

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016  
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 TABLE OF CONTENTS

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	6 - 7
Statement of Activities	8
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	10 - 12
Reconciliation of the Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14 - 16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
General Fund	18
Rural Education Achievement Program Fund	19
K-3 Plus Fund	
Title XIX Medicaid 3/21 Years Special Revenue Fund	20
Pre-K Initiative Special Revenue Fund	21
Wind Farm Projects	22
Teacher and School Leader Incentive Pay	23
NM Reads to Lead K-3	24
K-3 Plus Funds	25
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities - Agency Fund	27
NOTES TO THE FINANCIAL STATEMENTS	28 - 61

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 TABLE OF CONTENTS (CONTINUED)

	PAGE
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Liability	63
Schedule of Contributions	64
 <b>SUPPLEMENTARY INFORMATION</b>	
Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	68
Special Revenue Funds	70 - 71
Combining Balance Sheet - Nonmajor Special Revenue Funds	72 - 73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds	74 - 75
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual	
Food Service Special Revenue Fund	76
Athletics Special Revenue Fund	77
Title I Special Revenue Fund	78
IDEA - B Entitlement Special Revenue Fund	79
IDEA - B Preschool Special Revenue Fund	80
Teacher/Principal Training & Recruiting Special Revenue Fund	81
ENMR Plateau - Education Foundation School Grant Special Revenue Fund	82
2012 GO Bond Library Special Revenue Fund	83
Beginning Teacher Mentoring Special Revenue Fund	84
Breakfast After the Bell Special Revenue Fund	85
STEM Teacher Initiative	86

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 TABLE OF CONTENTS (CONTINUED)

	PAGE
Nonmajor Capital Projects Funds	87
Combining Balance Sheet - Nonmajor Capital Project Funds	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Project Funds	89
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Nonmajor Capital Project Funds	
Education Technology Equipment Act Capital Projects Fund	90
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Major Capital Project Funds	
Bond Building Fund	92
Capital Improvements SB-9 Capital Projects Fund	93
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - Major Debt Service Funds	
Debt Service Fund	95
Education Technology Debt Service Fund	96
Combining Balance Sheet - General Fund	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund	99
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:	
Operational Fund	100
Teachorage Fund	101
Transportation Fund	102
Instructional Materials Fund	103

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2016  
TABLE OF CONTENTS (CONTINUED)

	PAGE
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	105
Schedule of Changes in Assets and Liabilities - Agency Funds	106
Schedule of Pledged Collateral	107
Schedule of Deposits and Investments Accounts	108
Cash Reconciliation	109
Joint Powers Agreements	110
<b>COMPLIANCE SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	112 - 113
Schedule of Findings and Responses	114 - 115
Financial Statement Preparation	116
Exit Conference	117

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
OFFICIAL ROSTER

**BOARD OF EDUCATION**

Antonio Castillo  
Rudy Martinez  
Floraida Tapia  
Crystal Keck  
Christopher Matson

President  
Vice President  
Secretary  
Member  
Member

**SCHOOL OFFICIALS**

Dr. Jack Props  
Elliot McDaniel  
Trude Bauler

Superintendent  
Principal  
Business Manager



# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

## INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller  
State Auditor of the State of New Mexico  
Board Members of Vaughn Municipal Schools

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis which is required to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 76 - 103 and GASB 68 10 year schedules on pages 63 - 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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



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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of Vaughn Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing in internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vaughn Municipal Schools internal control over financial reporting and compliance.

  
Beasley, Mitchell & Co., LLP  
Las Cruces, New Mexico  
November 10, 2016

## **BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
Current assets	
Cash and cash equivalents	\$ 834,675
Property taxes receivable	33,112
Due from other governments	152,918
Inventory	<u>1,452</u>
Total current assets	1,022,157
Non-current assets	
Capital assets	10,068,845
Less accumulated depreciation	<u>(6,286,555)</u>
Total non-current assets	<u>3,782,290</u>
Total assets	4,804,447
Deferred outflows	
Contributions - subsequent contributions	118,309
Change in assumption	<u>73,052</u>
Total deferred outflows	<u>191,361</u>
<b>Total assets and deferred outflows</b>	<b><u>\$ 4,995,808</u></b>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2016

	<u>Governmental Activities</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>	
Current liabilities	
Accrued interest	\$ 15,262
Accrued compensated absences	6,825
Current portion of bonds payable	<u>210,000</u>
Total current liabilities	232,087
Long-term obligations	
Net pension liability	2,123,878
Bonds payable	<u>1,770,000</u>
Total long-term liabilities	<u>3,893,878</u>
Total liabilities	4,125,965
Deferred inflows	
Deferred inflows	<u>295,587</u>
Total deferred inflows	<u>295,587</u>
Total liabilities and deferred inflows	4,421,552
<b>NET POSITION</b>	
Net investment in capital assets	1,787,028
Restricted for	
Cafeteria fund (inventory)	1,452
Special revenue	330,219
Capital projects	370,776
Debt service	42,333
Unrestricted	<u>(1,957,552)</u>
Total net position	<u>574,256</u>
<b>Total liabilities, deferred inflows, and net position</b>	<b><u>\$ 4,995,808</u></b>

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenue and Changes Net Assets
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses - Governmental Activities:					
Instruction	\$ 1,235,768	\$ 14,432	\$ 174,085	\$ -	\$ (1,047,251)
Support services	582,318	3,100	70,032	17,720	(491,466)
Central services	112,886	-	4,300	-	(108,586)
Operation and maintenance of plant	438,779	1	-	-	(438,778)
Student transportation	72,056	-	72,056	-	-
Food services	92,158	2,671	45,813	-	(43,674)
Interest on long-term debt	35,139	-	-	-	(35,139)
Depreciation	229,316	-	-	-	(229,316)
Total governmental activities	<u>\$ 2,798,420</u>	<u>\$ 20,204</u>	<u>\$ 366,286</u>	<u>\$ 17,720</u>	(2,394,210)
General Revenues:					
Taxes:					
Property taxes, levied for operating programs					169,507
Property taxes, levied for debt services					285,024
Property taxes, levied for capital projects					133,264
State equalization guarantee					1,641,907
Miscellaneous					<u>16,393</u>
Subtotal, general revenue					<u>2,246,095</u>
Change in net position					(148,115)
Net position - beginning of year					<u>722,371</u>
Net position - end of year					<u>\$ 574,256</u>

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<b>General Fund</b>	<b>Bond Building</b>	<b>Debt Service</b>	<b>Rural Education Achievement Program</b>	<b>Title XIX Medicaid 3/21 Years</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 105,130	\$ 42,333	\$ 208,864	\$ -	\$ 70,079
Property taxes receivable	3,460	-	15,094	-	-
Due from other funds	146,341	-	-	-	-
Due from grantors	-	-	-	36,067	6,577
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 254,931</u>	<u>\$ 42,333</u>	<u>\$ 223,958</u>	<u>\$ 36,067</u>	<u>\$ 76,656</u>
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ -	\$ 36,067	\$ -
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	-	-	-	36,067	-
Deferred inflows:					
Deferred inflows - property tax	1,828	-	11,426	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total deferred inflows	1,828	-	11,426	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and deferred inflows	1,828	-	11,426	36,067	-
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	-	-	-	76,656
Debt service funds	-	-	212,532	-	-
Capital projects funds	-	42,333	-	-	-
Unassigned, reported in:					
General fund	253,103	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	253,103	42,333	212,532	-	76,656
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows and fund balances	<u>\$ 254,931</u>	<u>\$ 42,333</u>	<u>\$ 223,958</u>	<u>\$ 36,067</u>	<u>\$ 76,656</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
 JUNE 30, 2016

	<b>Pre K Initiative</b>	<b>Wind Farm Project</b>	<b>Teacher and School Leader Incentive Pay</b>	<b>ED Tech Debt Service</b>	<b>NM Reads to Lead K-3</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 134,100	\$ -	\$ 104,508	\$ -
Property taxes receivable	-	-	-	5,111	-
Due from grantors	24,258	-	25,750	-	16,903
Total assets	<u>\$ 24,258</u>	<u>\$ 134,100</u>	<u>\$ 25,750</u>	<u>\$ 109,619</u>	<u>\$ 16,903</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$ 24,258	\$ -	\$ 25,750	\$ -	\$ 16,903
Total liabilities	24,258	-	25,750	-	16,903
Deferred inflows:					
Deferred inflows - property tax	-	-	-	3,869	-
Total deferred inflows	-	-	-	3,869	-
Total liabilities and deferred inflows	24,258	-	25,750	3,869	16,903
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	134,100	-	105,750	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Unassigned, reported in:					
General fund	-	-	-	-	-
Total fund balances	-	134,100	-	105,750	-
Total liabilities, deferred inflows and fund balances	<u>\$ 24,258</u>	<u>\$ 134,100</u>	<u>\$ 25,750</u>	<u>\$ 109,619</u>	<u>\$ 16,903</u>

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)  
 JUNE 30, 2016

	<u>K-3 Plus</u>	<u>Capital Improvements SB-9</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 103,164	\$ 66,497	\$ 834,675
Property taxes receivable	-	9,447	-	33,112
Due from other funds	-	-	-	146,341
Inventory	-	-	1,452	1,452
Due from grantors	25,088	-	18,275	152,918
	<u>25,088</u>	<u>-</u>	<u>18,275</u>	<u>152,918</u>
 Total assets	<u>\$ 25,088</u>	<u>\$ 112,611</u>	<u>\$ 86,224</u>	<u>\$ 1,168,498</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 25,088	\$ -	\$ 18,275	\$ 146,341
	<u>25,088</u>	<u>-</u>	<u>18,275</u>	<u>146,341</u>
Total liabilities	25,088	-	18,275	146,341
Deferred inflows:				
Deferred inflows - property tax	-	7,151	-	24,274
	<u>-</u>	<u>7,151</u>	<u>-</u>	<u>24,274</u>
Total deferred inflows	-	7,151	-	24,274
Total liabilities and deferred inflows	25,088	7,151	18,275	170,615
Fund balances:				
Nonspendable - Inventory	-	-	1,452	1,452
Restricted, reported in:				
Special revenue fund	-	-	13,713	330,219
Capital projects funds	-	105,460	52,784	370,776
Retirement of long-term debt	-	-	-	42,333
Unassigned, reported in:				
General fund	-	-	-	253,103
	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,103</u>
Total fund balances	-	105,460	67,949	997,883
Total liabilities, deferred inflows, and fund balances	<u>\$ 25,088</u>	<u>\$ 112,611</u>	<u>\$ 86,224</u>	<u>\$ 1,168,498</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2016

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

Fund balances - total governmental funds	\$ 997,883
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,782,290
Deferred outflows of resources related to pension, applicable to future periods and therefore, not reported in funds	191,361
Deferred inflows of resources related to pension, applicable to future periods and therefore, not reported in funds	(295,587)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds - property tax	24,274
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(2,123,878)
Accrued interest	(15,262)
Compensated absences	(6,825)
General obligation bonds	<u>(1,980,000)</u>
Total net position - governmental funds	<u>\$ 574,256</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Bond Building</u>	<u>Debt Service</u>	<u>Rural Education Achievement Program</u>	<u>Title XIX Medicaid 3/21 Years</u>
<b>REVENUES</b>					
Taxes	\$ 34,060	\$ -	\$ 212,926	\$ -	\$ -
Charges for services	3,100	-	-	-	-
State sources	1,647,286	-	-	-	-
Federal sources	-	-	-	-	22,363
Transportation distribution	72,056	-	-	-	-
Miscellaneous	11,508	-	-	-	-
Total revenues	1,768,010	-	212,926	-	22,363
<b>EXPENDITURES</b>					
Current:					
Direct instruction	815,347	-	-	-	780
Instructional support	476,951	-	2,124	-	5,117
Central services	112,886	-	-	-	-
Operation and maintenance	363,413	-	-	-	-
Transportation	72,056	-	-	-	-
Food services	39,154	-	-	-	-
Capital outlay	-	707,667	-	-	-
Debt services:					
Principal payments	-	-	170,000	-	-
Interest	-	-	34,741	-	-
Total expenditures	1,879,807	707,667	206,865	-	5,897
Net change in fund balance	(111,797)	(707,667)	6,061	-	16,466
Fund balance - beginning of year	364,900	750,000	206,471	-	60,190
Fund balance - end of year	<u>\$ 253,103</u>	<u>\$ 42,333</u>	<u>\$ 212,532</u>	<u>\$ -</u>	<u>\$ 76,656</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Pre K Initiative</u>	<u>Wind Farm Projects</u>	<u>Teacher and School Leader Incentive Pay</u>	<u>ED Tech Debt Service</u>	<u>NM Reads to Lead K-3</u>
<b>REVENUES</b>					
Taxes	\$ -	\$ 134,100	\$ -	\$ 72,098	\$ -
Charges for services	-	-	-	-	-
State sources	64,096	-	25,750	-	49,734
Federal sources	-	-	-	-	-
Transportation distribution	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>64,096</u>	<u>134,100</u>	<u>25,750</u>	<u>72,098</u>	<u>49,734</u>
<b>EXPENDITURES</b>					
Current:					
Direct instruction	64,096	-	-	-	-
Instructional support	-	-	25,750	723	49,734
Central services	-	-	-	-	-
Operation and maintenance	-	-	-	-	-
Transportation	-	-	-	-	-
Food services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt services:					
Principal payments	-	-	-	28,000	-
Interest	-	-	-	398	-
Total expenditures	<u>64,096</u>	<u>-</u>	<u>25,750</u>	<u>29,121</u>	<u>49,734</u>
Net change in fund balance	-	134,100	-	42,977	-
Fund balance - beginning of year as previously stated	-	-	-	62,773	-
Restatement	-	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,773</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 134,100</u>	<u>\$ -</u>	<u>\$ 105,750</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>K-3 Plus</u>	<u>Capital Improvements SB-9</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 133,264	\$ -	\$ 586,448
Charges for services	-	-	17,104	20,204
State sources	21,919	-	17,720	1,826,505
Federal sources	-	-	104,989	127,352
Transportation distribution	-	-	-	72,056
Proceeds from sale of bond	-	-	100,000	100,000
Miscellaneous	-	4,885	-	16,393
	<u>-</u>	<u>4,885</u>	<u>-</u>	<u>16,393</u>
Total revenues	21,919	138,149	239,813	2,748,958
<b>EXPENDITURES</b>				
Current:				
Direct instruction	-	-	135,442	1,015,665
Instructional support	21,919	-	-	582,318
Central services	-	-	-	112,886
Operation and maintenance	-	75,366	-	438,779
Transportation	-	-	-	72,056
Food services	-	-	53,004	92,158
Capital outlay	-	-	-	707,667
Debt services:				
Principal payments	-	-	-	198,000
Interest	-	-	-	35,139
	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,139</u>
Total expenditures	21,919	75,366	188,446	3,254,668
Net change in fund balance	-	62,783	51,367	(505,710)
Fund balance, beginning of the year	-	42,677	16,582	1,503,593
	<u>-</u>	<u>42,677</u>	<u>16,582</u>	<u>1,503,593</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ 105,460</u>	<u>\$ 67,949</u>	<u>\$ 997,883</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND  
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2016

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

Change in fund balances - total governmental funds	\$	(505,710)
--	----	-----------

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

Depreciation expense		(229,316)
Capital outlay		707,667

Change in resources related to pension		
Change in deferred outflows		62,093
Change in deferred inflows		(90,926)
Net pension liability		(189,644)

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.		1,347
---	--	-------

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.

Issuance of bond		(100,000)
Change in accrued interest		(2,945)
Change in accrued compensated absences		1,319
Principal payment on bond		198,000

Change in net position of governmental activities	\$	<u>(148,115)</u>
---	----	------------------

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 GENERAL FUND COMBINED  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Taxes	\$ 29,692	\$ 29,692	\$ 34,060	\$ 4,368
Charges for services	2,400	2,400	3,100	700
State sources	1,635,215	1,716,074	1,719,342	3,268
Earnings from investments	750	750	-	(750)
Miscellaneous	-	-	11,508	11,508
	1,668,057	1,748,916	1,768,010	19,094
Expenditures:				
Current:				
Direct instruction	923,068	938,022	815,347	122,675
Instructional support	515,110	515,110	476,951	38,159
Central services	119,436	119,436	112,886	6,550
Operation and maintenance	414,862	424,667	363,413	61,254
Transportation	-	72,056	72,056	-
Food services	40,000	40,000	39,154	846
	2,023,689	2,120,504	1,879,807	240,697
Excess (deficiency) of revenues over expenditures	(355,632)	(371,588)	(111,797)	259,791
Net change in fund balance	(355,632)	(371,588)	(111,797)	259,791
Fund balance - beginning of year	364,900	364,900	364,900	-
Fund balance - end of year	\$ 9,268	\$ (6,688)	\$ 253,103	\$ 259,791
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (111,797)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (111,797)	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 RURAL EDUCATION ACHIEVEMENT PROGRAM SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

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

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TITLE XIX MEDICAID 3/21 YEARS SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Federal sources	\$ 11,856	\$ 11,856	\$ 22,363	\$ 10,507
Expenditures:				
Current:				
Direct instruction	15,000	15,000	780	14,220
Instructional support	50,040	50,040	5,117	44,923
Total expenditures	65,040	65,040	5,897	59,143
Excess (deficiency) of revenues over expenditures	(53,184)	(53,184)	16,466	69,650
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(53,184)	(53,184)	16,466	69,650
Fund balance - beginning of year	60,190	60,190	60,190	-
Fund balance - end of year	\$ 7,006	\$ 7,006	\$ 76,656	\$ 69,650
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 16,466	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 16,466	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 PRE-K INITIATIVE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
State sources	\$ 64,124	\$ 64,124	\$ 64,096	\$ (28)
Total revenues	64,124	64,124	64,096	(28)
Expenditures:				
Current:				
Direct instruction	64,124	64,124	64,096	28
Total expenditures	64,124	64,124	64,096	28
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 WIND FARM PROJECTS - SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ 134,100	\$ 134,100
Total revenues	-	-	134,100	134,100
Expenditures:				
Current:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	134,100	134,100
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	134,100	134,100
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,100</u>	<u>\$ 134,100</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 134,100	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 134,100</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TEACHER AND SCHOOL LEADER INCENTIVE PAY - SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 25,750	\$ 25,750	\$ -
Total revenues	-	25,750	25,750	-
Expenditures:				
Current:				
Instructional support	-	25,750	25,750	-
Total expenditures	-	25,750	25,750	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NM READS TO LEAD K-3 - SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 50,000	\$ 50,000	\$ 49,734	\$ (266)
Total revenues	50,000	50,000	49,734	(266)
Expenditures:				
Current:				
Instructional support	50,000	50,000	49,734	266
Total expenditures	50,000	50,000	49,734	266
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
K-3 PLUS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
State sources	\$ 18,984	\$ 25,153	\$ 21,919	\$ (3,234)
Total revenues	18,984	25,153	21,919	(3,234)
Expenditures:				
Current:				
Instructional support	18,984	25,153	21,919	3,234
Total expenditures	18,984	25,153	21,919	3,234
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
JUNE 30, 2016

**ASSETS**

Current Assets

Cash \$ 20,035

Total assets \$ 20,035

**LIABILITIES**

Current Liabilities

Deposits held in trust for others \$ 20,035

Total liabilities \$ 20,035

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



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Vaughn Municipal Schools (the District) is a special purpose government corporation governed by an elected five member Board of Education. The Board of Education is the basic level of government, which has oversight responsibility and control over all activities related to the public school education of the Town of Vaughn. 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 Vaughn Public Schools' management who is responsible for their integrity and objectivity. The financial statements and disclosures of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**A. Reporting Entity (Continued)**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**C. Measurement Focus, Basis of Accounting**

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

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

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

The District reports the following major governmental funds:

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**C. Measurement Focus, Basis of Accounting (Continued)**

**Bond Building fund** is used to accounts for the revenue received from bonds sold by the District to be used for improvements and additions to school owned property.

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

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

**The Title XIX Medicaid 3/21 Years Fund** is to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children (Title XIX Social Security Act).

**Pre- K Initiative** The pre-k program shall address the total development needs of preschool children, including physical, cognitive, social and emotional needs, and shall include health care, nutrition, safety and multicultural sensitivity.

**Wind Farm Project** To use for PILOT moneys from Wind Turbines in the District. PILOT - Payment in Lieu of Taxes. This Fund is used in the same manner as 11000

**Teacher and School Leader Incentive Pay Fund** Pay for Performance Pilot Program to reward Teachers that had " highly efficient" evaluations.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**C. Measurement Focus, Basis of Accounting (Continued)**

**ED Tech Debt** to repay the General Obligation Education Technology Capital Improvement Note with NMFA. This note is used to acquire education technology equipment.

**New Mexico Reads to Lead** Provides an aligned approach for districts and schools to ensure that children can read by the end of third grade - giving them essential skills for future career and college success. It also provides regional and district reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

**K-3-Plus Fund** - To account for funds received to provide the opportunity for the district to address early literacy. The full-day kindergarten program is the first step in the implementation of a sequential early literacy approach to teaching reading.

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

Additionally, the District reports the following agency fund:

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

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

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

Under the modified accrual method of accounting, the amount remitted by the County Treasurers in July and August 2016 is considered measurable and available and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2016.

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

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

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

U.S.D.A. commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No deferred revenue was recorded for unused commodity inventory as of June 30, 2016.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

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

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

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

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

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

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

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



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

**Compensated Absences** - Twelve month employees are entitled to accumulate annual leave up to 10 days per year for the first five years. After five years of service, they will earn one and one quarter days per month for a total of 15 days per year. Qualified employees are entitled to accumulate sick leave. There is no limit to the amount of sick leave which an employee may accumulate; however, no payment is due to the employee upon termination of employment.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

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

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

**Nonspendable** - fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments;  
or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

**Equity Classifications**

Government-Wide Statements

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

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

**E. Revenues**

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

A school district's program costs are determined through the use of various formulas using program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,641,907 in state equalization guarantee distributions during the year ended June 30, 2016.

**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 \$586,447 in tax revenues in the governmental fund financial statements during the year ended June 30, 2016. 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.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**E. Revenues (Continued)**

**Transportation Distribution** - School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$72,056 in transportation distributions during the year ended June 30, 2016.

**Public School Capital Outlay** - Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (0); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**F. New Pronouncements**

New Accounting Pronouncements - In 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities or pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**F. New Pronouncements (Continued)**

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The objective of this

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

**F. New Pronouncements (Continued)**

Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The District is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

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

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

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

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

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

**3. DEPOSIT AND INVESTMENTS**

State statutes authorize the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2016.

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**3. DEPOSIT AND INVESTMENTS (CONTINUED)**

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

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

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

	Everyone's Federal Credit Union	New Mexico Finance Authority	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash on deposit at June 30, 2016	\$ 965,430	\$ 95,091	\$ 1,060,521
FDIC coverage	<u>(250,000)</u>	<u>(95,091)</u>	<u>(345,091)</u>
Total uninsured public funds	<u>\$ 715,430</u>	<u>\$ -</u>	<u>\$ 715,430</u>
Pledged collateral	\$ 1,736,000	\$ -	\$ 1,736,000
Collateral requirement (50% of uninsured public funds)	<u>357,715</u>	<u>-</u>	<u>357,715</u>
Over collateralization	<u>\$ 1,378,285</u>	<u>\$ -</u>	<u>\$ 1,378,285</u>

**Custodial Credit Risk-Deposits** - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2016, \$715,430 of the District's bank balance of \$965,430 was exposed to custodial credit risk because or was uninsured and the collateral was held by the pledging bank's trust department, not in the District's name. At June 30, 2016, the carrying amount of these deposits was \$854,710.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**3. DEPOSIT AND INVESTMENTS (CONTINUED)**

**Reconciliation of Cash and Cash Equivalents**

Cash and cash equivalents per Governmental Funds - balance sheet	\$ 739,584
Restricted cash and cash equivalents - balance sheet	<u>95,091</u>
Total	<u>834,675</u>
Statement of Fiduciary Net Assets - cash	<u>20,035</u>
Total cash and cash equivalents	854,710
Add outstanding checks and other reconciling items	<u>205,812</u>
Bank balance of deposits and investments	<u>\$ 1,060,522</u>
Cash source:	
Everyone's Federal Credit Union	\$ 965,431
New Mexico Finance Authority	<u>95,091</u>
Total cash and cash equivalents	<u>\$ 1,060,522</u>

**Credit and Interest Rate Risk**

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

**4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

The composition of interfund balances during the year ended June 30, 2016 is as follows:

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)**

<b>Governmental Activities</b>	<b>Due from other funds</b>	<b>Due to other funds</b>
	<u>                    </u>	<u>                    </u>
General fund	\$ 146,341	\$ -
Title I	-	3,937
Rural Education Achievement Program	-	36,067
Teacher and School Leader Incentive Pay	-	25,750
Entitlement IDEA B	-	4,527
K-3 Plus	-	25,088
Student Library	-	6,072
Read to Lead	-	16,903
Pre-K Initiative	-	24,258
Breakfast after the Bell	-	3,739
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 146,341</u>	<u>\$ 146,341</u>

All interfund balances are to be repaid within one year. There were no operating transfers for the year ended June 30, 2016.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2016, are as follows:

	<b>General</b>	<b>Major Governmental Funds</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Government grants	\$ -	\$ 134,643	\$ 18,275	\$ 152,918
Property taxes	<u>3,460</u>	<u>29,652</u>	<u>-</u>	<u>33,112</u>
Total	<u>\$ 3,460</u>	<u>\$ 164,295</u>	<u>\$ 18,275</u>	<u>\$ 186,030</u>

The above receivables are deemed 100% collectible.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2016 is as follows:

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2016</b>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 169,045	\$ -	\$ -	\$ 169,045
Construction in progress	<u>24,427</u>	<u>707,667</u>	<u>-</u>	<u>732,094</u>
Total capital assets not being depreciated	193,472	707,667	-	901,139
Capital assets being depreciated:				
Buildings & building improvements	7,628,928	-	-	7,628,928
Equipment, vehicles, information technology equipment, software & books	<u>1,538,778</u>	<u>-</u>	<u>-</u>	<u>1,538,778</u>
Total capital assets being depreciated	9,167,706	-	-	9,167,706
Less accumulated depreciation for:				
Buildings & building improvements	4,923,351	169,038	-	5,092,389
Equipment, vehicles, information technology equipment, software & books	<u>1,133,888</u>	<u>60,278</u>	<u>-</u>	<u>1,194,166</u>
Total accumulated depreciation	<u>6,057,239</u>	<u>229,316</u>	<u>-</u>	<u>6,286,555</u>
Total capital assets being depreciated, net	<u>3,110,467</u>	<u>(229,316)</u>	<u>-</u>	<u>2,881,151</u>
Governmental activities capital assets, net	<u>\$ 3,303,939</u>	<u>\$ 478,351</u>	<u>\$ -</u>	<u>\$ 3,782,290</u>

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**6. CAPITAL ASSETS (CONTINUED)**

For the year ended June 30, 2016, depreciation was charged to the following functions:

<b>Governmental Activities</b>	
Instruction	\$ 63,605
Support services	153,945
Operations and maintenance of plant	<u>11,766</u>
 Total	 <u>\$ 229,316</u>

**7. LONG-TERM OBLIGATIONS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued was \$2,655,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2016 are for governmental activities.

Bonds outstanding at June 30, 2016, are comprised of the following:

	<b>Series 9/15/2005</b>	<b>Series 6/21/2013</b>	<b>Series 12/20/2013</b>	<b>Series 5/25/2015</b>	<b>Series 9/18/2015</b>
Original issue	\$855,000	\$850,000	\$100,000	\$750,000	\$100,000
Maturity	8/1/2019	8/1/2025	8/1/2016	8/1/2027	8/1/2020
Principal	August 1	February 1	August 1	February 1	February 1
Interest rate	4.00% - 4.25%	0.10% - 2.45%	0.55% - 0.73%	0.10% - 1.37%	0.1991%
Interest	February 1 & August 1	January 1 & July 1	February 1 & August 1	August 1 & February 1	August 1 & February 1

The following is a summary of the long-term debt and the activity for the year ended June 30, 2016:

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**7. LONG-TERM OBLIGATIONS (CONTINUED)**

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
Governmental Activities:					
Bonds payable	\$ 2,086,144	\$ 100,000	\$ 206,144	\$ 1,980,000	\$ 210,000
Compensated absences	8,144	5,524	6,843	6,825	6,825
Total governmental activities	<u>\$ 2,094,288</u>	<u>\$ 105,524</u>	<u>\$ 212,987</u>	<u>\$ 1,986,825</u>	<u>\$ 216,825</u>

The annual requirements to amortize the Series 9/15/2005 general obligation bond outstanding as of June 30, 2016, including interest payments are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 95,000	\$ 16,000	\$ 111,000
2018	100,000	12,200	112,200
2019	100,000	8,200	108,200
2020	105,000	4,200	109,200
2021	-	-	-
	<u>\$ 400,000</u>	<u>\$ 40,600</u>	<u>\$ 440,600</u>

The annual requirements to amortize the Series 6/21/2013 general obligation bond outstanding as of June 30, 2016, including interest payments are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 45,000	\$ 9,041	\$ 54,041
2018	40,000	8,675	48,675
2019	40,000	8,276	48,276
2020	40,000	7,795	47,795
2021	75,000	7,201	82,201
2021-2025	450,000	13,170	463,170
	<u>\$ 690,000</u>	<u>\$ 54,158</u>	<u>\$ 744,158</u>



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**7. LONG-TERM OBLIGATIONS (CONTINUED)**

The annual requirements to amortize the Series 12/20/2013 general obligation bond outstanding as of June 30, 2016, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 40,000	\$ 218	\$ 40,218
	<u>\$ 40,000</u>	<u>\$ 218</u>	<u>\$ 40,218</u>

The annual requirements to amortize the Series 5/25/2015 general obligation bond outstanding as of June 30, 2016, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 11,027	\$ 26,027
2018	10,000	10,849	20,849
2019	15,000	10,730	25,730
2020	65,000	10,617	75,617
2021	80,000	10,398	90,398
2022-2026	<u>565,000</u>	<u>30,052</u>	<u>595,052</u>
	<u>\$ 750,000</u>	<u>\$ 83,673</u>	<u>\$ 833,673</u>

The annual requirements to amortize the Series 9/18/2015 general obligation bond outstanding as of June 30, 2016, including interest payments are as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 15,000	\$ 104	\$ 15,104
2018	40,000	229	40,229
2019	20,000	112	20,112
2020	15,000	35	15,035
2021	<u>10,000</u>	<u>23</u>	<u>10,023</u>
	<u>\$ 100,000</u>	<u>\$ 503</u>	<u>\$ 100,503</u>

**Compensated Absences** - Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2016, compensated absences decreased \$1,319 from the prior year accrual. In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**8. RISK MANAGEMENT**

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

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2016, there have been no claims that have exceeded insurance coverage.

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

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

***Funding Policy***

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

Employer Contributions - Vaughn Municipal Schools contributed 13.9% of gross covered salary.

The contribution requirements of plan members and the Vaughn Municipal Schools are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. Vaughn Municipal School's contributions to ERB for the fiscal years ending June 30, 2016, 2015, and 2014, were \$120,109, \$129,581, and \$122,884, respectively, which equal the amount of the required contributions for each fiscal year.

The District adopted GASB 68 during the year ended June 30, 2016. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. ERB engaged their financial statement auditors to prepare a schedule allocating these obligations to the contributing employers as of the year ended June 30, 2015. As part of adopting GASB 68 during the current year, the District recognized a Net Pension Liability (NPL), which represents the District's share of the underfunded pension obligation at June 30, 2016.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

For the year ended June 30, 2016, the District recognized pension expense of \$45,075. At the June 30, 2016, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 39,375
Changes in assumptions	73,052	-
Net difference between projected and actual earnings on pension plan investments	-	9,560
Difference between expected and actual experience	-	-
District contributions subsequent to the measurement date	118,309	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>246,652</u>
Total	<u>\$ 191,361</u>	<u>\$ 295,587</u>

\$118,309 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

**9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$	(126,102)
2018		(112,574)
2019		(13,343)
2020		29,499
2021		-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014 and
5. For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortization - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smooth market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**9. PENSION PLAN- EDUCATIONAL RETIREMENT BOARD (CONTINUED)**

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of net pension	<u>\$ 2,857,843.00</u>	<u>\$ 2,123,896.00</u>	<u>\$ 1,507,303.00</u>

**Pension plan fiduciary net position** Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and June 30, 2014 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2016 the District did not owe ERB any funds.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

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

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

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



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, 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, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Vaughn Municipal Schools contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$25,923, \$28,130, and \$28,040, respectively, which equal the required contributions for each year.

**11. LOSS CONTINGENCIES**

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2016

**11. LOSS CONTINGENCIES (CONTINUED)**

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

**12. OPERATING LEASES**

On November 1 2012, the District entered into a lease agreement to lease three copy machines. The lease has a 60 month term with payment of \$710.74 monthly. The first payment was made on December 1, 2012 and the last payment is due November 1, 2017. Future annual rent receipts are as follows:

<u>Years ending</u> <u>June 30,</u>	<u>Amount</u>
2017	<u>\$ 12,083</u> <u>\$ 12,083</u>

**13. ANALYSIS FOR IMPAIRMENT**

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impaired assets at June 30, 2016.

**14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 10, 2016, the date the financial statements were available to be issued.

**15. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

A. Deficit fund balance of individual funds. The following fund had a deficit fund balance for the year ended June 30, 2016:

None

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2016:

Education Technology Debt Service Fund	\$	<u>123</u>
Total	\$	123

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN  
 LAST 10 FISCAL YEARS\*  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2015</u>	<u>2016</u>
The Vaughn Municipal Schools's proportion of the net pension liability	\$ 1,934,234	\$ 2,123,878
The Vaughn Municipal Schools's proportionate share of the net pension liability	0.0339%	0.0328%
The Vaughn Municipal Schools's covered-employee payroll	\$ 934,484	\$ 895,272
The Vaughn Municipal Schools's proportionate share of the net pension liability as a percentage of its covered-employee payroll	206.98 %	237.23 %
Plan fiduciary net position as a percentage of the total pension liability	66.54 %	63.97 %

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

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF CONTRIBUTIONS  
 EDUCATIONAL RETIREMENT BOARD (ERB) PLAN  
 LAST 10 FISCAL YEARS\*  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>2015</b>	<b>2016</b>
Contractually required contribution	\$ 129,581	\$ 118,309
Contributions in relation to the contractually required contribution	129,581	118,309
Contribution deficiency (excess)	-	-
The Vaughn Municipal Schools's covered-employee payroll	\$ 934,484	\$ 895,272
Contributions as a percentage of covered-employee payroll	13.87 %	13.21 %

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

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

**SUPPLEMENTARY INFORMATION**

**NONMAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
<b>ASSETS</b>			
Cash on deposit	\$ 13,713	\$ 52,784	\$ 66,497
Property taxes receivable	-	-	-
Inventory, at cost	1,452	-	1,452
Due from grantors	<u>18,275</u>	<u>-</u>	<u>18,275</u>
Total assets	<u>\$ 33,440</u>	<u>\$ 52,784</u>	<u>\$ 86,224</u>
<b>LIABILITIES DEFERRED INFLOWS, AND FUND BALANCES</b>			
Liabilities:			
Due to other funds	<u>\$ 18,275</u>	<u>\$ -</u>	<u>\$ 18,275</u>
Total liabilities	18,275	-	18,275
Deferred inflows:			
Property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows and liabilities	18,275	-	18,275
Fund balances:			
Nonspendable - inventory	1,452	-	1,452
Restricted, reported in:			
Special revenue funds	13,713	-	13,713
Capital project funds	-	52,784	52,784
Retirement of long-term debt	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>15,165</u>	<u>52,784</u>	<u>67,949</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 33,440</u>	<u>\$ 52,784</u>	<u>\$ 86,224</u>

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Charges for services	17,104	-	17,104
State sources	17,720	-	17,720
Federal sources	104,989	-	104,989
Proceeds from sale of bond	-	100,000	100,000
	<hr/>	<hr/>	<hr/>
Total revenues	139,813	100,000	239,813
Expenditures:			
Current:			
Direct instruction	88,226	47,216	135,442
Instructional support	-	-	-
Food services	53,004	-	53,004
Capital outlay	-	-	-
Debt services:			
Principal payments	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	141,230	47,216	188,446
Net changes in fund balances	(1,417)	52,784	51,367
Fund balance - beginning of year as previously stated	16,582	-	16,582
Restatement	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance - beginning of year	16,582	-	16,582
Fund balance - end of year	<u>\$ 15,165</u>	<u>\$ 52,784</u>	<u>\$ 67,949</u>

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

**SPECIAL REVENUE FUNDS**

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**FOOD SERVICE (21000)** - This program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12, 60 Stat. 230, 42 U.S.C. 1751 et seq.; 80 stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

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

**TITLE I IASA (24101 ENTITLEMENT), (24201 FEDERAL STIMULUS)** - The Title I project provides remedial instruction in language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

**IDEA-B ENTITLEMENT SPECIAL (24106), (24206 FEDERAL STIMULUS)** - This fund is used to account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Education Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100,639, and 101-476, 20 U.S.C. 1411-1420.

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

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

**ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT (26191)** - To account for monies received to purchase equipment needed to use the Accelerated Math Program.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

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

**BEGINNING TEACHER MENTORING (27154)** - To account for monies appropriated by the State Legislature to be used for stipends to mentors, for professional development opportunities, release time; including payment of substitutes, materials and supplies and for minor administrative costs. Financing and authority is provided by the State Legislature.

**BREAKFAST AFTER THE BELL (27155)** - is a school breakfast program in which food shall be served or consumed, at no charge, after the instructional day has begun, provided that instruction occurs simultaneously, to all students attending that elementary school through a school breakfast program that meets the federal school breakfast program standards as authorized by Section 4 of the Child Nutrition Act of 1966 and operated in accordance with all applicable policies, guidance, and law, including the requirements listed in 7 CFR Part 220.

**STEM TEACHER INITIATIVE** this was initiated 2015-16 to recruit and retain hard to staff areas of Science-Technology-Engineering and Math. it was offered in conjunction with the Special Education and Bilingual Stipends.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

	<b>Special Revenue Funds</b>					
	<b>Food Service 21000</b>	<b>Athletics 22000</b>	<b>Title I 24101</b>	<b>Entitlement IDEA-B 24106</b>	<b>IDEA-B Preschool 24109</b>	<b>Teacher/Principal Training &amp; Recruiting 24154</b>
<b>ASSETS</b>						
Cash on deposit	\$ 3,991	\$ 5,349	\$ -	\$ -	\$ -	\$ -
Inventory, at cost	1,452	-	-	-	-	-
Due from grantors	-	-	3,937	4,527	-	-
	<u>5,443</u>	<u>5,349</u>	<u>3,937</u>	<u>4,527</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,443</u>	<u>\$ 5,349</u>	<u>\$ 3,937</u>	<u>\$ 4,527</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	\$ -	\$ 3,937	\$ 4,527	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>3,937</u>	<u>4,527</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	3,937	4,527	-	-
Fund balances:						
Nonspendable - inventory	1,452	-	-	-	-	-
Restricted, reported in:						
Special revenue funds	3,991	5,349	-	-	-	-
	<u>5,443</u>	<u>5,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>5,443</u>	<u>5,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 5,443</u>	<u>\$ 5,349</u>	<u>\$ 3,937</u>	<u>\$ 4,527</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 JUNE 30, 2016

	<b>Special Revenue Funds</b>					
	<b>ENMR Education Foundation School Grant 26191</b>	<b>2012 GO Bond Student Library 27107</b>	<b>Beginning Teacher Mentoring 27154</b>	<b>Breakfast After the Bell 27155</b>	<b>STEM Teacher Initiative 27181</b>	<b>Total Special Revenue Funds</b>
<b>ASSETS</b>						
Cash on deposit	\$ 1,806	\$ -	\$ 2,567	\$ -	\$ -	\$ 13,713
Inventory, at cost	-	-	-	-	-	1,452
Due from grantors	-	6,072	-	3,739	-	18,275
Total assets	<u>\$ 1,806</u>	<u>\$ 6,072</u>	<u>\$ 2,567</u>	<u>\$ 3,739</u>	<u>\$ -</u>	<u>\$ 33,440</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Due to other funds	\$ -	\$ 6,072	\$ -	\$ 3,739	\$ -	\$ 18,275
Total liabilities	-	6,072	-	3,739	-	18,275
Fund balances:						
Nonspendable - inventory	-	-	-	-	-	1,452
Restricted, reported in:						
Special revenue funds	1,806	-	2,567	-	-	13,713
Total fund balance	<u>1,806</u>	<u>-</u>	<u>2,567</u>	<u>-</u>	<u>-</u>	<u>15,165</u>
Total liabilities and fund balances	<u>\$ 1,806</u>	<u>\$ 6,072</u>	<u>\$ 2,567</u>	<u>\$ 3,739</u>	<u>\$ -</u>	<u>\$ 33,440</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2016

	<b>Special Revenue Funds</b>					
	<b>Food Service 21000</b>	<b>Athletics 22000</b>	<b>Title I 24101</b>	<b>Entitlement IDEA-B 24106</b>	<b>IDEA-B Preschool 24109</b>	<b>Teacher/Principal Training &amp; Recruiting 24154</b>
Revenues:						
Charges for services	\$ 2,672	\$ 14,432	\$ -	\$ -	\$ -	\$ -
Federal sources	45,813	-	25,356	29,289	231	4,300
Total revenues	<u>48,485</u>	<u>14,432</u>	<u>25,356</u>	<u>29,289</u>	<u>231</u>	<u>4,300</u>
Expenditures:						
Current:						
Direct instruction	-	11,330	25,356	29,289	231	4,300
Instructional support	-	-	-	-	-	-
Food services	53,004	-	-	-	-	-
Total expenditures	<u>53,004</u>	<u>11,330</u>	<u>25,356</u>	<u>29,289</u>	<u>231</u>	<u>4,300</u>
Net changes in fund balances	(4,519)	3,102	-	-	-	-
Fund balance - beginning of	<u>9,962</u>	<u>2,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year as restated	<u>\$ 5,443</u>	<u>\$ 5,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)  
 JUNE 30, 2016

	<b>Special Revenue Funds</b>					
	<b>ENMR Education Foundation School Grant 26191</b>	<b>2012 GO Bond Student Library 27107</b>	<b>Beginning Teacher Mentoring 27154</b>	<b>Breakfast After the Bell 27155</b>	<b>STEM Teacher Initiative 27181</b>	<b>Total Special Revenue Funds</b>
Revenues:						
Charge for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,104
State sources	-	-	-	-	17,720	17,720
Federal sources	-	-	-	-	-	104,989
Total revenues	-	-	-	-	17,720	139,813
Expenditures:						
Current:						
Direct instruction	-	-	-	-	17,720	88,226
Instructional support	-	-	-	-	-	-
Food services	-	-	-	-	-	53,004
Total expenditures	-	-	-	-	17,720	141,230
Net changes in fund balances	-	-	-	-	-	(1,417)
Fund balance - beginning	1,806	-	2,567	-	-	16,582
Fund balance - end of year	<u>\$ 1,806</u>	<u>\$ -</u>	<u>\$ 2,567</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,165</u>

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 FOOD SERVICE SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charge for services	\$ 7,000	\$ 7,000	\$ 2,672	\$ (4,328)
Federal sources	49,500	49,500	45,813	(3,687)
	<u>56,500</u>	<u>56,500</u>	<u>48,485</u>	<u>(8,015)</u>
Total revenues				
Expenditures:				
Current:				
Food service	59,811	59,811	53,004	6,807
	<u>59,811</u>	<u>59,811</u>	<u>53,004</u>	<u>6,807</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(3,311)</u>	<u>(3,311)</u>	<u>(4,519)</u>	<u>(1,208)</u>
Other financing sources (uses)				
Designated cash	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(3,311)	(3,311)	(4,519)	(1,208)
Fund balance - beginning of year	<u>9,962</u>	<u>9,962</u>	<u>9,962</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,651</u>	<u>\$ 6,651</u>	<u>\$ 5,443</u>	<u>\$ (1,208)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (4,519)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (4,519)</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 ATHLETICS SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 15,301	\$ 15,301	\$ 14,432	\$ (869)
Total revenues	15,301	15,301	14,432	(869)
Expenditures:				
Current:				
Direct instruction	16,863	16,863	11,330	5,533
Total expenditures	16,863	16,863	11,330	5,533
Excess (deficiency) of revenues over expenditures	(1,562)	(1,562)	3,102	4,664
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(1,562)	(1,562)	3,102	4,664
Fund balance - beginning of year	2,247	2,247	2,247	-
Fund balance - end of year	<u>\$ 685</u>	<u>\$ 685</u>	<u>\$ 5,349</u>	<u>\$ 4,664</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 3,102	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 3,102</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TITLE I IASA SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
Federal sources	\$ 27,938	\$ 27,938	\$ 25,356	\$ (2,582)
Total revenues	27,938	27,938	25,356	(2,582)
Expenditures:				
Current:				
Direct instructional	27,938	27,938	25,356	2,582
Total expenditures	27,938	27,938	25,356	2,582
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 IDEA-B ENTITLEMENT SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 31,311	\$ 37,310	\$ 29,289	\$ (8,021)
Total revenues	31,311	37,310	29,289	(8,021)
Expenditures:				
Current:				
Direct instructional	29,311	32,311	29,289	3,022
Instruction support	2,000	4,999	-	4,999
Total expenditures	31,311	37,310	29,289	8,021
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 IDEA-B PRESCHOOL SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 3,730	\$ 7,691	\$ 231	\$ (7,460)
Total revenues	3,730	7,691	231	(7,460)
Expenditures:				
Current:				
Direct instructional	3,730	7,691	231	7,460
Total expenditures	3,730	7,691	231	7,460
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TEACHER/PRINCIPAL TRAINING & RECRUITING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Federal sources	\$ 5,207	\$ 11,395	\$ 4,300	\$ (7,095)
Expenditures:				
Current:				
Direct instruction	5,207	11,395	4,300	7,095
Instructional support	-	-	-	-
Total expenditures	<u>5,207</u>	<u>11,395</u>	<u>4,300</u>	<u>7,095</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Designated cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 ENMR PLATEAU - EDUCATION FOUNDATION SCHOOL GRANT SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>1,806</u>	<u>1,806</u>	<u>1,806</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,806</u>	<u>\$ 1,806</u>	<u>\$ 1,806</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 2012 GO BOND STUDENT LIBRARY SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ 12,381	\$ 12,381	\$ -	\$ (12,381)
Total revenues	12,381	12,381	-	(12,381)
Expenditures:				
Current:				
Direct instruction	-	-	-	-
Instructional support	12,381	12,381	-	12,381
Total expenditures	12,381	12,381	-	12,381
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BEGINNING TEACHER MENTORING SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Instructional support	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>2,567</u>	<u>2,567</u>	<u>2,567</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,567</u>	<u>\$ 2,567</u>	<u>\$ 2,567</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BREAKFAST AFTER BELL SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 3,234	\$ -	\$ (3,234)
Total revenues	-	3,234	-	(3,234)
Expenditures:				
Current:				
Direct Instruction	-	3,234	-	3,234
Total expenditures	-	3,234	-	3,234
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 STEM TEACHER INITIATIVE - SPECIAL REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 24,300	\$ 17,720	\$ (6,580)
Total revenues	-	24,300	17,720	(6,580)
Expenditures:				
Current:				
Direct Instruction	-	24,300	17,720	6,580
Total expenditures	-	24,300	17,720	6,580
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

**EDUCATION TECHNOLOGY EQUIPMENT ACT (31900)** - To ensure that American children have the skills they need to succeed in the information-intensive 21st century, the federal government is committed to working with the private sector to promote four major developments in American education: making modern computer technology an integral part of every classroom; creation of this fund is the Federal Property and Administrative Services Act of 1949., Ch. 288, 63 Stat 377, and the National Defense Authorization Act for the fiscal year 1996, Public Law 104-106.

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	<b>Education                      Technology                      Equipment Act                      31900</b> <hr style="border: 0.5px solid black;"/>
<b>ASSETS</b>	
Cash on deposit	\$ <u>52,784</u>
Total assets	\$ <u>52,784</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payables	\$ <u>-</u>
Total liabilities	-
Fund balances:	
Restricted, reported in:	
Capital projects funds	<u>52,784</u>
Total fund balance	<u>52,784</u>
Total liabilities and fund balances	\$ <u>52,784</u>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2016

	<b>Education                      Technology                      Equipment Act                      31900</b> <hr style="border: 0.5px solid black;"/>
Revenues:	
Proceeds from sale of bond	\$ 100,000 <hr style="border: 0.5px solid black;"/>
Total revenues	100,000
Expenditures:	
Current:	
Direct instruction	47,216 <hr style="border: 0.5px solid black;"/>
Total expenditures	47,216 <hr style="border: 0.5px solid black;"/>
Net changes in fund balances	52,784
Fund balance - beginning of year	- <hr style="border: 0.5px solid black;"/>
Fund balance - end of year	\$ 52,784 <hr style="border: 0.5px solid black;"/>

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 EDUCATION TECHNOLOGY EQUIPMENT ACT CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 100,000	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Capital outlay	-	100,000	47,216	52,784
Total expenditures	-	100,000	47,216	52,784
Excess (deficiency) of revenues over expenditures	-	(100,000)	(47,216)	52,784
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(100,000)	(47,216)	52,784
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ (47,216)</u>	<u>\$ 52,784</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (47,216)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ (47,216)</u>	

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

**MAJOR CAPITAL PROJECTS FUNDS**



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 BOND BUILDING FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Capital outlay	749,999	749,999	707,667	42,332
Total expenditures	749,999	749,999	707,667	42,332
Excess (deficiency) of revenues over expenditures	(749,999)	(749,999)	(707,667)	42,332
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(749,999)	(749,999)	(707,667)	42,332
Fund balance - beginning of year	750,000	750,000	750,000	-
Fund balance - end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 42,333</u>	<u>\$ 42,332</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (707,667)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (707,667)</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 CAPITAL IMPROVEMENTS SB-9 CAPITAL PROJECTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 118,715	\$ 118,715	\$ 133,264	\$ 14,549
Miscellaneous	-	-	4,885	4,885
State sources	-	5,147	-	5,147
Total revenues	118,715	123,862	138,149	24,581
Expenditures				
Current:				
Operation and maintenance	126,200	172,581	75,366	97,215
Capital outlay	13,939	13,939	-	13,939
Total expenditures	140,139	186,520	75,366	111,154
Excess (deficiency) of revenues over expenditures	(21,424)	(62,658)	62,783	135,735
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(21,424)	(62,658)	62,783	135,735
Fund balance - beginning of year	42,677	42,677	42,677	-
Fund balance - end of year	<u>\$ 21,253</u>	<u>\$ (19,981)</u>	<u>\$ 105,460</u>	<u>\$ 135,735</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 62,783	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ 62,783</u>	

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

**MAJOR DEBT SERVICE FUNDS**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 DEBT SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 204,742	\$ 204,742	\$ 212,926	\$ 8,184
Total revenues	204,742	204,742	212,926	8,184
Expenditures				
Current:				
Instructional support	2,300	2,300	2,124	176
Debt service				
Reserve	234,007	234,007	-	234,007
Bond	170,000	170,000	170,000	-
Interest	34,742	34,742	34,741	1
Total expenditures	441,049	441,049	206,865	234,184
Excess (deficiency) of revenues over expenditures	(236,307)	(236,307)	6,061	242,368
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(236,307)	(236,307)	6,061	242,368
Fund balance - beginning of year	-	-	206,471	206,471
Fund balance - end of year	<u>\$ (236,307)</u>	<u>\$ (236,307)</u>	<u>\$ 212,532</u>	<u>\$ 448,839</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 6,061	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ 6,061</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 EDUCATION TECHNOLOGY DEBT SERVICE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 28,295	\$ 28,295	\$ 72,097	\$ 72,097
Total revenues	28,295	28,295	72,097	72,097
Expenditures				
Current:				
Support Services	400	600	723	(123)
Debt service				
Reserve	38,082	37,882	-	37,882
Bond	28,000	28,000	28,000	-
Interest	398	398	398	-
Total expenditures	66,880	66,880	29,121	37,759
Excess (deficiency) of revenues over expenditures	(38,585)	(38,585)	42,976	4,391
Other financing sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(38,585)	(38,585)	42,976	4,391
Fund balance - beginning of year	62,773	62,773	62,773	-
Fund balance - end of year	\$ 24,188	\$ 24,188	\$ 105,749	\$ 4,391
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 42,976	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 42,976	

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

**GENERAL FUND**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING BALANCE SHEET  
 GENERAL FUND  
 JUNE 30, 2016

	<b>Operational 11000</b>	<b>Teacherage 12000</b>	<b>Transportation 13000</b>	<b>Instructional Material 14000</b>	<b>Total</b>
<b>ASSETS</b>					
Cash	\$ 90,305	\$ 13,230	\$ -	\$ 1,595	\$ 105,130
Taxes receivable	3,460	-	-	-	3,460
Due from other funds	146,341	-	-	-	146,341
Total assets	\$ 240,106	\$ 13,230	\$ -	\$ 1,595	\$ 254,931
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>					
Deferred inflows:					
Property tax	\$ 1,828	\$ -	\$ -	\$ -	\$ 1,828
Total deferred inflows	1,828	-	-	-	1,828
Fund balances:					
Unassigned, reported in:					
General fund	238,278	13,230	-	1,595	253,103
Total fund balances	238,278	13,230	-	1,595	253,103
Total liabilities, deferred inflows, and fund balances	\$ 240,106	\$ 13,230	\$ -	\$ 1,595	\$ 254,931

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Operational 11000</b>	<b>Teacherage 12000</b>	<b>Transportation 13000</b>	<b>Instructional Material 14000</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ 34,060	\$ -	\$ -	\$ -	\$ 34,060
Charges for services	-	3,100	-	-	3,100
State sources	1,641,907	-	-	5,379	1,647,286
Transportation distribution	-	-	72,056	-	72,056
Earnings from investments	-	-	-	-	-
Miscellaneous	11,508	-	-	-	11,508
	<u>1,687,475</u>	<u>3,100</u>	<u>72,056</u>	<u>5,379</u>	<u>1,768,010</u>
Total revenues	1,687,475	3,100	72,056	5,379	1,768,010
<b>EXPENDITURES</b>					
Current:					
Direct instruction	806,297	-	-	9,050	815,347
Instructional support	476,951	-	-	-	476,951
Central services	112,886	-	-	-	112,886
Operation and maintenance	355,197	8,216	-	-	363,413
Transportation	-	-	72,056	-	72,056
Food services	39,154	-	-	-	39,154
	<u>1,790,485</u>	<u>8,216</u>	<u>72,056</u>	<u>9,050</u>	<u>1,879,807</u>
Total expenditures	1,790,485	8,216	72,056	9,050	1,879,807
Net change in fund balance	(103,010)	(5,116)	-	(3,671)	(111,797)
Fund balance at beginning of year	<u>341,288</u>	<u>18,346</u>	<u>-</u>	<u>5,266</u>	<u>364,900</u>
Fund balance at end of year	<u>\$ 238,278</u>	<u>\$ 13,230</u>	<u>\$ -</u>	<u>\$ 1,595</u>	<u>\$ 253,103</u>

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



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 OPERATIONAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 29,692	\$ 29,692	\$ 34,060	\$ 4,368
State sources	1,635,215	1,639,330	1,641,907	2,577
Earnings from investments	750	750	-	(750)
Miscellaneous	-	-	11,508	11,508
	<u>1,665,657</u>	<u>1,669,772</u>	<u>1,687,476</u>	<u>17,704</u>
Total revenues				
Expenditures:				
Current:				
Direct instruction	923,068	928,068	806,297	121,771
Instruction support	515,110	515,110	476,951	38,159
Central services	119,436	119,436	112,886	6,550
Operation and maintenance	394,420	404,225	355,197	49,028
Food services	40,000	40,000	39,154	846
	<u>2,003,247</u>	<u>2,018,052</u>	<u>1,790,485</u>	<u>227,567</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>(337,590)</u>	<u>(348,280)</u>	<u>(103,009)</u>	<u>245,271</u>
Other financial sources (uses)				
Designated cash	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balance	(337,590)	(348,280)	(103,009)	245,271
Fund balance - beginning of year	<u>341,288</u>	<u>341,288</u>	<u>341,288</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,698</u>	<u>\$ (6,992)</u>	<u>\$ 238,279</u>	<u>\$ 245,271</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (103,009)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (103,009)</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TEACHERAGE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
Charges for services	\$ 2,400	\$ 2,400	\$ 3,100	\$ 700
Total revenues	2,400	2,400	3,100	700
Expenditures:				
Current:				
Operation and maintenance	20,442	20,442	8,216	12,226
Total expenditures	20,442	20,442	8,216	12,226
Excess (deficiency) of revenues over expenditures	(18,042)	(18,042)	(5,116)	12,926
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(18,042)	(18,042)	(5,116)	12,926
Fund balance - beginning of year	18,346	18,346	18,346	-
Fund balance - end of year	<u>\$ 304</u>	<u>\$ 304</u>	<u>\$ 13,230</u>	<u>\$ 12,926</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (5,116)	
Net revenue accruals			-	
Net expenditure accruals			<u>-</u>	
Net changes in fund balance GAAP basis			<u>\$ (5,116)</u>	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 TRANSPORTATION FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP  
 BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues:				
State sources	\$ -	\$ 72,056	\$ 72,056	\$ -
Total revenues	-	72,056	72,056	-
Expenditures:				
Current:				
Transportation	-	72,056	72,056	-
Total expenditures	-	72,056	72,056	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ -	

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

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 INSTRUCTIONAL MATERIALS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-  
 GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
Revenues:				
State sources	\$ -	\$ 4,688	\$ 5,379	\$ 691
Total revenues	-	4,688	5,379	691
Expenditures:				
Current:				
Direct instruction	-	9,954	9,051	903
Total expenditures	-	9,954	9,051	903
Excess (deficiency) of revenues over expenditures	-	(5,266)	(3,672)	1,594
Other financial sources (uses)				
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	-	(5,266)	(3,672)	1,594
Fund balance - beginning of year	5,266	5,266	5,266	-
Fund balance - end of year	\$ 5,266	\$ -	\$ 1,594	\$ 1,594
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (3,672)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (3,672)	

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

**SUPPLEMENTAL INFORMATION**

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)  
 FOR THE YEAR ENDED JUNE 30, 2016

<b>RFB#/RFP#</b>	<b>Type of Procurement</b>	<b>Awarded Vendor</b>	<b>\$ Amount of Awarded Contract</b>	<b>\$ Amount of Amended Contract</b>	<b>Name and Physical Address per the Procurement Documentation of ALL Vendor(s) that Responded</b>	<b>In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)</b>	<b>Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A</b>	<b>Brief Description of the Scope of Work</b>
------------------	----------------------------	-----------------------	--------------------------------------	--------------------------------------	--	--	---	---

None Noted

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

	23001	23002	23003	23004	23008	23009	23010	23012	
						High School	General	Golden	
	Class of 2019	Class of 2020	Class of 2015	Class of 2016	Cheerleaders	Student	Activity	Apple	
						Council	Account	Grant	
Beginning Cash	\$ 1,568	\$ 696	\$ 15	\$ 540	\$ 1,258	\$ 4,769	\$ 119	\$ 1,352	
Additions	269	790	384	30	-	-	789	-	
Deletions	<u>(30)</u>	<u>(419)</u>	<u>(253)</u>	<u>(559)</u>	<u>-</u>	<u>(3,454)</u>	<u>(844)</u>	<u>-</u>	
<b>Ending Cash</b>	<b><u>\$ 1,807</u></b>	<b><u>\$ 1,067</u></b>	<b><u>\$ 146</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 1,258</u></b>	<b><u>\$ 1,315</u></b>	<b><u>\$ 64</u></b>	<b><u>\$ 1,352</u></b>	
Beginning Liabilities:	\$ 1,568	\$ 696	\$ 15	\$ 540	\$ 1,258	\$ 4,769	\$ 119	\$ 1,352	
Additions	269	790	384	30	-	-	789	-	
Deletions	<u>(30)</u>	<u>(419)</u>	<u>(253)</u>	<u>(559)</u>	<u>-</u>	<u>(3,454)</u>	<u>(844)</u>	<u>-</u>	
<b>Ending Liabilities</b>	<b><u>\$ 1,807</u></b>	<b><u>\$ 1,067</u></b>	<b><u>\$ 146</u></b>	<b><u>\$ 11</u></b>	<b><u>\$ 1,258</u></b>	<b><u>\$ 1,315</u></b>	<b><u>\$ 64</u></b>	<b><u>\$ 1,352</u></b>	
	23013	23016	23020	23025	23026	23035	23040	23015	
	Elementary	Shop Fund	Fiesta Fund	Class of 2017	Class of 2018	Athletic	FFA	BPA	TOTAL
	Student					Fundraising			
	Council					Acct			
Beginning Cash	\$ 2,459	\$ 1,242	\$ 2,244	\$ 2,294	\$ 349	\$ 3,383	\$ 434	\$ -	\$ 22,722
Additions	-	-	-	2,550	1,911	-	2,972	2,000	11,695
Deletions	<u>(154)</u>	<u>-</u>	<u>(1,285)</u>	<u>(3,969)</u>	<u>(1,213)</u>	<u>-</u>	<u>(2,418)</u>	<u>216</u>	<u>(14,382)</u>
<b>Ending Cash</b>	<b><u>\$ 2,305</u></b>	<b><u>\$ 1,242</u></b>	<b><u>\$ 959</u></b>	<b><u>\$ 875</u></b>	<b><u>\$ 1,047</u></b>	<b><u>\$ 3,383</u></b>	<b><u>\$ 988</u></b>	<b><u>\$ 2,216</u></b>	<b><u>\$ 20,035</u></b>
Beginning Liabilities:	\$ 2,459	\$ 1,242	\$ 2,244	\$ 2,294	\$ 349	\$ 3,383	\$ 434	\$ -	\$ 22,722
Additions	-	-	-	2,550	1,911	-	2,972	2,000	11,695
Deletions	<u>(154)</u>	<u>-</u>	<u>(1,285)</u>	<u>(3,969)</u>	<u>(1,213)</u>	<u>-</u>	<u>(2,418)</u>	<u>216</u>	<u>(14,382)</u>
<b>Ending Liabilities</b>	<b><u>\$ 2,305</u></b>	<b><u>\$ 1,242</u></b>	<b><u>\$ 959</u></b>	<b><u>\$ 875</u></b>	<b><u>\$ 1,047</u></b>	<b><u>\$ 3,383</u></b>	<b><u>\$ 988</u></b>	<b><u>\$ 2,216</u></b>	<b><u>\$ 20,035</u></b>

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF PLEDGED COLLATERAL  
 JUNE 30, 2016

Everyone's Federal Credit Union

Description of Pledge Collateral	<u>Market Value</u>	<u>Maturity Date</u>
<b>Tiered Maturities</b>		
Flushing Bank of NY CD	\$ 248,000	03/31/17
Comenity Corp Bank CD	248,000	05/31/19
Medallion Bank Salt Lake CD	248,000	04/25/17
Compass Bank CD	248,000	05/30/18
Washington TR Co. CD	248,000	09/04/18
JP Morgan Chase Bank N.A. CD	248,000	03/25/18
Ally Bank CD	<u>248,000</u>	03/19/18
Total	<u>\$ 1,736,000</u>	

Vaughn Municipal Schools secures their public monies in CD's. The Schools are in compliance as disclosed in Note 3.



STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF DEPOSITS AND INVESTMENT ACCOUNTS  
 JUNE 30, 2016

	Account Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
<b>Everyone's Federal Credit Union</b>				
General Operational	Checking	\$ 945,342	\$ (205,758)	\$ 739,584
Activity Fund	Checking	<u>20,089</u>	<u>(54)</u>	<u>20,035</u>
Total EFCU		965,431	(205,812)	759,619
<b>New Mexico Finance Authority</b>				
Restricted Cash	Savings	42,333	-	42,333
Restricted Cash	Savings	<u>52,758</u>	<u>-</u>	<u>52,758</u>
Total NMFA		<u>95,091</u>	<u>-</u>	<u>95,091</u>
Total deposits		<u>\$ 1,060,522</u>	<u>\$ (205,812)</u>	<u>\$ 854,710</u>

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
CASH RECONCILIATION  
JUNE 30, 2016

	<u>Operational 11000</u>	<u>Teacherage 12000</u>	<u>Transportation 13000</u>	<u>Instructional Materials 14000</u>	<u>Food Service 21000</u>	<u>Athletics Account 22000</u>	<u>Federal Flowthrough 24000</u>	<u>Federal Direct 25000</u>	
Cash, June 30, 2015	\$ 340,579	\$ 18,346	\$ -	\$ 5,266	\$ 6,889	\$ 2,247	\$ (16,544)	\$ 24,122	
Cash receipts, 2015-2016	1,686,553	3,100	72,056	5,379	48,484	14,432	67,256	15,786	
Cash disbursements, 2015-2016	<u>(1,790,485)</u>	<u>(8,216)</u>	<u>(72,056)</u>	<u>(9,051)</u>	<u>(51,382)</u>	<u>(11,330)</u>	<u>(59,176)</u>	<u>(5,897)</u>	
Cash balance, June 30, 2016	<u>\$ 236,647</u>	<u>\$ 13,230</u>	<u>\$ -</u>	<u>\$ 1,594</u>	<u>\$ 3,991</u>	<u>\$ 5,349</u>	<u>\$ (8,464)</u>	<u>\$ 34,011</u>	
	<u>State Flowthrough 26000</u>	<u>State Flowthrough 27000</u>	<u>Local / State 29000</u>	<u>Bond Building 31100</u>	<u>Cap. Impro. SB 9 31700</u>	<u>ED Tech Equip Act 31900</u>	<u>Debt Service Fund 41000</u>	<u>Ed. Tech. Debt Service 43000</u>	<u>Total</u>
Cash, June 30, 2015	\$ 1,806	\$ (45,443)	\$ -	\$ 750,000	\$ 62,658	\$ 1	\$ 203,334	\$ 61,345	\$ 1,414,606
Cash receipts, 2015-2016	-	125,419	134,100	-	140,299	100,000	212,394	72,284	2,697,542
Cash disbursements, 2015-2016	<u>-</u>	<u>(179,218)</u>	<u>-</u>	<u>(707,667)</u>	<u>(99,793)</u>	<u>(47,217)</u>	<u>(206,865)</u>	<u>(29,121)</u>	<u>(3,277,474)</u>
Cash balance, June 30, 2016	<u>\$ 1,806</u>	<u>\$ (99,242)</u>	<u>\$ 134,100</u>	<u>\$ 42,333</u>	<u>\$ 103,164</u>	<u>\$ 52,784</u>	<u>\$ 208,863</u>	<u>\$ 104,508</u>	<u>\$ 834,674</u>

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 JOINT POWERS AGREEMENTS  
 JUNE 30, 2016

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
Town of Vaughn	Exchange of Equipment	7/1/2014	6/30/2016	-	-	Each their own/annual renewal
Red Cross	Emergency Shelter	-	No end date	Utilities/Sanitary Supplies	-	Vaughn Schools - no reimbursement

## COMPLIANCE SECTION



# Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner  
Christine Wright, CPA, Partner  
Beth Fant, EA, Partner  
Brad Beasley, CPA, Partner

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

Mr. Timothy Keller  
State Auditor of the State of New Mexico  
Board of Directors of Vaughn Municipal Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of Vaughn Municipal Schools (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and the combined and individual funds and related budgetary comparisons presented as supplementary information, and have issued our report thereon dated November 10, 2016

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2016-001)

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Beasley Mitchell & Co LLP*

Beasley, Mitchell & Co., LLP

Las Cruces, New Mexico

November 10, 2016

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

**PRIOR AUDIT FINDINGS**

**Current status**

None noted

**CURRENT AUDIT FINDINGS**

**Current status**

2016-001

Expenditures in Excess of Budget

STATE OF NEW MEXICO  
 VAUGHN MUNICIPAL SCHOOLS  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED JUNE 30, 2016

**Expenditures in Excess of Budget (Significant Deficiency) - 2016-001**

---

**CONDITION**                    The following funds remitted payments for goods and services in excess of the adopted budget as follows:

<u>Fund</u>	<u>Reason</u>	<u>Budget Expenses</u>	<u>Actual Expenses</u>	<u>Difference</u>
Education Technology				
Debt Service Fund	Support Services expense	600	723	123
Totals		<u>\$ 600</u>	<u>\$ 723</u>	<u>\$ 123</u>

**CRITERIA**                    Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payment in excess of the approved budget. The District has the obligation to follow applicable state statutes.

**CAUSE**                        The school did not have enough time to make a resolution for budget adjustment at the end of the year.

**EFFECT**                      The District is in non compliance with the state, since all funds must be budgeted for. Non-compliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

**RECOMMENDATION**      Both the Superintendent and the Business Manager devote sufficient time to review the final budget reports to identify any funds with expenditures in excess of budget. A budget resolution should be prepared for excess expenditures.

**RESPONSE**                    Management has implemented steps to ensure Budget Adjustment Requests will be done to avoid over expenditure of budget.

**EXPECTED COMPLETION: 06/30/2017**

**Responsible Employee: Business Manager**



STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
FINANCIAL STATEMENT PREPARATION  
FOR THE YEAR ENDED JUNE 30, 2016

The financial statements of Vaughn Municipal Schools as of, and for the year ended June 30, 2016 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible District personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

STATE OF NEW MEXICO  
VAUGHN MUNICIPAL SCHOOLS  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2016

An entrance conference was conducted August 30, 2016 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Jack Props	Superintendent
Trude Bauler	Business Manager

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior
Avi Chettry	Staff

An exit conference was conducted September 1, 2016 in a closed meeting of the Vaughn Municipal School pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Vaughn Municipal Schools

Dr. Jack Props	Superintendent
Rudy Martinez	Board Member
Trude Bauler	Business Manager

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior
Avi Chettry	Staff