL REVENUES	11,508,199	13,779,816
Expenditures:		
Direct Instruction	8,531,429	7,212,397
Students	983,085	926,871
Instruction	380,661	312,359
General Administration	309,643	330,211
School Administration	724,387	667,248
Central Services	239,132	230,562
Operation & Maintenance of Plant	1,181,986	1,178,764
Student Transportation	529,078	592,463
Other Support Services	-	-
Food Services	511,054	504,862
Capital Outlay	377,167	289,256
Interest on Long term debt	<u>109,653</u>	<u>143,408</u>
TOTAL EXPENDITURES	<u>13,877,275</u>	<u>12,388,401</u>
Change in Net Position	(2,369,076)	1,391,415
Net Position, Beginning of Year	<u>10,997,240</u>	<u>9,605,825</u>
Restatement	-	-
Net Position, End of Year	\$ <u>8,628,164</u>	\$ <u>10,997,240</u>

State of New Mexico Tularosa Municipal School District No. 47

As noted above, the District is heavily dependent on federal and state aid, which comprises 66% of its total revenues. Correspondingly, the District spends 71% of total revenues on direct instruction and instructional support the two primary functions that indicate direct school spending.

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for all major general funds and any major special revenue funds individually in Exhibit C-1 through C-3. These schedules are prepared on a cash basis which is the format allowed by the District's oversight agency, the New Mexico Public Education Department.

The original expenditure budget for the District's general fund was \$10,133,408. The State issued a 5% decrease in the final unit value for the state equalization guarantee funding which resulted in a decrease to the District of \$116,376. Additionally, the state legislature passed and signed CS/SB 114 (Laws 2017 Chapter 3) during the 2017 Regular Session which took a credit on the District's final audited cash balance from the prior fiscal year. This credit reduced the state equalization guarantee funding to the District by an additional \$155,935. The final general fund expenditure budget was \$9,861,097 of which \$8,587,371 was expended in the current year. Budgets were not exceeded in any of the functions in the general fund.

Of the \$7,810,266 total District revenue budget, the District received 3% less in actual revenue for a decrease of \$162,535 in actual revenue received under the budgeted revenue.

The original expenditure budget in the District's debt service fund did not increase for this year. Surplus cash balances were used to pay bond principal payments on old bond series. Even with this use of cash, the District maintains a strong financial position in the debt service fund.

Capital Assets and Debt Administration

Capital Assets

The District's current year investment in capital assets as of June 30, 2017 is \$17,014,831. The District's assets include land and land improvements, building and building improvements, equipment, furniture, and vehicles. The District did conclude construction projects on the High School Track Renovation project and the Elementary School Parking Lot project during the fiscal year. The funds utilized for the funding of these projects was the District's Bond Building Funds.

Depreciation calculated as a result of GASB 34 implementation resulted in an accumulated depreciation balance of \$25,798,687, of which \$941,438 is for depreciation in the current year. Additional information of the District's capital assets is presented in Note 7 on page 54 of the financial statements.

Long-term obligations

At the end of the current year, the district had \$4,260,000 in long-term debt related to governmental activities. Of this debt, 100% was related to general obligation bonds still outstanding at the end of the year. The debt position of the District is summarized below and is more fully analyzed in Note 8 on page 55 of the financial statements.

TULAROSA MUNICIPAL SCHOOL DISTRICT'S LONG-TERM OBLIGATION

Governmental Activities:

General Obligation Debt

	Balance as of 7-1-16	Additions	Deletions	Balance as of 6-30-17	Due within One Year
<i>TOTAL</i>	\$ 4,085,000	\$ 900,000	\$ 725,000	\$ 4,260,000	\$ 735,000

During the fiscal year, the District increased bond debt by \$900,000 but also had a reduction of total bond debt principle by \$725,000 in accordance with schedule bond payments.

Relevant Current Economic Factors, Decisions and Conditions

The District is experiencing a decrease in student population; however, continues to see increases in the District’s acceptance of special needs children from a nearby community. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with last year's funding. The District's primary general source of revenue is derived from the formula. The District does anticipate that the student population will continue to decrease from its approximate 900 students in the next few years due to a decrease in student enrollment in the lower grades.

With respect to property taxes, the District's tax rate has remained stable over the last few years due to the bond program implemented by the District. In general, as old debt is retired, new debt is issued, thereby maintaining a non-residential rate of approximately \$2.00 per \$1,000 assessed valuation. On February 2nd, 2016, the voters approved a \$2.5 million bond election which allows a \$2.00 mill levy for capital improvements. During the 2016 -2017 fiscal year, the first \$900,000 of the bonds approved by the voters was sold. The funds are typically used to improve school grounds, buildings and school furnishings, purchase new activity bus, purchase new vehicles for the fleet, upgrade equipment and software in computer labs, replace/upgrade copy machines, and continue to address technology and building adequacy. In order to accomplish this, the District requires funding from taxpayers as well as continued support through direct legislative appropriations.

Request for Information

This financial report is designed to provide various interested parties with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or require additional information, contact the District's Finance Department as follows:

Kathleen Richardson Business Manager, 505-585-8819
 Physical and Mailing Address:
 504 First Street
 Tularosa, NM 88352
 e-mail: krichardson@tularosa.k12.nm.us

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A-1
(Page 1 of 2)

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,959,127
Taxes Receivables	159,930
Due from other Governments	163,932
Inventory	6,808
Total current assets	<u>5,289,797</u>
Noncurrent assets:	
Capital assets:	
Other capital assets	46,173,518
Less accumulated depreciation	<u>(25,798,687)</u>
Total Capital assets	<u>20,374,831</u>
Total noncurrent assets	<u>20,374,831</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows related to Net Pension Liability	<u>1,679,063</u>
Total deferred outflows of resources	<u>1,679,063</u>
Total assets	<u><u>\$ 27,343,691</u></u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A-1
(Page 2 of 2)

	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 134,817
Accrued salaries and benefits	358,976
Accrued compensated absences	-
Accrued interest	25,188
Unearned revenue	76,471
Current portion of long-term debt	<u>735,000</u>
Total current liabilities	1,330,452
Noncurrent liabilities:	
Bonds, loans and other payables:	
Accrued compensated absences	23,340
Bonds Payable	2,625,000
Net Pension Liability	<u>14,332,417</u>
Total noncurrent liabilities	16,980,757
Total liabilities	18,311,209
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue-Property Taxes	106,701
Deferred Inflows related to Net Pension Liability	<u>297,617</u>
Total deferred inflows of resources	404,318
NET POSITION	
Net Investment in Capital Assets	17,014,831
Unrestricted	(12,290,462)
Restricted for General Funds	42,078
Restricted for Special Revenue Funds	417,568
Restricted for Capital Projects Funds	2,241,999
Restricted for Debt Service Funds	<u>1,202,150</u>
Total net position	8,628,164
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 27,343,691</u></u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Service</u>
Governmental activities:		
Instruction:		
Direct instruction	\$ 8,531,429	\$ 59,573
Support services:		
Students	983,085	-
Instruction	380,661	-
General Administration	309,643	-
School Administration	724,387	-
Central Services	239,132	36,731
Operation & Maintenance of Plant	1,181,986	-
Student Transportation	529,078	-
Other Support Services	-	78,975
Food Services	511,054	32,280
Capital Outlay	377,167	-
Interest on long-term debt	109,653	-
Total governmental activities	<u>\$ 13,877,275</u>	<u>\$ 207,559</u>

Program Revenues		Net
Operating Grants and Contributions	Capital Grants and Contributions	(Expenses) Revenues and Changes in Net Position
\$ 1,525,394	\$ -	\$ (6,946,462)
-	166,408	(816,677)
-	-	(380,661)
-	-	(309,643)
-	-	(724,387)
-	-	(202,401)
-	-	(1,181,986)
474,983	-	(54,095)
-	-	78,975
507,089	-	28,315
-	-	(377,167)
-	-	(109,653)
<u>\$ 2,507,466</u>	<u>\$ 166,408</u>	<u>(10,995,842)</u>

General Revenues:

Property taxes:	
Levied for general purposes	36,584
Levied for debt service	831,357
Levied for capital projects	207,487
State aid not restricted	7,545,468
Miscellaneous	1,045
Unrestricted investment earnings	4,825
	<u>8,626,766</u>
Total general revenues	<u>8,626,766</u>
Change in net position	(2,369,076)
Net position - beginning	<u>10,997,240</u>
Net position - ending	<u>\$ 8,628,164</u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund		
	Operational	Transportation	Instructional Materials
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 1,345,704	\$ 764	\$ 34
Investments	123,192	-	-
Accounts receivable			
Taxes	5,313	-	-
Due from other governments	-	-	-
Other accounts receivable	-	-	-
Interfund receivable	284,458	140	13,120
Inventory	-	-	-
<i>Total assets</i>	<u>\$ 1,758,667</u>	<u>\$ 904</u>	<u>\$ 13,154</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	\$ 64,882	\$ 831	\$ -
Accrued salaries and benefits	358,837	-	-
Interfund payable	140	-	-
Unearned revenue	-	-	-
<i>Total liabilities</i>	<u>423,859</u>	<u>831</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	4,260	-	-
<i>Total deferred inflow of resources</i>	<u>4,260</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>			
Fund Balance			
Non-spendable	-	-	-
Restricted for:			
General Fund	-	73	13,154
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	1,330,548	-	-
<i>Total fund balances</i>	<u>1,330,548</u>	<u>73</u>	<u>13,154</u>
<i>Total liabilities deferred inflows of resources and fund balances</i>	<u>\$ 1,758,667</u>	<u>\$ 904</u>	<u>\$ 13,154</u>

	Bond Building	Debt Service	Other Governmental Funds	Total Governmental Funds
\$	1,964,096	\$ 431,745	\$ 734,625	\$ 4,476,968
	343,953	15,014	-	482,159
	-	126,666	27,951	159,930
	-	-	163,932	163,932
	-	-	-	-
	-	-	-	297,718
	-	-	6,808	6,808
	<u>2,308,049</u>	<u>573,425</u>	<u>933,316</u>	<u>5,587,515</u>
\$	33,064	\$ -	\$ 36,179	\$ 134,956
	-	-	-	358,837
	13,120	-	284,458	297,718
	-	-	76,471	76,471
	<u>46,184</u>	<u>-</u>	<u>397,108</u>	<u>867,982</u>
	-	102,441	-	106,701
	-	102,441	-	106,701
	-	-	6,808	6,808
	-	-	-	13,227
	-	-	421,109	421,109
	2,261,865	-	236,684	2,498,549
	-	470,984	-	470,984
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	(128,393)	1,202,155
	<u>2,261,865</u>	<u>470,984</u>	<u>536,208</u>	<u>4,612,832</u>
\$	<u>2,308,049</u>	<u>573,425</u>	<u>933,316</u>	<u>5,587,515</u>

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
GOVERNMENTAL FUNDS

Exhibit B-1
(Page 2 of 2)

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	\$	4,612,832
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position		20,374,831
Other liabilities are not due and payable in the current period and therefore are not reported in the funds -		
accrued compensated absences		(23,340)
accrued interest payable		(25,188)
Long-term liabilities, including bonds payable and compensated absences and net pension liability are not due and payable in the current period and therefore are not reported in the funds		<u>(16,310,971)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>8,628,164</u></u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund		
	Operational	Transportation	Instructional Materials
<i>Revenues:</i>			
Taxes			
Taxes levied/assessed	\$ 36,584	\$ -	\$ -
Local sources			
Tuition	-	-	-
Investment income	1,805	21	-
Food services	-	-	-
District activities	60,425	-	-
Other revenue	1,045	-	-
State sources			
Unrestricted Grants	7,199,529	-	-
Restricted Grants	-	474,983	52,994
Federal sources			
Unrestricted Grants	343,409	-	-
Unrestricted -state passthrough	2,530	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	-	-	-
Department of Interior	-	-	-
Other items	2,310	-	-
<i>Total revenues</i>	<u>7,647,637</u>	<u>475,004</u>	<u>52,994</u>
<i>Expenditures:</i>			
Current:			
Instruction	4,940,591	-	41,681
Support Services			
Students	850,478	-	-
Instruction	348,037	-	-
General Administration	296,790	-	-
School Administration	721,611	-	-
Central Services	225,482	-	-
Operation & maintenance of plant	1,181,986	-	-
Student transportation	52,500	476,578	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>8,617,475</u>	<u>476,578</u>	<u>41,681</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(969,838)</u>	<u>(1,574)</u>	<u>11,313</u>
<i>Other financing sources (uses)</i>			
Transfers (In) Out	-	-	-
Bond Premium	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	(969,838)	(1,574)	11,313
<i>Fund balance - beginning of year</i>	2,300,386	1,647	1,841
<i>Restatement</i>			
<i>Fund balance Restated</i>			
<i>Fund balances - end of year</i>	<u>\$ 1,330,548</u>	<u>\$ 73</u>	<u>\$ 13,154</u>

Bond Building	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 831,357	\$ 207,487	\$ 1,075,428
-	-	-	-
2,639	220	140	4,825
-	-	32,280	32,280
-	-	114,854	175,279
33,478	-	-	34,523
-	-	-	-
-	-	-	7,199,529
-	-	161,367	689,344
-	-	-	-
-	-	-	343,409
-	-	-	2,530
-	-	211,988	211,988
-	-	1,704,720	1,704,720
-	-	-	-
-	-	32,034	34,344
<u>36,117</u>	<u>831,577</u>	<u>2,464,870</u>	<u>11,508,199</u>
-	-	1,365,321	6,347,593
-	-	132,607	983,085
-	-	32,624	380,661
-	8,334	4,519	309,643
-	-	2,776	724,387
-	-	13,650	239,132
-	-	-	1,181,986
-	-	-	529,078
-	-	-	-
-	-	-	-
-	-	511,054	511,054
727,201	-	452,791	1,179,992
-	725,000	-	725,000
-	115,819	-	115,819
<u>727,201</u>	<u>849,153</u>	<u>2,515,342</u>	<u>13,227,430</u>
<u>(691,084)</u>	<u>(17,576)</u>	<u>(50,472)</u>	<u>(1,719,231)</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>(691,084)</u>	<u>(17,576)</u>	<u>(50,472)</u>	<u>(1,719,231)</u>
<u>2,952,949</u>	<u>488,560</u>	<u>536,208</u>	<u>6,281,591</u>
<u>\$ 2,261,865</u>	<u>\$ 470,984</u>	<u>\$ 485,736</u>	<u>\$ 4,562,360</u>

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STATE OF NEW MEXICO
TULAROSA 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

Exhibit B-2
(Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	(1,719,231)
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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:		
Current year capital expenditures		802,825
Depreciation expense		(941,438)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Change in deferred inflows/outflows		211,478
Decrease in accrued interest		6,166
Increase in compensated absences		(3,876)
Issuance of new debt		-
Principal payments on bonds		(725,000)
		(725,000)

Changes in Net Position of Governmental Activities	\$	<u>(2,369,076)</u>
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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
OPERATIONAL FUND

Exhibit C-1

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	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ 37,810	\$ 37,810	\$ 99,873	\$ 62,063
State sources	7,459,181	7,186,870	7,199,529	12,659
Federal sources	313,275	313,275	345,939	32,664
Interest	-	-	2,390	2,390
<i>Total revenues</i>	<u>7,810,266</u>	<u>7,537,955</u>	<u>7,647,731</u>	<u>109,776</u>
<i>Expenditures:</i>				
Current:				
Instruction	5,744,309	5,588,374	4,938,974	649,400
Support Services				
Students	1,373,510	1,373,510	853,617	519,893
Instruction	409,988	409,988	348,490	61,498
General Administration	342,940	342,940	295,748	47,192
School Administration	721,027	721,027	721,195	(168)
Central Services	230,052	230,052	225,078	4,974
Operation & maintenance of plant	1,349,691	1,233,315	1,171,532	61,783
Student transportation	-	-	52,500	(52,500)
Other Support Services	400,021	400,021	-	400,021
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,571,538</u>	<u>10,299,227</u>	<u>8,607,134</u>	<u>1,692,093</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(2,761,272)</u>	<u>(2,761,272)</u>	<u>(959,403)</u>	<u>1,801,869</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	2,761,272	2,761,272	-	(2,761,272)
<i>Total other financing sources (uses)</i>	<u>2,761,272</u>	<u>2,761,272</u>	<u>-</u>	<u>(2,761,272)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(959,403)</u>	<u>(959,403)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,353,780</u>	<u>2,353,780</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,394,377</u>	<u>\$ 1,394,377</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ (959,403)	
<i>Adjustment to revenue for accruals and other deferrals</i>			296	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			(10,731)	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ (969,838)</u>	

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
TRANSPORTATION FUND
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	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	514,240	474,983	474,983	-
Federal sources	-	-	-	-
Interest	-	-	21	21
<i>Total revenues</i>	<u>514,240</u>	<u>474,983</u>	<u>475,004</u>	<u>21</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	514,240	475,866	475,866	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>514,240</u>	<u>475,866</u>	<u>475,866</u>	<u>-</u>
<i>Excess (deficiency) of revenues</i> <i>over (under) expenditures</i>	<u>-</u>	<u>(883)</u>	<u>(862)</u>	<u>21</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	-	883	-	(883)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>883</u>	<u>-</u>	<u>(883)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(862)</u>	<u>(862)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,766</u>	<u>1,766</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 904</u>	<u>\$ 904</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ (862)	
<i>Adjustment to revenue for accruals and other deferrals</i>			-	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			(712)	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ (1,574)</u>	

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
INSTRUCTIONAL MATERIALS FUND
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	Variance
	Original Budget	Final Budget		
<i>Revenues:</i>				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	50,056	39,874	52,994	13,120
Federal sources	-	-	-	-
Interest	-	-	-	-
<i>Total revenues</i>	<u>50,056</u>	<u>39,874</u>	<u>52,994</u>	<u>13,120</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	51,898	77,994	77,960	34
Support Services				
Students	-	-	-	-
Instruction	-	-	-	-
General Administration	-	-	-	-
School Administration	-	-	-	-
Central Services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-instructional Services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>51,898</u>	<u>77,994</u>	<u>77,960</u>	<u>34</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(1,842)</u>	<u>(38,120)</u>	<u>(24,966)</u>	<u>13,154</u>
<i>Other financing sources (uses):</i>				
Operating transfers	-	-	-	-
Designated Cash	1,842	38,120	-	(38,120)
<i>Total other financing sources (uses)</i>	<u>1,842</u>	<u>38,120</u>	<u>-</u>	<u>(38,120)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(24,966)</u>	<u>(24,966)</u>
<i>Cash balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>38,120</u>	<u>38,120</u>
<i>Cash balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,154</u>	<u>\$ 13,154</u>
<i>Net change in fund balance (Non-GAAP Budgetary basis)</i>			\$ (24,966)	
<i>Adjustment to revenue for accruals and other deferrals</i>			-	
<i>Adjustment to expenditures for payables, prepaids and other accruals</i>			36,279	
<i>Net change in fund balance (GAAP basis)</i>			<u>\$ 11,313</u>	

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017

Exhibit D

ASSETS

Current Assets

Cash \$ 9,289

Total assets \$ 9,289

LIABILITIES

Current Liabilities

Deposits held in trust for others \$ 9,289

Total liabilities \$ 9,289

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STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of Tularosa 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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

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. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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 does the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Property taxes, franchise taxes, licenses, 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. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Transportation Fund* is used to account for the State Equalization received from the State Department of Education which is used to pay for the costs associated with transporting school age children.

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.

The *Bond Building Fund* is used to account for the accumulation of resources for the funds provided from the District's bond issues. Resources are used for the purpose of erecting, remodeling, making additions to, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided by ad valorem taxes as specified by Article 15 of the Finance of Counties, Municipalities, and School Districts Act, and the payment of, general long-term debt principal, interest and related costs.

Additionally, the government reports the following fund types:

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

As a general rule the effect of interfund 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. There were no such transactions during the fiscal year ended June 30, 2017.

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Position or Equity*

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

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

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

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental 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 Otero County. The funds are collected by the County Treasurers and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017.

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.

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

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 requisition of materials listed in the New Mexico Public Education Department "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. The districts are allowed to carry forward unused allocations from year to year.

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Inventory: Inventory is valued at cost utilizing the purchase basis of accounting. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Building improvements	20
Furniture, fixtures and equipment	5-20
Vehicles	10-20

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be “available” under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Deferred inflows/outflows of resources: GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

Compensated Absences: The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 issuance costs are reflected as a current period expense per GASB 65.

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

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. These designations are established to earmark resources for specific future use and to indicate that the fund equity does not represent available spendable resources.

Net investment in capital assets consists of net position 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 these assets.

Restricted fund balance represents amounts that are constrained either by: 1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high-level body or official whom the governing body has delegated.

Unassigned fund balance is the residual classification for the general fund and represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes.

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

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

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.

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. *Revenues*

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$7,199,529 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,075,428 in tax revenues in the governmental fund financial statements 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.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$474,983 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The District had allocations allowed by the State for the current year of \$52,994. Of the allocation, the District used \$52,994 to purchase textbooks during the year. Allocations received and utilized are reflected in revenue and expenditures of the General Fund.

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. 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 fund balance.

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

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

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

1. In April or May, the superintendent submits to the Board of Education a proposed operating budget of the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them, and has approval by the Department of Education.
2. In May or June, the budget is approved by the Board of Education.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Department of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
6. Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for Budget purposes.

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

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Cash and Temporary Investments

State statutes authorize the investment of the District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 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 I 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. Tularosa Municipal Schools' funds were in an interest bearing account and therefore were not subject to the Dodd Frank Act.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the 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
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Cash and Temporary Investments (continued)

Type	First National Bank	Western Bank
General	\$ 4,793,241	\$ 82,493
CDs	-	-
Total Deposits	4,793,241	82,493
Less: FDIC Coverage	(250,000)	(82,493)
Total Uninsured Amount	4,543,241	-
 50% Collateral requirement	 2,271,621	 -
Pledged Securities	6,498,469	-
(Over) Under collateralized	\$ (4,226,848)	\$ -

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$4,543,241 of the District's bank balance of \$4,875,734 was exposed to custodial credit risk as follows:

Custodial Credit Risk – Deposits	
Account Balance	\$ 4,875,734
FDIC Insured	332,493
Collateral:	
Collateral held by the pledging bank, not in the District's name	6,498,469
Uninsured and uncollateralized	(1,955,228)
Total Deposits	\$ 4,875,734

Reconciliation of Cash and Temporary Investments:

Governmental Funds - Balance Sheet	
Cash and cash equivalents per Exhibit A-1	\$ 4,959,127
Cash per Exhibit D-1	9,289
Less Investments in LGIP	(482,159)
Add outstanding checks and other reconciling items	389,528
	\$ 4,875,734

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Cash and Temporary Investments (continued)

Custodial Credit Risk- Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for the securities underlying an overnight repurchase agreement, or a joint safekeeping receipt to be issued to the District for at least on hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution.

As of June 30, 2017, the Districts' investment balances were exposed to custodial credit risk as follows:

Investment in the State Treasurer Local Government

Investment Pool	<u>\$ 482,159</u>
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The New MexiGrow Local Governmental Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The new Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, In accordance with Sections 6-10-10 I though 6-10-10-P and Section 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 19078, as 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 fund amounts were invested. Participation in the LGIP is voluntary.

Interest Rate Risk and Credit Rating- Investment in State Treasurer's LGIP

The District does not have a formal policy limiting investment maturities to manage its exposure to fair value losses from increasing interest rates. The District's investments at June 30, 2017 include the following:

State Treasurer LGIP	AAAm	58 days WAM(R)	<u>\$ 482,159</u>
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STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2017, are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property taxes	\$ 1,053	\$ 24,225	\$ 5,349	\$ 30,627
Due from other governments:				
Title I	-	-	105,377	105,377
IDEA B Entitlement	-	-	37,540	37,540
IDEA B Competitive	-	-	3,269	3,269
IDEA B Preschool	-	-	1,984	1,984
IDEA B Real Results	-	-	25	25
Teacher/Principal Training	-	-	9,134	9,134
Title XIX Medicaid	-	-	6,603	6,603
	<u>\$ 1,053</u>	<u>\$ 24,225</u>	<u>\$ 169,281</u>	<u>\$ 194,559</u>

The above receivables are deemed 100% collectible.

Unearned Revenues

Unearned Revenue represents advances on grant funds which have not been earned at June 30, 2017.

	<u>Other Governmental</u>	<u>Total</u>
Impact Aid Special Ed	\$ 16,908	\$ 16,908
Impact Aid	<u>\$ 59,563</u>	<u>\$ 59,563</u>
Total	<u>\$ 76,529</u>	<u>\$ 76,529</u>

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 5. Accounts Payables

Accounts payable as of June 30, 2017, are as follows:

Payable to suppliers	\$ 140,222
Accrued interest	25,188
Accrued salaries and benefits	<u>358,837</u>
 Total accounts payable and accrued expenses	 <u><u>\$ 524,247</u></u>

NOTE 6. Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances during the year ended June 30, 2017 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 284,458	\$ 140
Transportation	140	
Instructional Materials	13,120	
Nonmajor Funds:		
Athletics	-	2,920
Title I Entitlement	-	107,519
IDEA B Entitlement	-	37,340
IDEA B Autism	-	3,269
IDEA B Preschool	-	1,984
IDEA B Results Plan	-	25
Teacher Principal Training	-	9,890
Indian Education	-	3,574
Capital Improvements SB-9	-	117,937
Bond Building	-	13,120
	<u>\$ 297,718</u>	<u>\$ 297,718</u>

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 8. Long-term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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. The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Bonds outstanding at June 30, 2017, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate	Balance
Series 2005b	9/1/2005	\$ 255,000	4%	-
Series 2008	5/15/2008	\$ 500,000	2.75-4.1%	40,000
Series 9/2009	9/15/2009	\$ 770,000	3.65-5.65%	420,000
Series 5/1/10	5/10/2010	\$ 525,000	2.85-3.55%	225,000
Series 2011	1/15/2011	\$ 600,000	2.5 to 2.875%	550,000
Series 2011A	10/15/2011	\$ 305,000	2.0 to 3.0%	195,000
Series 2012	10/1/2012	\$ 850,000	2.0 to 3.0%	775,000
Series 2013	10/15/13	\$ 720,000	2.625-3.5%	525,000
Series 2014	10/15/14	\$ 630,000	2.6-2.8%	630,000
Total				<u>\$ 3,360,000</u>

The following is a summary of the long-term debt and the activity for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
General obligation bonds					
Series 2005b	30,000	-	30,000	-	-
Series 2008	165,000	-	125,000	40,000	41,640
Series 9/2009	620,000	-	200,000	420,000	232,290
Series 5/2010	450,000	-	225,000	225,000	232,988
Series 2011	575,000	-	25,000	550,000	115,688
Series 2011A	225,000	-	30,000	195,000	39,588
Series 2012	800,000	-	25,000	775,000	39,525
Series 2013	590,000	-	65,000	525,000	85,031
Series 2014	630,000	-	-	630,000	37,270
Compensated Absences	19,464	23,340	19,464	23,340	23,340
	<u>\$ 4,104,464</u>	<u>\$ 23,340</u>	<u>\$ 714,464</u>	<u>\$ 3,383,340</u>	<u>\$ 847,360</u>

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 8. Long-term Debt (continued)

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 735,000	\$ 89,020	\$ 824,020
2019	825,000	70,665	895,665
2020	305,000	65,475	370,475
2021	735,000	63,935	798,935
2022 and thereafter	760,000	178,426	938,426
	<u>\$ 3,360,000</u>	<u>\$ 467,521</u>	<u>\$ 3,827,521</u>

The general fund is typically used to liquidate long-term liabilities other than debt. The debt service fund liquidates general obligation bonds.

NOTE 9. Risk Management

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

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

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 10. 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.	
Capital Improvements SB-9 State	\$117,937
Indian Ed Formula Grant	\$3,620
Teacher Principal Training	\$756
IDEA-B Autism	\$139
IDEA-B Entitlement	\$154
Title I	\$2,757
Athletics	\$3,030

Deficit Fund Balances will be funded by general fund transfers.

B. Excess of expenditures over appropriations by fund and function. None

NOTE 11. ERA 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 items of the ERA can be found in Section 22-11-1 through 22-11-52, NMSA 1978, as amended.

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

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

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

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

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 11. ERA Pension Plan (continued)

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

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

or

The member has service credit totaling 30 years or more.

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

The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.

The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits.

Tier 3 membership is comprised of employees who became members on or after July 1, 2013.

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

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

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

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

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 11. ERA Pension Plan (continued)

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$1,460,731 and \$1,382,299, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the District reported a liability of \$1,296,280 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 .19916%, which was an increase of 0.00633% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,286,985. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 62,179	\$ 136,319
Changes of assumptions	291,751	-
Net difference between projected and actual earnings on pension plan investments	855,526	-
Changes in proportion and differences between District contributions and proportionate share of contributions	425,470	161,298
District contributions subsequent to the measurement date	834,779	-
Total	<u>\$ 2,469,705</u>	<u>\$ 297,617</u>

\$834,779 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 220,866
2019	419,938
2020	487,874
2021	208,628
2022	-

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 11. ERA Pension Plan (continued)

Actuarial assumptions. 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 Salary Increases	3.00% Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives Mortality	3.77 years. Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increase	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 11. ERA Pension Plan (continued)

expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Equities	35%	-
Fixed Income	28%	-
Alternatives	36%	-
Cash	1%	-
	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 the 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	\$ 1,283,317	\$ 1,296,280	\$ 1,309,243

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

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

NOTE 12. Post-Employment Benefits

Plan description: Tularosa Municipal Schools contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 12. Post-Employment Benefits (continued)

required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (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 RCHA 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 RCHA or viewed on their website at www.nmrhca.stat.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each 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 District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$120,109, \$113,762, and \$109,626, respectively, which equal the required contributions for each year.

NOTE 13. 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 School expects such amount, if any, to be immaterial.

NOTE 14. Surety Bond

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

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 15. Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$32,034.

NOTE 16. Joint Powers Agreement

American Red Cross

Purpose: To allow the use of facilities for disaster victims.

Participants: American Red Cross and Tularosa Municipal Schools

Responsible Party for Operation and Audit: Not Applicable

Beginning and Ending Date of Agreement: January 24, 2006 to indefinite

Total Estimated Amount of Project and Actual Amount Contributed: No cost

REC

Purpose: To allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the USDE under the Education of the Handicapped Act, Part B, PL 94-142 among others.

Participants: Regional Education Cooperative and Tularosa Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 1995 until the end of any fiscal year during which the school gives notice of intent to terminate.

Total Estimated Amount of Project and Actual Amount Contributed: The REC administered services to the District totaling \$503,750 but expenditures are accounted for by the District.

Residential Placement and/or Outreach Services for Students Who Are Visually Impaired

Purpose: To allow a joint and coordinated effort to provide special education and related services to students who are blind or visually impaired within the District.

Participants: Tularosa Municipal School District, and NM School for the Blind and Visually Impaired

Responsible Party for Operation and Audit: Each agency will maintain their own records

Beginning and Ending Date of Agreement: Expire on June 30, 2015 which may be extended for one year terms by mutual written agreement by the parties.

Total Estimated Amount of Project and Actual Amount Contributed: Undetermined

STATE OF NEW MEXICO
Tularosa Municipal Schools
Notes to the Financial Statements
June 30, 2017

NOTE 17. Construction Commitments

At June 30, 2017, the District entered into contracts through CES with National Construction for central office paint and carpeting. Of the \$33,064 contract amount, the district had paid \$0 and had a balance of \$33,064 remaining at June 30, 2017.

NOTE 18. Related Party Transactions

Due to the community size, Tularosa Municipal Schools has several employees of the District who are related. In the event that there is a direct supervisory relationship, the Superintendent assumes the role of supervisor and evaluator.

NOTE 19. Subsequent Events Review

Tularosa Municipal Schools has evaluated subsequent events through September 21, 2017, which is the date the financial statements were available to be issued. Nothing additional is required to be reported.

SSUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOL
NONMAJOR GOVENMENTAL FUNDS
SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for Federal, State and Local funded grants. These grants are awarded to the District with the purpose of accomplishing specific educational tasks. All funds are on a reimbursement basis, therefore there are no reverting fund requirements. Grants accounted for in the Special Revenue Funds include:

Food Services – This fund is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Services Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of the National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. The Non-Federal funds consist of income derived from Snack-Bar facilities located in the District. Authority for the creation of this fund is NMSA 22-13-13. No minimum balance required according to legislation.

Athletics - This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

Non-Instructional Support - This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC. No minimum balance required according to legislation.

Title I – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. 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 criteria that identify a campus; education 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. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

IDEA B Entitlement – The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17. No minimum balance required according to legislation.

IDEA-B Autism - The objective of this grant is to support the district’s implementation of NMAP and improve the outcomes for students with Autism Spectrum Disorders through professional development, curriculum materials, trainings and travel expenses and supplies related to NMAP. Federal revenues accounted for in this fund are authorized by NMPED. No minimum balance required according to legislation.

IDEA-B Preschool - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

IDEA-B Risk Pool - The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

IDEA-B Real Results – This award supports school improvement through the implementation of the evidence-based practices identified in Results Driven Accountability professional development, and may be used for Professional development, technology and equipment, materials and supplies, and direct services. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17. No minimum balance required according to legislation.

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOL
NONMAJOR GOVENMENTAL FUNDS
SPECIAL REVENUE FUNDS

Teacher/Principal Training – The purpose of this fund is 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. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act (ESEA) of 1965 as amended, Public Law 103-382. No minimum balance required according to legislation.

Rural and Low Income Schools – The purpose of this fund is to account for monies to rural schools to enhance the education program in technology, career readiness, and summer school and after school tutoring programs. The authority for this program is under CFDA 84.3580, Title II. No minimum balance required according to legislation.

Title I School Improvement – This fund’s major objectives are to provide RFA completion and submission training sessions for the school principal, budget manager and district support personnel. RGA dollars will be dedicated to improving outcomes for students in Reading and math. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

Title I – This fund’s major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. 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 criteria that identify a campus; education 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. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383. No minimum balance required according to legislation.

Impact Aid Special Education – The purpose of these grants are to provide financial assistance to local educational agencies (LEA’s) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3 (2a) and 3 (b)). The authorization for this fund is PL 81-874. No minimum balance required according to legislation.

Impact Aid Education Fund - is used to provide financial assistance to local educational agencies (LEA’s) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3 (2a) and 3 (b)). The authorization for this fund is PL 81-874. No minimum balance required according to legislation.

Title XIX Medicaid – The objective of this program is to provide federal funds for the implementation of the Medical Assistance Program Medicaid providing payments for medical assistance to low-income persons who are age 65 or over, blind, disabled, or members of families with dependent children or qualified pregnant women or children. Authority for creation of the Title XIX Medical Assistance Program is the Medicaid Title XIX of the Social Security Act, as amended, (42 USC 1396, et seq.) No minimum balance required according to legislation.

Indian Ed Formula Grant – The purpose of these grants are to provide financial assistance to local educational agencies (LEA’s) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), where there is a significant number of children who reside on Federal lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3 (2a) and 3 (b)). The authorization for this fund is PL 81-874. No minimum balance required according to legislation.

Dual Credit (PED) – The purpose of this fund is to provide college credit for courses provided by high schools that meet the requirements. Authority is based on Memorandum of Understanding between the District, the schools within the agreements, and LEA. No minimum balance required according to legislation.

GO Bonds Library Audio & Visual- The objective of this act is to acquire library books, equipment and library resources for public school libraries and juvenile detention libraries. Funds are acquired from General Obligation Bonds through the Public Education Department. Authority for creation of this fund is the Legislation in Chapter 117, Laws of 2004, Section 10C(3). No minimum balance required according to legislation.

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOL
NONMAJOR GOVENMENTAL FUNDS
SPECIAL REVENUE FUNDS (continued)

Reads to Lead- The purpose of this state grant is to provide for the implementation of the K-3 reading initiative activities as specified by the legislation. The fund was created by grant provisions. No minimum balance required according to legislation.

Breakfast after the Bell – The objective of this program is to provide breakfast to disadvantaged children. Funding is provided by the New Mexico Public Education Department Coordinated School Health and Wellness Bureau. Authority for creation of this fund is NMAC 6.12.9. No minimum balance required according to legislation.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District has two separate funds classified as non-major Capital Projects Funds as follows:

Capital Improvements SB-9 Local and State – This fund is used to account for expenditures of property taxes levied and stat matching funds restricted to maintenance and capital improvement projects as adopted by school board resolution. Authority for the creation of this fund is NMSA 22-25-1 to 22-25-10. No minimum balance required according to legislation.

Public Schools Capital Outlay 20% – The purpose of this fund is to account for resources received from the local ad valorem tax levy for use in remodeling and equipping classroom facilities. No minimum balance required according to legislation.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for financial resources to be used for the acquisition or repayment of debt.

The District has one debt service account classified as anon-major Debt Service Fund.

Debt Service Fund- The purpose of this fund is to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

ASSETS	Food Service	Athletics	Non-Instructional Support
<i>Current Assets</i>			
Cash and cash equivalents	\$ 314,804	\$ -	\$ 42,556
Investments	-	-	-
Accounts receivable			
Taxes	-	-	-
Due from other governments	-	-	-
Other accounts receivable	-	-	-
Interfund receivable	-	-	-
Inventory	6,808	-	-
<i>Total assets</i>	\$ 321,612	\$ -	\$ 42,556
 LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable	\$ -	\$ 110	\$ 590
Accrued salaries and benefits	-	-	-
Interfund payable	-	2,920	-
Unearned Revenue	-	-	-
<i>Total liabilities</i>	-	3,030	590
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-
 <i>Fund Balances</i>			
Fund Balance			
Non-spendable	6,808	-	-
Restricted for:			
General Fund	-	-	-
Special Revenue Funds	314,804	-	41,966
Capital Projects Funds	-	-	-
Debt Service Funds	-	-	-
Committed for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Assigned for:			
General Fund	-	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Unassigned for:			
General Fund	-	(3,030)	-
<i>Total fund balances</i>	321,612	(3,030)	41,966
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ 321,612	\$ -	\$ 42,556

Title I	IDEA-B Entitlement	IDEA-B Autism	IDEA-B Preschool
\$ -	\$ -	\$ -	-
-	-	-	-
105,377	37,540	3,269	1,984
-	-	-	-
-	-	-	-
<u>105,377</u>	<u>37,540</u>	<u>3,269</u>	<u>1,984</u>
\$ 615	\$ 354	\$ 139	-
-	-	-	-
107,519	37,340	3,269	1,984
-	-	-	-
<u>108,134</u>	<u>37,694</u>	<u>3,408</u>	<u>1,984</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(2,757)	(154)	(139)	-
<u>(2,757)</u>	<u>(154)</u>	<u>(139)</u>	<u>-</u>
\$ <u>105,377</u>	\$ <u>37,540</u>	\$ <u>3,269</u>	<u>1,984</u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

	IDEA-B Results Plan	Teacher/ Principal Training	Rural & Low Income Schools	
ASSETS				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	-
Investments	-	-	-	-
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	25	9,134	-	-
Other accounts receivable	-	-	-	-
Interfund receivable	-	-	-	-
Inventory	-	-	-	-
	-	-	-	-
<i>Total assets</i>	\$ 25	\$ 9,134	\$ -	-
LIABILITIES				
<i>Current Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	-
Accrued salaries and benefits	-	-	-	-
Interfund payable	25	9,890	-	-
Unearned Revenue	-	-	-	-
	-	-	-	-
<i>Total liabilities</i>	25	9,890	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	-	-	-	-
	-	-	-	-
<i>Total deferred inflow of resources</i>	-	-	-	-
<i>Fund Balances</i>				
Fund Balance				
Non-spendable	-	-	-	-
Restricted for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Debt Service Funds	-	-	-	-
Committed for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Assigned for:				
General Fund	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Projects Funds	-	-	-	-
Unassigned for:				
General Fund	-	(756)	-	-
	-	(756)	-	-
<i>Total fund balances</i>	-	(756)	-	-
<i>Total liabilities deferred inflows of resources and fund balances</i>	\$ 25	\$ 9,134	\$ -	-

Title I School Improvement	Impact Aid Special Education	Impact Aid Education	Title XIX Medicaid	Indian Ed Formula Grant	Dual Credit PED
\$ -	\$ 16,926	\$ 59,609	\$ 57,736	\$ -	-
-	-	-	-	-	-
-	-	-	6,603	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 16,926</u>	<u>\$ 59,609</u>	<u>\$ 64,339</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 18	\$ 46	\$ -	\$ 46	-
-	-	-	-	-	-
-	-	-	-	3,574	-
-	16,908	59,563	-	-	-
-	16,926	59,609	-	3,620	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(3,620)	-
-	-	-	64,339	(3,620)	-
<u>\$ -</u>	<u>\$ 16,926</u>	<u>\$ 59,609</u>	<u>\$ 64,339</u>	<u>\$ -</u>	<u>-</u>

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Statement A-1
(Page 3 of 3)

	NM Reads to Lead	Breakfast After the Bell	Capital Improvements SB-9	Capital Improvements SB-9 (Local)	Total Nonmajor Governmental Funds
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ -	\$ -	\$ -	242,994	\$ 734,625
Investments	-	-	-	-	-
Accounts receivable					
Taxes	-	-	-	27,951	27,951
Due from other governments	-	-	-	-	163,932
Other accounts receivable	-	-	-	-	-
Interfund receivable	-	-	-	-	-
Inventory	-	-	-	-	6,808
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>270,945</u>	<u>\$ 933,316</u>
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	\$ -	\$ -	\$ -	34,261	\$ 36,179
Accrued salaries and benefits	-	-	-	-	-
Interfund payable	-	-	117,937	-	284,458
Unearned Revenue	-	-	-	-	76,471
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>117,937</u>	<u>34,261</u>	<u>397,108</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
<i>Total deferred inflow of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balances</i>					
Fund Balance					
Non-spendable	-	-	-	-	6,808
Restricted for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	421,109
Capital Projects Funds	-	-	-	236,684	236,684
Debt Service Funds	-	-	-	-	-
Committed for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Assigned for:					
General Fund	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-
Unassigned for:					
General Fund	-	-	(117,937)	-	(128,393)
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>(117,937)</u>	<u>236,684</u>	<u>536,208</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>270,945</u>	<u>\$ 933,316</u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Food Services	Athletics	Non-Instructional Support
<i>Revenues</i>			
Taxes	\$	\$	\$
Taxes levied/assessed	-	-	-
Local sources			
Tuition	-	-	-
Investment income	115	25	-
Food services	32,280	-	-
District activities	-	23,550	91,304
Other revenue	-	-	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	-
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	475,055	-	-
Department of Interior	-	-	-
Other items	32,034	-	-
<i>Total revenues</i>	<u>539,484</u>	<u>23,575</u>	<u>91,304</u>
<i>Expenditures:</i>			
Current:			
Instruction	-	28,901	85,743
Support Services			
Students	-	-	-
Instruction	-	-	-
General Administration	-	-	-
School Administration	-	-	-
Central Services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	481,867	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>481,867</u>	<u>28,901</u>	<u>85,743</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>57,617</u>	<u>(5,326)</u>	<u>5,561</u>
<i>Other financing sources (uses)</i>			
Transfers	-	-	-
Bond Premium	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	57,617	(5,326)	5,561
<i>Fund balances - beginning of year</i>	263,995	2,296	36,405
<i>Fund balances - end of year</i>	<u>\$ 321,612</u>	<u>\$ (3,030)</u>	<u>\$ 41,966</u>

Title I	IDEA-B Entitlement	IDEA-B Autism	IDEA-B Preschool
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
735,515	255,304	3,430	9,801
-	-	-	-
-	-	-	-
<u>735,515</u>	<u>255,304</u>	<u>3,430</u>	<u>9,801</u>
709,920	192,750	3,569	9,801
309	62,708	-	-
25,946	-	-	-
546	-	-	-
1,551	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>738,272</u>	<u>255,458</u>	<u>3,569</u>	<u>9,801</u>
<u>(2,757)</u>	<u>(154)</u>	<u>(139)</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>(2,757)</u>	<u>(154)</u>	<u>(139)</u>	<u>-</u>
-	-	-	-
<u>\$ (2,757)</u>	<u>\$ (154)</u>	<u>\$ (139)</u>	<u>\$ -</u>

STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	IDEA-B Results Plan	Teacher/ Principal Training	Rural & Low Income Schools
<i>Revenues:</i>			
Taxes	\$	\$	\$
Taxes levied/assessed	-	-	-
Local sources			
Tuition	-	-	-
Investment income	-	-	-
Food services	-	-	-
District activities	-	-	-
Other revenue	-	-	-
State sources			
Unrestricted Grants	-	-	-
Restricted Grants	-	-	-
Federal sources			
Unrestricted Grants	-	-	-
Unrestricted -state passthrough	-	-	-
Restricted Grants	-	-	-
Restricted -state passthrough	57,323	90,945	26,885
Department of Interior	-	-	-
Other items	-	-	-
<i>Total revenues</i>	<u>57,323</u>	<u>90,945</u>	<u>26,885</u>
<i>Expenditures:</i>			
Current:			
Instruction	57,179	91,560	25,647
Support Services			
Students	-	44	-
Instruction	-	-	1,238
General Administration	-	-	-
School Administration	144	97	-
Central Services	-	-	-
Operation & maintenance of plant	-	-	-
Student transportation	-	-	-
Other Support Services	-	-	-
Operation of Non-instructional Services			
Food services operations	-	-	-
Capital outlay	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>57,323</u>	<u>91,701</u>	<u>26,885</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(756)</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Transfers	-	-	-
Bond Premium	-	-	-
Bond Proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>(756)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ (756)</u>	<u>\$ -</u>

Title I School Improvement	Impact Aid Special Education	Impact Aid Education	Title XIX Medicaid	Indian Ed Formula Grant	Dual Credit PED
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,560
-	-	-	-	-	-
-	-	-	-	-	-
-	37,292	129,014	26,048	19,634	-
43,859	-	-	6,603	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>43,859</u>	<u>37,292</u>	<u>129,014</u>	<u>32,651</u>	<u>19,634</u>	<u>1,560</u>
43,859	34,798	60,291	-	22,922	1,560
-	2,494	48,087	18,965	-	-
-	-	5,440	-	-	-
-	-	784	1,227	110	-
-	-	762	-	222	-
-	-	13,650	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>43,859</u>	<u>37,292</u>	<u>129,014</u>	<u>20,192</u>	<u>23,254</u>	<u>1,560</u>
-	-	-	12,459	(3,620)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	12,459	(3,620)	-
-	-	-	51,880	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,339</u>	<u>\$ (3,620)</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Statement A-2
(Page 3 of 3)

	NM Reads to Lead	Breakfast After the Bell	Capital Improvements SB-9	Capital Improvements SB-9 (Local)	Total Nonmajor Governmental Funds
<i>Revenues:</i>					
Taxes	\$	\$	\$	\$	\$
Taxes levied/assessed	-	-	(5,657)	213,144	207,487
Local sources					
Tuition	-	-	-	-	-
Investment income	-	-	-	-	140
Food services	-	-	-	-	32,280
District activities	-	-	-	-	114,854
Other revenue	-	-	-	-	-
State sources					
Unrestricted Grants	-	-	-	-	-
Restricted Grants	-	29,187	130,620	-	161,367
Federal sources					
Unrestricted Grants	-	-	-	-	-
Unrestricted -state passthrough	-	-	-	-	-
Restricted Grants	-	-	-	-	211,988
Restricted -state passthrough	-	-	-	-	1,704,720
Department of Interior	-	-	-	-	-
Other items	-	-	-	-	32,034
<i>Total revenues</i>	<u>-</u>	<u>29,187</u>	<u>124,963</u>	<u>213,144</u>	<u>2,464,870</u>
<i>Expenditures:</i>					
Current:					
Instruction	(3,179)	-	-	-	1,365,321
Support Services					
Students	-	-	-	-	132,607
Instruction	-	-	-	-	32,624
General Administration	-	-	-	1,852	4,519
School Administration	-	-	-	-	2,776
Central Services	-	-	-	-	13,650
Operation & maintenance of pla	-	-	-	-	-
Student transportation	-	-	-	-	-
Other Support Services	-	-	-	-	-
Operation of Non-instructional Services					
Food services operations	-	29,187	-	-	511,054
Capital outlay	-	-	78,646	374,145	452,791
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>(3,179)</u>	<u>29,187</u>	<u>78,646</u>	<u>375,997</u>	<u>2,515,342</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,179</u>	<u>-</u>	<u>46,317</u>	<u>(162,853)</u>	<u>(50,472)</u>
<i>Other financing sources (uses)</i>					
Transfers	-	-	(399,537)	399,537	-
Bond Premium	-	-	-	-	-
Bond Proceeds	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(399,537)</u>	<u>399,537</u>	<u>-</u>
<i>Net changes in fund balances</i>	3,179	-	(353,220)	236,684	(50,472)
<i>Fund balances - beginning of year</i>	(3,179)	-	235,283	-	586,680
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (117,937)</u>	<u>\$ 236,684</u>	<u>\$ 536,208</u>

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FIDUCIARY FUNDS

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS

FIDUCIARY FUNDS

Agency Funds

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

Tularosa Municipal Schools has the following funds classified as Agency Funds:

Activity – To account for assets held by the District until distributed to various organizations at the schools.

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS				
Elementary School Funds	\$ -	\$ -	\$ -	\$ -
Middle School Funds	1,669	5,345	4,067	2,947
High School Funds	8,893	32,658	35,209	6,342
Intermediate School Funds	-	404	404	-
Total Assets	\$ <u>10,562</u>	\$ <u>38,407</u>	\$ <u>39,680</u>	\$ <u>9,289</u>
LIABILITIES				
Deposits held for others	10,562	38,407	39,680	9,289
Total Liabilities	\$ <u>132,389</u>	\$ <u>38,407</u>	\$ <u>39,680</u>	\$ <u>9,289</u>

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PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Tularosa Municipal Schools
Required Supplementary Information
June 30, 2017

SCHEDULE OF PROPORONATE SHARE OF THE NET PENSION LIABILITY
Educational Retirement Board (ERB) Plan
Last 10 fiscal years*

	2017	2016	2015
District's proportion of net pension liability (asset)	0.19916%	0.19283%	0.18870%
District's proportionate share of the net pension liability (asset)	\$ 14,332,417	\$ 12,490,113	\$ 10,766,707
District's covered-employee payroll	\$ 6,005,811	\$ 5,264,877	\$ 5,481,320
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	238.64%	237.23%	196.43%
Plan fiduciary net position as a percentage of total pension liability	61.58%	63.97%	66.54%

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

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STATE OF NEW MEXICO
Tularosa Municipal Schools
Required Supplementary Information
June 30, 2017

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

	2017	2016	2015
Contractually required contribution	\$ 834,779	\$ 790,645	\$ 761,904
Contributions in relation to the contractually required contribution	\$ 834,779	\$ 790,645	\$ 761,904
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Covered-employee payroll	\$ 6,005,811	\$ 5,264,877	\$ 5,481,320
Contributions as a percentage of covered-employee payroll	13.90%	15.02%	13.90%

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

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STATE OF NEW MEXICO
Tularosa Municipal Schools
Required Supplementary Information
For the Year Ended June 30, 2017

Notes to Required Supplementary Information

For the Year Ended 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.

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
June 30, 2017

Schedule I

Name of Depository	Description of Pledged Collateral	Market Value June 30, 2017	Name and Location of Safekeeper
First National Bank	FNMA Pool 256809 31371NGS8 6.00% 7/1/2037	\$ 53,723	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA 745004 31403CU58 5.50% 2/1/2025	62,920	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA Pool MA0756 3141YZW0 4% 6/1/2031	264,351	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA Pool 256530 31371M4P9 5.50% 12/1/2036	15,036	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHR 1382 KA 312912WF1 2.309% 10/15/2022	8,664	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool H00532 3128MSSV 5.0% 5/1/2035	7,117	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA 664033 31391DV26 5.0% 7/1/2018	20,651	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool G18053 3128MMBX0 5.0% 5/1/2020	15,195	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA Pool MA0952 31418ABW7 4% 1/1/2032	710,428	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA Pool 256721 31371ND28 5.5% 5/1/2037	78,910	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	Questa NM Indpt Sch Dist No 748352CY5 4.0% 9/1/2025	328,809	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FNMA Pool AB3172 31416Y927 3.5% 6/1/2026	380,294	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool C91388 3128P7RH8 3.5% 2/1/2032	516,759	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool C91557 3128P7WS8 3% 9/1/2032	621,431	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool J14785 3128PUJ60 4% 03/01/2023	817,425	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool MA2214 31418BN85 3% 03/01/2025	794,397	Federal Home Loan Bank of Dallas Irving, TX
First National Bank	FHLMC Pool C91871 3128P8CG4 3% 05/01/2036	1,802,358	Federal Home Loan Bank of Dallas Irving, TX
Western Bank	FHLMC 3128M4QW6 11/1/2035	-	Western Bank Alamogordo, NM
Western Bank	GNMA 36225CJ49 5/20/2029	-	Western Bank Alamogordo, NM
Western Bank	GNMA 36202KA47 5/20/2016	-	Western Bank Alamogordo, NM
	Total Collateral Pledged	\$ <u>6,498,469</u>	

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS
June 30, 2017

Schedule II

Deposit or Investment Account Type	First National Bank of NM	Western Bank	State Treasurer's LGIP	Total
Operational Checking- Interest Bearing	\$ 1,208,196	\$ -	\$ -	\$ 1,208,196
Cafeteria Checking- Interest Bearing	314,804	-	-	314,804
Debt Service Checking- Interest Bearing	431,745	-	-	431,745
General Building Checking- Interest Bearing	2,128,394	-	-	2,128,394
Transportation Checking- Interest Bearing	764	-	-	764
Payroll Clearing Checking- Interest Bearing	709,337	-	-	709,337
Non Instructional Support Checking- Interest Bearing	-	42,078	-	42,078
Elementary School Checking- Interest Bearing	-	5,231	-	5,231
Intermediate School Checking- Interest Bearing	-	17,883	-	17,883
Middle School Checking- Interest Bearing	-	3,224	-	3,224
High School Checking- Interest Bearing	-	14,077	-	14,077
State Treasurer's LGIP- Interest Bearing	-	-	482,159	482,159
Total On Deposit	4,793,241	82,493	482,159	5,357,893
Reconciling Items	(384,870)	(5,406)	-	(390,277)
Reconciled Balance June 30, 2017	\$ 4,408,371	\$ 77,086	\$ 482,159	\$ 4,967,616

Reconciliation to financial statements:

Cash and cash equivalents:	
Total cash and cash equivalents per Statement of Net Position	\$ 4,476,968
Total cash and cash equivalents per Fiduciary Statement of Assets and Liabilities	9,289
Total Cash (not including investments)	\$ 4,486,257
Total Investments per Statement of Net Position	482,159
Total cash and Investments	\$ 4,968,416

STATE OF NEW MEXICO

Tularosa Municipal Schools

Cash Reconciliation

June 30, 2017

	Operational Account	Transportation Account	Instructional Materials Account	Food Services Account	Athletics Account	Non-Instructional Fund
Cash per June 30, 2015 audit report	\$ 2,324,448	\$ 1,766	\$ 38,120	\$ 253,004	\$ 2,572	\$ 37,120
Add:						
2016-17 revenues	7,591,971	475,004	52,995	507,449	23,575	91,303
Activity Cash reclassified to District Funds	28,963	-	-	-	-	-
Permanent Cash Transfer	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total cash available	9,945,382	476,770	91,115	760,453	26,147	128,423
Less:						
2016-17 expenditures	(8,550,925)	(475,866)	(77,960)	(445,649)	(29,067)	(85,867)
Reinstate Held Payroll Checks	358,839	-	-	-	-	-
Interfund Loans	(280,966)	-	-	-	2,920	-
Cash June 30, 2017	<u>\$ 1,472,330</u>	<u>\$ 904</u>	<u>\$ 13,155</u>	<u>\$ 314,804</u>	<u>\$ -</u>	<u>\$ 42,556</u>
Bank balance end of year	\$ 1,830,678	\$ 904	\$ 13,155	\$ 314,804	\$ -	\$ 42,556
Reinstate Held Payroll Checks	358,839	-	-	-	-	-
Activity Cash reclassified to District Funds	28,963	-	-	-	-	-
Outstanding Checks	<u>(746,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash June 30, 2017	<u>\$ 1,472,330</u>	<u>\$ 904</u>	<u>\$ 13,155</u>	<u>\$ 314,804</u>	<u>\$ -</u>	<u>\$ 42,556</u>

Schedule III
(Page 1 of 2)

Federal Flowthrough Fund	Federal Direct Fund	State Flowthrough Fund	Bond Building Fund
\$ (406,002)	\$ 194,287	\$ (2,607)	\$ 2,952,949
1,472,068	146,144	33,273	36,116
-	-	-	-
-	-	-	-
<u>1,066,066</u>	<u>340,431</u>	<u>30,666</u>	<u>2,989,065</u>
(1,226,094)	(209,734)	(30,747)	(694,137)
-	-	-	-
160,028	-	81	-
<u>\$ -</u>	<u>\$ 130,697</u>	<u>\$ -</u>	<u>\$ 2,294,928</u>
\$ -	\$ 130,697	\$ -	\$ 2,294,928
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 130,697</u>	<u>\$ -</u>	<u>\$ 2,294,928</u>

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STATE OF NEW MEXICO
Tularosa Municipal Schools
Cash Reconciliation
June 30, 2017

Schedule III
(Page 2 of 2)

	Capital Improv SB9	Capital Improv SB9 (Local)	Public Schools Cap Out 20%	Debt Service Fund	Total
Cash per June 30, 2016 audit report	\$ 268,917	\$ -	\$ -	\$ 462,266	\$ 6,126,840
Add:					
2016-17 revenues	130,620	185,193	-	833,647	11,579,358
Activity Cash reclassified to Distric	-	-	-	-	28,963
Permanent Cash Transfer	<u>(399,537)</u>	<u>399,537</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash available	-	584,730	-	1,295,913	17,735,161
Less:					
2016-17 expenditures	(117,937)	(341,736)	-	(849,154)	(13,134,873)
Reinstate Held Payroll Checks	-	-	-	-	358,839
Total Outstanding Loans	<u>117,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ 242,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 446,759</u></u>	<u><u>\$ 4,959,127</u></u>
Bank balance end of year	\$ -	\$ 242,994	\$ -	\$ 446,759	\$ 5,317,475
Reinstate Held Payroll Checks	-	-	-	-	358,839
Activity Cash reclassified to District Fu	-	-	-	-	28,963
Outstanding Checks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(746,150)</u>
Cash June 30, 2017	<u><u>\$ -</u></u>	<u><u>\$ 242,994</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 446,759</u></u>	<u><u>\$ 4,959,127</u></u>

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COMPLIANCE SECTION

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

Timothy M. Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Tularosa Municipal Schools
Tularosa, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the General fund and Special Revenue funds, of the Tularosa Municipal Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Tularosa Municipal Schools' basic financial statements, and the combining and individual and related budgetary comparisons of Tularosa Municipal Schools, presented as supplemental information, and have issued our report thereon dated September 21, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal controls, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. The significant deficiency is described as 2017-001.

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Compliance and Other Matters

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

Tularosa Municipal Schools' Response to Questioned Costs

Tularosa Municipal Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Tularosa Municipal Schools' response was not subjected to 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 Tularosa Municipal Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Tularosa Municipal Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Precision Accounting LLC
Albuquerque, New Mexico
September 21, 2017

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FEDERAL FINANCIAL ASSISTANCE

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; and REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
Tularosa Municipal Schools
Tularosa, New

Report on Compliance for Each Major Federal Program

We have audited Tularosa Municipal Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Tularosa Municipal Schools' major federal programs for the year ended June 30, 2017. Tularosa Municipal Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Our responsibility is to express an opinion on compliance for each of Tularosa Municipal Schools' 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) OMB, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Tularosa Municipal Schools' 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 Tularosa Municipal Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, Tularosa Municipal Schools' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

The management of Tularosa Municipal Schools' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered Tularosa Municipal Schools' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on each major program and to test and report on internal control over compliance in accordance with 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 Tularosa Municipal Schools' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund , and the aggregate remaining fund information of Tularosa Municipal Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Tularosa Municipal Schools' basic financial statements. We issued our report thereon dated September 21, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Precision Accounting LLC

Precision Accounting LLC
Albuquerque, New Mexico
September 21, 2017

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Schedule IV

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Disbursements/ Expenditures
<i>Direct Programs:</i>				
U.S. Department of Education				
Impact Aid General Excluded under Section 8002	84.041	11000	\$ 343,409	\$ 343,409
Impact Aid Special Education	84.041	25145	37,292	37,292
Impact Aid Indian Education	84.041	25147	129,014	129,014
Indian Ed Formula Grant	84.060	25184	19,634	23,254
Subtotal Direct Programs			<u>185,940</u>	<u>189,560</u>
U.S. Department of Agriculture				
Forest Reserve	84.041	11000	32,073	32,073
Subtotal Department of Agriculture			<u>32,073</u>	<u>32,073</u>
Total Direct Awards			<u>218,013</u>	<u>221,633</u>
<i>Pass Through Programs:</i>				
U.S. Department of Agriculture				
Passed through NM Public Education Department:				
Commodities Program	10.565	21000	32,034	32,034
National School Lunch Program	10.555	21000	443,021	449,833
National School Breakfast Program	10.553	21000	-	-
Total U.S. Department of Agriculture			<u>475,055</u>	<u>481,867</u>
U.S. Department of Education				
Passed through NM Public Education Department:				
Title I	84.010	24101	735,515	738,272
IDEA B Entitlement	84.027	24106	255,304	255,458
NM Autism	84.027A	24108	3,430	3,569
IDEA B Preschool	84.173	24109	9,801	9,801
IDEA B Risk Pool	84.027	24120	-	-
IDEA B Results Plan	84.027	24132	57,323	57,323
Teacher/Principal Training and Recruiting	84.367A	24154	90,945	91,701
Rural & Low Income Schools	84.358	24160	26,885	26,885
Title I School Improvement		24162	43,859	43,859
Total U.S. Department of Education			<u>1,223,062</u>	<u>1,226,868</u>
Total Federal Financial Assistance			<u>\$ 1,916,130</u>	<u>\$ 1,930,368</u>

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 the Tularosa Municipal Schools (District) 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 OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. Tularosa Municipal Schools has an approved indirect cost rate of 3.19%.

2. Subrecipients

The District did not provide any federal awards to subrecipients during the year.

3. Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$32,034.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,930,368
Total expenditures funded by other sources	<u>10,477,635</u>
Total expenditures	<u>\$ 12,408,003</u>

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Tularosa Municipal Schools.
2. 1 (one) instance of a significant deficiency is disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Tularosa Municipal Schools were disclosed during the audit.
4. There were no audit findings required to be reported under the Uniform Guidance.
5. The auditor's report on compliance for major federal award programs for Tularosa Municipal Schools expresses an unmodified opinion.
6. The programs tested as major were the IDEA B clusters CFDA No. 84.027, 84.027A, 84.173, 84.027and Title II A CFDA No.84.367A.
7. The threshold for distinguishing Type A and B programs was \$750,000.
8. Tularosa Municipal Schools qualified as a **low** risk auditee.

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

B. FINDINGS-FINANCIAL STATEMENT AUDIT

2017-001 Deficit Activity Fund Balances (Control Deficiency)

CONDITION: In the Activity Funds test work the activity funds, General Middle School and NOW-Interest High School, had negative fund balances of (\$34) and (\$7) respectively as of June 30, 2017.

CRITERIA: PSAB 18 Student Activity and Athletics Manual of Procedures, Section 6-10-2 NMSA 1978 states that “no activity fund account shall ever be permitted to incur a deficit. Financial records of student activity funds must be in accordance with general accepted accounting principles and an adequate internal control structure shall be established and maintained, as well as audit trails, in the same manner as the school district’s regular funds”

CAUSE: The Business Manager was out of the office due to medical reasons and a contract business manager was utilized to complete the year end bookkeeping. The internal controls required by PSAB 18 are not being followed with regards to the two funds.

EFFECT: The District does not appear to be in compliance with PSAB 18. Additionally, inadequate controls in cash management of the Activity Funds could result in over spending in accounts and cause them to be in violation of PSAB 18 and the Anti- Donation Clause.

RECOMMENDATION: The District should evaluate and ensure that internal controls on activity fund accounts are in accordance with PSAB 18. All personnel and staff involved in the Activity Funds should be re- trained to understand their roles and responsibilities under PSAB 18.

CLIENT RESPONSE: The District’s Business Manager experienced an unexpected health issue that required her to be out of the office from the middle of June through August 2017. All expenditures were processed which resulted in two activity funds having a negative cash balance. Effective immediately, the Business Manager will monitor activity funds to ensure that they are compliant with PSAB 18 and are not permitted to expend more monies than each fund has.

C. FINDINGS-FEDERAL AWARDS

None

D. PRIOR YEAR AUDIT FINDINGS

2016-001 Agency Funds-Cleared

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STATE OF NEW MEXICO
TULAROSA MUNICIPAL SCHOOLS
OTHER DISCLOSURES
Year Ended June 30, 2017

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Kathleen Richardson, the Business Manager, is capable of preparing, understanding and accepting responsibility for the GAAP basic financial statements. Although the District is responsible for the content of the financial statements, they have contracted with the auditor to prepare the GAAP-basis financial statements and footnotes for inclusion in the annual audit report.

B. EXIT CONFERENCE

The contents of this report were discussed on September 21, 2017. The following individuals were in attendance.

Tularosa Municipal Schools

Cody Hill, Board President/Audit Committee Member
Brenda Vigil, Superintendent
Kathleen Richardson, Business Manager
Sandy Montoya, Payroll
Marian Wohlgemuth, Accounts Payable
Andrea Petty, Administrator

Precision Accounting LLC

Melissa R. Santistevan, CPA, CFE, CGMA, CICA
Zachary Hayes, Senior Accountant
Alexandra Yebra, Senior Accountant