

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS**

**AUDITED FINANCIAL STATEMENTS AND
ANNUAL FINANCIAL REPORT
WITH INDEPENDENT AUDITORS'
REPORT THEREON
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS**

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WAGON MOUND PUBLIC SCHOOLS**

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WAGON MOUND PUBLIC SCHOOLS**

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS**

OFFICIAL ROSTER

JUNE 30, 2017

Board of Education

Tony Rubin..... Chairman
Andres Martinez..... Vice Chairman
Sonia Cruz-Olguin..... Secretary/Treasurer
Eldie Cruz Member
Tom Herrera..... Member

School Officials

Sheryl McNellis-Martinez Superintendent
Teresa P. Casias Business Manager



Independent Auditors' Report

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and
The Board of Education
Wagon Mound Public Schools
Wagon Mound, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Wagon Mound School District (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds and fiduciary funds as of and for the year ended June 30, 2017, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and respective budgetary comparisons for the general fund and the 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:

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *Schedule of the District's Proportionate Share of the Net Pension Liability* on page 50, the *Schedule of the District's Contributions* on page 51 and the notes to the required supplementary information on page 52 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 and historical context. We have applied certain limited procedures to the Schedule of the District's Proportionate Share of the Net Pension Liability 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 District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and related 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 the auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Auditors – Business Consultants – CPAs

Albuquerque, New Mexico
November 10, 2017

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 369,840
Receivables	126,894
Inventory	1,576
Total Current Assets	498,310
Noncurrent Assets	
Capital Assets:	
Land	189,300
Capital Assets Being Depreciated	11,784,628
Less: Accumulated Depreciation	(7,380,459)
Total Noncurrent Assets	4,593,469
Deferred Outflows of Resources:	
Deferred Outflows of Resources, Pension Related	464,562
Total Deferred Outflows of Resources	464,562
Total Assets and Deferred Outflows of Resources	\$ 5,556,341
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 113,853
Accrued Liabilities	226,849
Accrued Compensated Absences	10,339
Current Portion of Long-Term Debt	70,000
Total Current Liabilities	421,041
Noncurrent Liabilities:	
Bond Due in More than One Year	880,000
Net Pension Liability	3,113,897
Total Noncurrent Liabilities	3,993,897
Total Liabilities	4,414,938
Deferred Inflows of Resources:	
Deferred Inflows of Resources, Pension Related	44,166
Total Deferred Inflows of Resources	44,166
Total Liabilities and Deferred Inflows of Resources	4,459,104
NET POSITION	
Net Investment in Capital Assets	3,643,469
Restricted for:	
Special Revenue	17,715
Capital Projects	81,963
Debt Service	11,853
Unrestricted	(2,657,763)
Total Net Position	1,097,237
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 5,556,341

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions and Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for	Operating	Revenues and
		Services	Grants and	and Changes
			Contributions	in Net Position
PRIMARY GOVERNMENT				
Governmental Activities	\$ 1,729,257	\$ 5,985	\$ 113,061	\$ (1,610,211)
Support Services	1,158,840	-	5,675	(1,153,165)
Food Services Operation	112,183	-	-	(112,183)
Operation and Maintenance - Plant	5,819	-	-	(5,819)
Bond Interest Expense	35,063	-	-	(35,063)
Total Governmental Activities	\$ 3,041,162	\$ 5,985	\$ 118,736	(2,916,441)
General Revenues:				
Property Taxes:				
General Purpose				14,502
Capital Projects				77,376
Debt Service				95,573
State Equalization Guarantee Revenue				2,083,783
Total General Revenues				2,271,234
Change in Net Position				(645,207)
Beginning Net Position				1,742,444
Ending Net Position				\$ 1,097,237

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017**

	Operational	Pupil Transportation	Instructional Materials	Title I IASA
ASSETS				
Cash and Temporary Investments	\$ 254,552	\$ 10,869	\$ 2,736	\$ -
Receivables:				
Property Taxes	253	-	-	-
Due From Other Governments	-	-	-	582
Inventory	-	-	-	-
Total Assets	<u>\$ 254,805</u>	<u>\$ 10,869</u>	<u>\$ 2,736</u>	<u>\$ 582</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ -	\$ -	\$ -	\$ 7,978
Accounts Payable	15,791	-	-	-
Accrued Liabilities	192,937	10,869	-	10,603
Other Liabilities	-	-	-	-
Total Liabilities	<u>208,728</u>	<u>10,869</u>	<u>-</u>	<u>18,581</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	-	-
Restricted for:				
Pupil Transportation	-	-	-	-
Instructional Materials	-	-	2,736	-
Special Revenue	-	-	-	(17,999)
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Unassigned	46,077	-	-	-
Total Fund Balances	<u>46,077</u>	<u>-</u>	<u>2,736</u>	<u>(17,999)</u>
Total Liabilities and Fund Balances	<u>\$ 254,805</u>	<u>\$ 10,869</u>	<u>\$ 2,736</u>	<u>\$ 582</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
AS OF JUNE 30, 2017**

	Entitlement IDEA-B	Educational Technology Equipment Act	Other Governmental Funds	Total Governmental Activities
ASSETS				
Cash and Temporary Investments	\$ -	\$ -	\$ 249,100	\$ 517,257
Receivables:				
Property Taxes	-	-	3,565	3,818
Due From Other Governments	7,016	-	115,478	123,076
Inventory	-	-	1,576	1,576
Total Assets	<u>\$ 7,016</u>	<u>\$ -</u>	<u>\$ 369,719</u>	<u>\$ 645,727</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ 18,591	\$ 109,432	\$ 11,416	\$ 147,417
Accounts Payable	-	-	98,062	113,853
Accrued Liabilities	2,527	-	9,913	226,849
Other Liabilities	-	-	-	-
Total Liabilities	<u>21,118</u>	<u>109,432</u>	<u>119,391</u>	<u>488,119</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	1,576	1,576
Restricted for:				
Pupil Transportation	-	-	-	-
Instructional Materials	-	-	-	2,736
Special Revenue	(14,102)	-	45,504	13,403
Capital Projects	-	(109,432)	191,395	81,963
Debt Service	-	-	11,853	11,853
Unassigned	-	-	-	46,077
Total Fund Balances	<u>(14,102)</u>	<u>(109,432)</u>	<u>250,328</u>	<u>157,608</u>
Total Liabilities and Fund Balances	<u>\$ 7,016</u>	<u>\$ -</u>	<u>\$ 369,719</u>	<u>\$ 645,727</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Funds
Amounts reported for governmental activities in the statement of net position are different because:	
Fund Balance - Total Governmental Funds	\$ 157,608
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, (net):	4,593,469
Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds	464,562
Defined benefit pension plan deferred inflows are not financial resources and, therefore, are not reported in the funds	(44,166)
Long-Term Liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds Payable	(950,000)
Net Pension Liability	(3,113,897)
Compensated Absences	(10,339)
Net Position per Statement of Net Position	<u>\$ 1,097,237</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Operational	Pupil Transportation	Instructional Materials	Title I IASA
REVENUES:				
Taxes	\$ 14,502	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	263	-	-	-
State Sources	1,853,688	101,091	3,532	-
Federal Sources	-	-	-	64,635
Earnings from Investments	-	-	-	-
Other	2,744	-	-	-
Donations	148	-	-	-
Total Revenues	<u>1,871,345</u>	<u>101,091</u>	<u>3,532</u>	<u>64,635</u>
EXPENDITURES:				
Current:				
Direct Instruction	945,396	-	7,359	58,743
Instructional Support	921,986	112,071	-	23,749
Food Services	56,623	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
TOTAL EXPENDITURES	<u>1,924,005</u>	<u>112,071</u>	<u>7,359</u>	<u>82,492</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(52,660)</u>	<u>(10,980)</u>	<u>(3,827)</u>	<u>(17,857)</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(52,660)	(10,980)	(3,827)	(17,857)
Fund Balance at Beginning of Year	<u>98,737</u>	<u>10,980</u>	<u>6,563</u>	<u>(142)</u>
Fund Balance at End of Year	<u>\$ 46,077</u>	<u>\$ -</u>	<u>\$ 2,736</u>	<u>\$ (17,999)</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	Entitlement IDEA-B	Educational Technology Equipment Act	Other Governmental Funds	Total Governmental Activities
REVENUES:				
Taxes	\$ -	\$ -	\$ 172,949	\$ 187,451
Charges for Services	-	-	5,985	5,985
Local Sources	-	-	5,412	5,675
State Sources	-	-	125,472	2,083,783
Federal Sources	30,256	-	11,120	106,011
Earnings from Investments	-	-	-	-
Other	1,630	-	2,528	6,902
Donations	-	-	-	148
Total Revenues	<u>31,886</u>	<u>-</u>	<u>323,466</u>	<u>2,395,955</u>
EXPENDITURES:				
Current:				
Direct Instruction	24,912	-	85,908	1,122,318
Instructional Support	11,647	-	9,404	1,078,857
Food Services	-	-	47,175	103,798
Other	-	-	78,701	78,701
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	70,000	70,000
Bond Interest	-	-	35,063	35,063
TOTAL EXPENDITURES	<u>36,559</u>	<u>-</u>	<u>326,251</u>	<u>2,488,737</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,673)</u>	<u>-</u>	<u>(2,785)</u>	<u>(92,782)</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(4,673)	-	(2,785)	(92,782)
Fund Balance at Beginning of Year	<u>(9,429)</u>	<u>(109,432)</u>	<u>253,113</u>	<u>250,390</u>
Fund Balance at End of Year	<u>\$ (14,102)</u>	<u>\$ (109,432)</u>	<u>\$ 250,328</u>	<u>\$ 157,608</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Governmental Funds
Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balance - Total Governmental Funds	\$ (92,782)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period:	
Capital Outlay	-
Depreciation Expense	(483,774)
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Pension Expense	(137,068)
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. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Also, governmental funds report issuance of capital lease obligations as other financing sources while it is not accounted for in the statement of activities:	
Change in Compensated Absences	(1,583)
Principal Payments on Bonds	70,000
Change in Net Position - Total Governmental Activities	\$ (645,207)

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
OPERATIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ 14,502	\$ 14,502
Charges for Services	150	150	-	(150)
Local Sources	13,580	13,580	10	(13,570)
State Sources	1,779,845	1,791,682	1,853,905	62,223
Federal Sources	7,000	7,000	-	(7,000)
Earnings from Investments	-	-	-	-
Other	1,700	1,700	2,744	1,044
Donations	200	200	148	(52)
Total Revenues	<u>1,802,475</u>	<u>1,814,312</u>	<u>1,871,309</u>	<u>56,997</u>
EXPENDITURES:				
Current:				
Direct Instruction	977,306	977,307	945,396	31,911
Instructional Support	850,744	915,621	906,270	9,351
Food Services	55,709	56,623	56,623	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>1,883,759</u>	<u>1,949,551</u>	<u>1,908,289</u>	<u>41,262</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(81,284)</u>	<u>(135,239)</u>	<u>(36,980)</u>	<u>98,259</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(81,284)	(135,239)	(36,980)	98,259
Fund Balance at Beginning of Year	(89,536)	(106,455)	2,736	2,736
Fund Balance at End of Year	<u>\$ (170,820)</u>	<u>\$ (241,694)</u>	<u>\$ (34,244)</u>	<u>\$ 100,995</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 1,871,309
Revenues, Actual on Modified Accrual Basis	1,871,345
Current Year Asset Accrual	<u>\$ (36)</u>
Expenditures, Actual on a Budget Basis	\$ 1,908,289
Expenditures, Actual on Modified Accrual Basis	1,924,005
Prior Year liability accruals	<u>\$ (15,716)</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
PUPIL TRANSPORTATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	116,722	101,091	101,091	-
Federal Sources	-	-	-	-
Earnings from Investments	-	-	-	-
Other	-	-	-	-
Donations	-	-	-	-
Total Revenues	<u>116,722</u>	<u>101,091</u>	<u>101,091</u>	<u>-</u>
EXPENDITURES:				
Current:				
Direct Instruction	-	-	-	-
Instructional Support	116,722	106,583	106,581	2
Food Services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>116,722</u>	<u>106,583</u>	<u>106,581</u>	<u>2</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(5,492)</u>	<u>(5,490)</u>	<u>2</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(5,492)	(5,490)	2
Fund Balance at Beginning of Year	-	(11,328)	10,106	10,106
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ (16,820)</u>	<u>\$ 4,616</u>	<u>\$ 10,108</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 101,091
Revenues, Actual on Modified Accrual Basis	<u>101,091</u>
	<u>\$ -</u>
Expenditures, Actual on a Budget Basis	\$ 106,581
Expenditures, Actual on Modified Accrual Basis	<u>112,071</u>
Prior Year Accounts Payable	<u>\$ (5,490)</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
INSTRUCTIONAL MATERIALS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	2,824	2,610	3,532	922
Federal Sources	-	-	-	-
Earnings from Investments	-	-	-	-
Other	-	-	-	-
Donations	-	-	-	-
Total Revenues	<u>2,824</u>	<u>2,610</u>	<u>3,532</u>	<u>922</u>
EXPENDITURES:				
Current:				
Direct Instruction	2,824	9,174	7,359	1,815
Instructional Support	-	-	-	-
Food Services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>2,824</u>	<u>9,174</u>	<u>7,359</u>	<u>1,815</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>-</u>	<u>(6,564)</u>	<u>(3,827)</u>	<u>2,737</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(6,564)	(3,827)	2,737
Fund Balance at Beginning of Year	-	(3,269)	13,749	13,749
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ (9,833)</u>	<u>\$ 9,922</u>	<u>\$ 16,486</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 3,532
Revenues, Actual on Modified Accrual Basis	3,532
	<u>\$ -</u>
Expenditures, Actual on a Budget Basis	\$ 7,359
Expenditures, Actual on Modified Accrual Basis	7,359
	<u>\$ -</u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
TITLE I IASA FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	103,789	110,549	112,113	1,564
Earnings from Investments	-	-	-	-
Other	-	-	-	-
Donations	-	-	-	-
Total Revenues	<u>103,789</u>	<u>110,549</u>	<u>112,113</u>	<u>1,564</u>
EXPENDITURES:				
Current:				
Direct Instruction	80,038	86,798	58,743	28,055
Instructional Support	23,751	23,751	23,749	2
Food Services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>103,789</u>	<u>110,549</u>	<u>82,492</u>	<u>28,057</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>29,621</u>	<u>29,621</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	29,621	29,621
Fund Balance at Beginning of Year	-	-	(759)	(759)
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,862</u>	<u>\$ 28,862</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 112,113
Revenues, Actual on Modified Accrual Basis	64,635
Prior Year Receivable Accrual	<u>\$ 47,478</u>
Expenditures, Actual on a Budget Basis	\$ 82,492
Expenditures, Actual on Modified Accrual Basis	82,492
	<u>\$ -</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
ENTITLEMENT IDEA-B
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
– BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	42,706	72,768	36,527	(36,241)
Earnings from Investments	-	-	-	-
Other	-	-	1,630	1,630
Donations	-	-	-	-
Total Revenues	<u>42,706</u>	<u>72,768</u>	<u>38,157</u>	<u>(34,611)</u>
EXPENDITURES:				
Current:				
Direct Instruction	38,931	57,654	24,912	32,742
Instructional Support	3,775	15,114	12,275	2,839
Food Services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>42,706</u>	<u>72,768</u>	<u>37,187</u>	<u>35,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>970</u>	<u>970</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	970	970
Fund Balance at Beginning of Year	-	-	32,714	32,714
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,684</u>	<u>\$ 33,684</u>

Reconciliation of Budgetary Basis to GAAP Basis Financial Statements:

Revenues, Actual on a Budget Basis	\$ 38,157
Revenues, Actual on Modified Accrual Basis	<u>31,886</u>
Prior Year Receivable Accrual	<u>\$ 6,271</u>
Expenditures, Actual on a Budget Basis	\$ 37,187
Expenditures, Actual on Modified Accrual Basis	<u>36,559</u>
Prior Year Accounts Payable	<u>\$ 628</u>

STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION -
LIBRARY PRIVATE PURPOSE TRUST FUND
JUNE 30, 2017

	Library Private Purpose Trust Fund
Assets	
Cash and Cash Equivalents	\$ 7,312
Unrestricted Investments	31,790
Total Assets	\$ 39,102
Net Position	
Held in Trust for School Library	\$ 39,102
Total Net Position	\$ 39,102

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017**

	<u>Agency Fund</u>
Assets	
Cash and Cash Equivalents	\$ <u>36,092</u>
Total Assets	\$ <u><u>36,092</u></u>
Liabilities	
Due to Student Groups	\$ <u>36,092</u>
Total Liabilities	\$ <u><u>36,092</u></u>

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wagon Mound Public School District (District) has been in existence since the early 1900s and is currently operating under the provision of the Public School Code, Chapter 22 of the New Mexico Statutes Annotated, 1978 and is governed by a five member Board (Board) each elected for four year terms by registered voters of the District.

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

A. Reporting Entity

GASB Statement No. 61 and the amendment of GASB Statement No. 14 established criteria for determining the government reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 61, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The District also has no component units, as defined by GASB as there are no other legally separate organizations for which the elected School Board members are financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or benefit directly from goods, services or privileges provided by a given function or segment, and 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.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

C. Measurement Focus and 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 has been incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when the related liability is incurred, the same 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, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private sector guidance.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which include revenues received from state and federal sources such as Title I, IDEA-B, Charter Schools and Magnet School funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expenses of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Basis of Presentation

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

Governmental Funds

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

General Fund

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds

The Special Revenue Funds accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Projects Funds

The Capital Projects Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Debt Service Funds

The Debt Service Fund accounts for the services of long-term debt not being financed by proprietary or non-expendable trust funds.

Under the requirements of GASB statement No. 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which may include funds that were not required to be presented as major but were at the discretion of management:

General Fund

General Fund (11000) – The primary operating fund of the District accounts for all financial resources except those required to be accounted for in other funds. Per GASB, the General Fund is always considered a major fund.

The Pupil Transportation Fund (13000) – used to account for the State Equalization received from the NM Public Education Department (PED), which is used to pay for the costs associated with transporting school-age children. This is considered by PED to be a sub-fund of the General Fund.

Instructional Materials Fund (14000) – used to account for the monies received from PED for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. This is considered by PED to be a sub-fund of the General Fund.

Special Revenue Funds

Title I IASA Fund (24101) – provides supplemental educational opportunities for academically disadvantaged children residing in the area. Campuses are identified for program participation by the percentage of students on free or reduced price lunch plans. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District-established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the PED. Authority for creation of this fund is Part A of the Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Entitlement IDEA-B (24106)

The Entitlement IDEA-B program is to provide grants to states that flow through to schools, to assist them in providing free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Section 611-617, and part D, Section 619, as amended, 20 U.S.C. 1711-1417 and 1420.

Capital Projects Fund

Educational Technology Equipment Act (31900)

To account for purchases of computer equipment and computer software. The authority for the 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental Funds with Deficit Balances

The following funds had deficit fund balances at June 30, 2017: Title I IASA: \$17,999; Entitlement IDEA-B: \$14,102; Ed. Tech: \$109,432; Fresh Fruits in Classroom: \$1,791; Teacher Principal Recruiting: \$132; NM Pre-K Initiative: \$321.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support the District's programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. The fiduciary fund consists of the following two funds:

The Library Private Purpose Trust Fund – accounts for assets held by the District as an agent for the Wagon Mound Public Library Board of Directors. The intent of the donors was that principal and income of stock donated to the District could only be used for the School library.

The Agency Funds – accounts for resources held by the District in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of fiduciary resources to student activity groups.

GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy or spending constraints for spendable resources and requires disclosures of nonspendable and spendable resources.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Fund Balance

1. 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 investment of the District's funds in a wide variety of instruments, including certificates of deposit and other similar obligations, state investment pool and money market accounts. The District is also allowed to invest in United States Government obligations. All funds of the District must follow these investment guidelines.

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

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 100% of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

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.

2. Receivables and Payables

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District receives monthly income from a tax levy in Mora County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Mora County Treasurer in July and August, 2017, is considered measurable and available and, accordingly, is recorded as revenue during the year ended June 30, 2017.

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

3. 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.

4. Instructional Materials

PED receives federal material leasing funds from which it makes annual allocations to various schools districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of material listed in the PED "State Adopted Instructional Manual" list. The other fifty percent of each allocation is available for purchases directly from vendors, for which the school district receives cash drawdowns or transfers to the other fifty percent account for requisitions of materials from the adopted list.

5. Inventories

Inventory is valued at lower of cost (first in, first out) or market. Inventory in the Special Revenue Funds consists of USDA commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as expenditures at the time individual inventory items are consumed. The USDA commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories and deferred revenues. 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.

6. Capital Assets

Capital assets, which include property, plant and equipment (including computer software), 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally developed software. Library books are also being capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2017.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction projects has not been capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	40 - 50
Building Improvements	20
Land Improvements	10 - 20
Vehicles	5 - 7
Office Equipment	5
Computer Equipment	3 - 5

7. Compensated Absences

All personnel employed by the District are entitled to leave as per the following categories and schedules.

Annual leave – Twelve month employees are entitled to annual leave with full pay computed as follows:

- 1 – 4 consecutive years of employment: 10 days
- 5 – 19 consecutive years of employment: 15 days
- 20 plus consecutive years of employment: 20 days

Twelve month employees who have resigned, retired or who have been laid off or dismissed are entitled to and shall be paid for a maximum of 20 days of earned and unused annual leave.

The District's recognition and measurement criteria for compensated absences follow GASB Statement No. 16, which provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by employees if the employees right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits at termination or retirement.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account Compensated Absences Payable in the fund from which the employees who have accumulated unpaid leave are paid. 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 Position.

8. Unearned Revenues

The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements. For the fiscal year ended June 30, 2017, there was no unearned revenue.

9. Deferred Outflows / Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide and fund level financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net position by the government which is applicable to a future reporting period. See Note 9 for a description of deferred outflows and inflows or resources for the year ended June 30, 2017.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

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 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 capital projects expenditures.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11. Fund Balance and Net Position

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

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

Restricted Net Position: Net position is reported as restricted when constraints that are placed on net position use either (1) externally imposed by creditors, grantors, contributions or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Net position which does not meet the definition of "restricted" and "net investment in capital assets".

In the fund financial statements, governmental funds report aggregate amounts for several classifications of fund balances based on the constraints that are imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form (prepaid items, inventories) or legally contractually required to be maintained intact. The District has inventories that are considered nonspendable. The District will maintain a fund balance equal to the value of inventory balances and prepaid items (to the extent that such balances are not offset by liabilities and actually result in fund balance). The District does not have any prepaid items or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Nonspendable fund balances includes amount that are not in spendable form or are legally or contractually required to be maintained intact. This criterion includes items that are not expected to be converted to cash such as inventories, prepaid items and long-term notes receivable.

Restricted fund balances are constrained by external parties, constitutional provisions or enabling legislation.

Committed fund balances contain self-imposed constraints of the government from its highest level of decision making authority or the Board of Education. Commitments will only be used for specific purposes pursuant to a formal action by the Board of Education.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balances contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned fund balances of the general fund are not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then restricted resources – committed, assigned, and unassigned in that order.

Nonspendable refers to inventories totaling \$2,294 that are classified as nonspendable.

Spendable refers to the Districts spendable fund balances as restricted, assigned and unassigned and considers each to have been spent when expenditures are incurred. The District currently has no funds classified as committed.

Restricted for grant activities, food services, instructional materials, debt service, capital projects and pupil transportation means that federal and state statutes require that certain revenues be specifically designed for the purposes of federal and state grant activities, food services, debt service and capital projects. The funds have been included in restricted category of fund balance.

12. Interfund Transactions

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

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

13. Indirect Costs

The District's general fund receives indirect cost reimbursements from the various federal programs it administers. These reimbursements are for expenses incurred in performing administrative functions on behalf of the special revenue funds. They are shown as expenditures in the special revenue funds and as other special federal revenue in the general fund.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Estimates

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

15. 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 cost."

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration early childhood education, basic education, special education, bilingual multicultural education, size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,420,801 in state equalization guarantee during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be measurable and available. The District recognized \$161,143 in tax revenues during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds found in these financial statements include information regarding the authority for the collection and use of these taxes.

Mora County levies and collects the property taxes on real property for Wagon Mound Public Schools on November 10 and April 10 of each year. Taxes become delinquent by December 10 and May 10, respectively and liens are filed by Mora County on property that is delinquent for three years. Property taxes collected and held by the county at year-end on behalf of the District are included in an account called Due From Other Governments.

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 \$102,604 in transportation distributions during the year ended June 30, 2017.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Instructional Materials: The New Mexico Public Education Department (PED) receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed in the State Board of Education "State-Adopted Instructional Material" list, while the other fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the PED for the year ended June 30, 2017 totaled \$4,119.

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

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

- A critical need exists requiring action;
- The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
- The School district has used its resources in a prudent manner;
- The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year as certified by the property tax division; and
- The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

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

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

During the year ended June 30, 2017, the District did not receive any special capital outlay (state) funds.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

The District did not receive any instate SB-9 matching during the year ended June 30, 2017.

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets for the general, special revenue, capital projects and debt service funds are prepared by management and are approved by the local Board and Public School Budget and Planning Unit of the Department of Education. Auxiliary student activity accounts are not budgeted.

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

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a series, this may be accomplished with only local Board approval. If a transfer between series or a budget increase is required, approval must also be obtained from the 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 Department of Education.
2. In May or June, the budget is approved by the Board of Education.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting is called.
4. The operating budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board and the PED.
5. 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.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting them in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
9. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenues funds, debt service funds and capital projects funds.
10. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis not consistent with GAAP. Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balances. New Mexico State Law prohibits a governmental agency from exceeding an individual line item.

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3: CASH AND TEMPORARY INVESTMENTS

The stated listed below will meet the State of New Mexico Office of the State Auditor's requirement in reporting the uninsured portion of the deposits. As of June 30, 2017, none of the Districts' bank balance of \$476,005 was exposed to custodial risk as follows:

	Wells Fargo Bank
Total Amount of Deposits	\$ 476,005
Less: FDIC Coverage	<u>(250,000)</u>
Total Uninsured Public Funds	<u>\$ 226,005</u>
Collateral requirement (50% of uninsured public funds)	113,003
Pledged Securities	<u>105,923</u>
Total (Over) Under Collateralized	<u>\$ 7,080</u>

New Mexico State Statutes require collateral pledged for deposits in excess of federal deposit insurance to be delivered, or a joint safekeeping receipts be issued, to the 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.

The collateral pledged is listed on page 98 of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 3: CASH AND TEMPORARY INVESTMENTS (CONTINUED)

As of June 30, 2017, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities Less Than One Year</u>
Common Stock	\$ 31,790	\$ 31,790
 Reconciliation of Cash and Temporary Investments		
Governmental Funds - Balance Sheet:		
Cash and Cash Equivalents	\$ 517,257	
Cash Overdraft	(147,417)	
Common Stock - Fiduciary Fund	31,790	
Cash - Statement of Fiduciary Net Assets	7,312	
Cash - Statement of Fiduciary Assets and Liabilities	<u>36,092</u>	
Total Cash	445,034	75,194
Less: Common Stock	<u>(31,790)</u>	
Reconciled Balance of Deposits	<u><u>\$ 413,244</u></u>	
 Reconciled Balance of Deposits	 413,244	
Less fiduciary cash	<u>(43,404)</u>	

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued to the District for at least one-half of the amount on deposit with the institution.

The *Common Stock* is held by the School via certificates. There are donor-imposed restrictions. The intent of the donors was that principal and income of stock donated to the District could only be used for the School library.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 4: RECEIVABLES

Receivables as of June 30, 2017 are as follows:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 253	\$ -	\$ 3,565	\$ 3,818
Intergovernmental	-	7,598	115,478	123,076
Total Receivables	<u>\$ 253</u>	<u>\$ 7,598</u>	<u>\$ 119,043</u>	<u>\$ 126,894</u>

The above receivables are deemed 100% collectible. In accordance with the GASB statement No. 33, property tax receivables should be presented net of deferred revenues on the governmental fund financial statements. However, we were unable to obtain the delinquent property tax listing from the District.

NOTE 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances are primarily recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. There were no interfund receivables or payables at June 30, 2017.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

Governmental Activities	June 30, 2016	Increases	Decreases	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 189,300	\$ -	\$ -	\$ 189,300
Construction in Progress	-	-	-	-
Total Capital Assets not being depreciated	<u>189,300</u>	-	-	<u>189,300</u>
Capital assets being depreciated:				
Land Improvements	729,572	-	-	729,572
Buildings and Improvements	10,301,276	-	-	10,301,276
Equipment and Vehicles	753,780	-	-	753,780
Total Capital Assets being depreciated	<u>11,784,628</u>	-	-	<u>11,784,628</u>
Less: Accumulated Depreciation for:				
Land Improvements	570,161	16,083	-	586,244
Buildings and Improvements	5,720,301	429,051	-	6,149,352
Furniture, Fixtures and Equipment	606,223	38,640	-	644,863
Total Accumulated Depreciation	<u>6,896,685</u>	<u>483,774</u>	-	<u>7,380,459</u>
Total Capital Assets being Depreciated, Net	<u>4,887,943</u>	<u>(483,774)</u>	-	<u>4,404,169</u>
Capital Assets, Net	<u>\$ 5,077,243</u>	<u>\$ (483,774)</u>	<u>\$ -</u>	<u>\$ 4,593,469</u>

Depreciation has been allocated to the functions in the following amounts:

<u>Allocated Depreciation Expense:</u>	<u>Amount</u>
Instruction	\$ 13,748
Support Services - General Administration	1,282
Operation and Maintenance of Plant	5,819
Food Services	8,385
Athletics	22,054
Transportation	-
Other Capital Outlay	432,486
Total	<u>\$ 483,774</u>

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7: LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in liabilities reported in the general obligation bonds account group:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds Payable	\$ 1,020,000	\$ -	\$ 70,000	\$ 950,000	\$ 70,000
Compensated Absences	8,756	14,672	13,089	10,339	10,339
Total	\$ 1,028,756	\$ 14,672	\$ 83,089	\$ 960,339	\$ 80,339

	Balance June 30, 2017
Bonds Payable	\$ 950,000
Less: Current Maturities	<u>(70,000)</u>
Total Non-Current Liabilities	<u>\$ 880,000</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Bonds are direct obligations and pledge the full faith and credit of the District. The bonds will be paid from taxes levied against property owners living within the District boundaries. The details of the bonds and notes as of June 30, 2017 are as follows:

General Obligation Bonds	June 30, 2016	Interest Rates	June 30, 2017	Within One Year
Series 2011	\$ 550,000	3.50% to 3.85%	\$ 490,000	\$ 60,000
Series 2012	470,000	2.90% to 3.50%	460,000	10,000
Total	<u>\$ 1,020,000</u>		<u>\$ 950,000</u>	<u>\$ 70,000</u>

Balances shown for bonds and notes do not include unamortized premiums or deferred amounts on refinancing.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 7: LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds			
Year Ending June 30,	Principal	Interest	Total Requirements
2018	\$ 70,000	\$ 32,513	\$ 102,513
2019	80,000	29,973	109,973
2020	90,000	27,113	117,113
2021	95,000	23,833	118,833
2022	95,000	20,363	115,363
2023-2027	470,000	48,393	518,393
2028	50,000	1,500	51,500
Total	\$ 950,000	\$ 183,688	\$ 1,133,688

The liability of compensated absences is liquidated with resources from the general fund and several special revenue funds. The liquidation of bonds payable is done with resources from the debt service funds.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The New Mexico Public Schools Insurance Authority (NMSIA) was formed on April 5, 1985 under the New Mexico Public Schools Insurance Authority Act, Chapter 22, Section 2 of the New Mexico Statutes Annotated (NMSA 1978), as amended, as an insurance fund to provide health, disability, and life insurance coverage (benefits coverage), and property, casualty and workers' compensation insurance coverage (risk coverage) to participating public schools, school board members, public school employees, and retirees within the State of New Mexico. The District is one of 91 members that participate in NMPSIA. Participation in NMPSIA is mandatory for all K-12 public schools except those with enrollment exceeding 60,000 students. Participation is voluntary for other public education institutions. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of NMPSIA provides that the pool will be self-sustaining through member's premiums. NMPSIA establishes self-insured retentions by line of coverage and procures insurance or re-insurance, where indicated, in excess of the self-insured retention on a per occurrence basis. NMPSIA will publish its own financial report for the year ended June 30, 2017.

The NMPSIA provides coverage for up to a maximum of \$500 million for each property damage claim with a \$750 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per-occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$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 security, which includes a \$750 deductible.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD

Summary of Significant Accounting Policies

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

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

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

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

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

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

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

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

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

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Benefit Options – The Plan has three benefit options available.

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

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

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

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%.

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$170,902 and \$171,787, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$3,113,897 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

At June 30, 2016, the District's proportion was .04327 %, which was an increase of 0.00004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Wagon Mound Schools recognized pension expense of \$309,460. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,510	\$ 29,617
Net difference between projected and actual investment earnings on pension plan investments	185,874	-
Changes of assumptions	63,386	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	30,890	14,549
District's contributions subsequent to the measurement date	170,902	-
Total	\$ 464,562	\$ 44,166

\$170,902 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 68,841
2019	47,840
2020	87,486
2021	45,327
2022	-
Total	\$ 249,494

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

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

Actuarial Cost Method	Entry Age
Inflation	3.00%
Salary Increases	Composition: 3% inflation plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than ten years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Average Expected Remaining Service Lives	3.77 Years
Mortality	Healthy males: RP-2000 Combined Mortality Table with White Collar Adjustment, generational mortality improvements with Scale BB Healthy females: GRS Southwest Region Teacher Mortality Table, set back one year, generation al mortality improvements in accordance with Scale BB from the table's base year of 2012

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: PENSION PLAN – EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 4,124,284	\$ 3,113,897	\$ 2,275,561

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

Wagon Mound had payables of \$59,096 to the pension plan as of June 30, 2017.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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

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

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

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

**NOTE 9: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

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, 2017, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$24,208, \$24,290 and \$24,455, respectively, which equal the required contributions for each year.

NOTE 10: CONTINGENT LIABILITIES

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

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

NOTE 11: BUDGETED ACTIVITY FUNDS

The Student Activity Funds, while budgeted under the Non-Instructional Support in the financial statements, are considered for reporting purposes as agency funds and related activity has been reported as such in the Statement of Changes in Assets and Liabilities – All Agency Funds section of the financial statements.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 12: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

Where the amount of actual revenues on a budget basis differed from actual revenues on a GAAP basis, or where actual expenditures on a budget basis differed from actual expenditures on a GAAP basis, the differences are reconciled at the bottom of each budget to actual comparison statement.

NOTE 13: SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 10, 2017, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION
LIABILITY
EDUCATIONAL RETIREMENT BOARD
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The District's proportion of the net pension liability	0.043270%	0.04330%	0.04370%
The District's proportion of the net pension liability	3,113,897	2,805,304	2,494,539
The District's covered employee payroll	1,229,511	1,235,875	1,126,983
The District's proportionate share of the net pension liability as a percentage of its covered employee payroll	<u>253.26%</u>	<u>226.99%</u>	<u>221.35%</u>
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
EDUCATIONAL RETIREMENT BOARD
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 170,902	\$ 171,787	\$ 156,651
Contributions in relation to the contractually required contribution	<u>170,902</u>	<u>171,787</u>	<u>156,651</u>
Contributions deficiency (excess)	\$ -	\$ -	\$ -
The District's covered employee payroll	\$ 1,229,511	\$ 1,235,875	\$ 1,126,983
Contributions as a percentage of covered employee payroll	13.90%	13.90%	13.90%

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017**

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

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Cash and Temporary Investments	\$ 49,417	\$ 190,061	\$ 9,622	\$ 249,100
Receivables:				
Property Taxes	-	1,334	2,231	3,565
Due From Other Governments	17,525	97,953	-	115,478
Inventory	<u>1,576</u>	<u>-</u>	<u>-</u>	<u>1,576</u>
Total Assets	<u>\$ 68,518</u>	<u>\$ 289,348</u>	<u>\$ 11,853</u>	<u>\$ 369,719</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ 11,416	\$ -	\$ -	\$ 11,416
Accounts Payable	109	97,953	-	98,062
Accrued Liabilities	9,913	-	-	9,913
Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>21,438</u>	<u>97,953</u>	<u>-</u>	<u>119,391</u>
FUND BALANCES				
Nonspendable:				
Inventories	1,576	-	-	1,576
Restricted for:				
Pupil Transportation				
Instructional Materials	-	-	-	-
Special Revenue	45,504	-	-	45,504
Capital Projects	-	191,395	-	191,395
Debt Service	-	-	11,853	11,853
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>47,080</u>	<u>191,395</u>	<u>11,853</u>	<u>250,328</u>
Total Liabilities and Fund Balances	<u>\$ 68,518</u>	<u>\$ 289,348</u>	<u>\$ 11,853</u>	<u>\$ 369,719</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
REVENUES:				
Taxes	\$ -	\$ 77,376	\$ 95,573	\$ 172,949
Charges for Services	5,985	-	-	5,985
Local Sources	3,181	-	2,231	5,412
State Sources	125,472	-	-	125,472
Federal Sources	11,120	-	-	11,120
Earnings From Investments	-	-	-	-
Other	2,528	-	-	2,528
Donations	-	-	-	-
Total Revenues	<u>148,286</u>	<u>77,376</u>	<u>97,804</u>	<u>323,466</u>
EXPENDITURES:				
Current:				
Direct Instruction	85,908	-	-	85,908
Instructional Support	9,404	-	-	9,404
Food Services	47,175	-	-	47,175
Other	-	73,360	5,341	78,701
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	70,000	70,000
Bond Interest	-	-	35,063	35,063
Total Expenditures	<u>142,487</u>	<u>73,360</u>	<u>110,404</u>	<u>326,251</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>5,799</u>	<u>4,016</u>	<u>(12,600)</u>	<u>(2,785)</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	5,799	4,016	(12,600)	(2,785)
Fund Balance at Beginning of Year	41,281	187,379	24,453	253,113
Fund Balance at End of Year	<u>\$ 47,080</u>	<u>\$ 191,395</u>	<u>\$ 11,853</u>	<u>\$ 250,328</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR SPECIAL REVENUE FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

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

FOOD SERVICES (Fund 21000)

This program provides financing for the school breakfast and 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 stat. 430.

ATHLETICS (22000)

This fund provides financing for school athletic activities. Funding is provided by fees from patrons. The authority for creation of this fund is 6.20.2 NMAC.

FRESH FRUITS IN CLASSROOM (24118)

To assist states, through cash grants, in providing fresh fruits and vegetables to school children in designated participating schools beginning in school year 2004/2005. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

TEACHER PRINCIPAL RECRUITING (24154)

To improve the skills of teachers and the quality of instruction in mathematics, and science, and also to increase the accessibility of such instruction to all students.

NM READS TO LEAD (27114)

To provide funding for reading initiative activities for grades K-3. Funding is received from the State of New Mexico. The authority is the School Board and the New Mexico Public Education Department.

RURAL EDUCATION ACHIEVEMENT (25233)

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act, Title VI, Part B.

CYFD SUMMER FOOD SERVICE PROGRAM (28201)

To provide lunch to students during the summer months.

PRESCHOOL IDEA-B STIMULUS (24109)

The Preschool program is for the purpose of enhancing Special Education for handicapped children from ages 3 to 5. The program is funded by the United States government, under the Individuals With Disabilities Act, part B, Section 619, as amended, Public Laws 94-142, 99*457, 100-630, 101497, and 101-476.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR SPECIAL REVENUE FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

SUN SAFETY (28146)

To account for funds administered through the NM Department of Health to promote sun safety education to reduce the risk of developing skin cancer.

NM Pre-K Initiative (27149)

NM Pre-K Initiative funds are available through a grant process and can be expensed as specified in the grant for support of the Pre-K Classroom.

PRIVATE DIRECT GRANTS (29102)

To account for local grants awarded to provide additional funding for specific projects. Funds provided to the District by Community First Bank to put AEDs in Public Buildings.

KINDERGARTEN 3 PLUS (27166)

Extended school year Reading and Math Instruction in grades Kindergarten through 3rd. Authorized by 2007 House Bill 198 to establish a fund to allow New Mexico Public Schools to develop a six year pilot project that extends the school year for kindergarten to third grade up to two months to measure the effect of additional time on literacy, numeric and social skills.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	<u>Food Services</u>	<u>Athletics</u>	<u>Fresh Fruits in Classroom</u>	<u>Teacher Principal Recruiting</u>
ASSETS				
Cash and Temporary Investments	\$ 39,796	\$ 4,523	\$ -	\$ -
Receivables:				
Property Taxes	-	-	-	-
Due From Other Governments	-	-	1,315	1,632
Inventory	<u>1,576</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 41,372</u>	<u>\$ 4,523</u>	<u>\$ 1,315</u>	<u>\$ 1,632</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ -	\$ -	\$ 3,106	\$ 1,224
Accounts Payable	-	-	-	-
Accrued Liabilities	-	-	-	540
Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>3,106</u>	<u>1,764</u>
FUND BALANCES				
Nonspendable:				
Inventories	1,576	-	-	-
Restricted for:				
Pupil Transportation				
Instructional Materials	-	-	-	-
Special Revenue	39,796	4,523	(1,791)	(132)
Capital Projects				
Debt Service	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>41,372</u>	<u>4,523</u>	<u>(1,791)</u>	<u>(132)</u>
Total Liabilities and Fund Balances	<u>\$ 41,372</u>	<u>\$ 4,523</u>	<u>\$ 1,315</u>	<u>\$ 1,632</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (continued)
JUNE 30, 2017**

	<u>NM Reads to Lead</u>	<u>Rural Education Achievement</u>	<u>CYFD Summer Food</u>	<u>Preschool IDEA-B</u>
ASSETS				
Cash and Temporary Investments	\$ -	\$ 303	\$ 1,549	\$ 52
Receivables:				
Property Taxes	-	-	-	-
Due From Other Governments	8,980	-	-	-
Inventory	-	-	-	-
Total Assets	<u>\$ 8,980</u>	<u>\$ 303</u>	<u>\$ 1,549</u>	<u>\$ 52</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Cash Overdraft	\$ 3,992	\$ -	\$ -	\$ -
Accounts Payable	-	-	109	-
Accrued Liabilities	4,658	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	<u>8,650</u>	<u>-</u>	<u>109</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Inventories	-	-	-	-
Restricted for:				
Pupil Transportation				
Instructional Materials	-	-	-	-
Special Revenue	330	303	1,440	52
Capital Projects				
Debt Service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>330</u>	<u>303</u>	<u>1,440</u>	<u>52</u>
Total Liabilities and Fund Balances	<u>\$ 8,980</u>	<u>\$ 303</u>	<u>\$ 1,549</u>	<u>\$ 52</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (continued)
JUNE 30, 2017**

	<u>Sun Safety</u>	<u>NM Pre-K Initiative</u>	<u>Private Direct Grants</u>	<u>Kindergarten 3 Plus</u>	<u>Total</u>
ASSETS					
Cash and Temporary Investments	\$ 1,196	\$ 1,998	\$ -	\$ -	\$ 49,417
Receivables:					-
Property Taxes	-	-	-	-	-
Due From Other Governments	-	489	-	5,109	17,525
Inventory	-	-	-	-	1,576
Total Assets	<u>\$ 1,196</u>	<u>\$ 2,487</u>	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ 68,518</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Cash Overdraft	\$ -	\$ -	\$ -	\$ 3,094	\$ 11,416
Accounts Payable	-	-	-	-	109
Accrued Liabilities	-	2,808	-	1,907	9,913
Other Liabilities	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>2,808</u>	<u>-</u>	<u>5,001</u>	<u>21,438</u>
Fund Balance:					
Nonspendable:					
Inventories	-	-	-	-	1,576
Restricted For:					
Pupil Transportation					-
Instructional Materials	-	-	-	-	-
Special Revenue	1,196	(321)	-	108	45,504
Capital Projects					-
Debt Service	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balance	<u>1,196</u>	<u>(321)</u>	<u>-</u>	<u>108</u>	<u>47,080</u>
Total Liabilities and Fund Balance	<u>\$ 1,196</u>	<u>\$ 2,487</u>	<u>\$ -</u>	<u>\$ 5,109</u>	<u>\$ 68,518</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Food Services</u>	<u>Athletics</u>	<u>Fresh Fruit in Classroom</u>	<u>Teacher Principal Recruiting</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	5,985	-	-
Local Sources	3,181	-	-	-
State Sources	43,881	-	331	-
Federal Sources	-	-	1,315	9,295
Earnings From Investments	-	-	-	-
Other	-	2,528	-	-
Donations	-	-	-	-
Total Revenues	<u>47,062</u>	<u>8,513</u>	<u>1,646</u>	<u>9,295</u>
EXPENDITURES:				
Current:				
Direct Instruction	-	7,788	-	9,295
Instructional Support	8,736	-	-	-
Food Services	43,720	-	1,646	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>52,456</u>	<u>7,788</u>	<u>1,646</u>	<u>9,295</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,394)</u>	<u>725</u>	<u>-</u>	<u>-</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(5,394)	725	-	-
Fund Balance at Beginning of Year	46,766	3,798	(1,791)	(132)
Fund Balance at End of Year	<u>\$ 41,372</u>	<u>\$ 4,523</u>	<u>\$ (1,791)</u>	<u>\$ (132)</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	NM Reads to Lead	Rural Education Achievement	CYFD Summer Food	Preschool IDEA-B
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	41,793	-	1,737	-
Federal Sources	-	-	-	510
Earnings From Investments	-	-	-	-
Other	-	-	-	-
Donations	-	-	-	-
Total Revenues	<u>41,793</u>	<u>-</u>	<u>1,737</u>	<u>510</u>
EXPENDITURES:				
Current:				
Direct Instruction	31,382	-	-	510
Instructional Support	-	-	-	-
Food Services	-	-	1,041	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>31,382</u>	<u>-</u>	<u>1,041</u>	<u>510</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,411</u>	<u>-</u>	<u>696</u>	<u>-</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	10,411	-	696	-
Fund Balance at Beginning of Year	(10,081)	303	744	52
Fund Balance at End of Year	<u>\$ 330</u>	<u>\$ 303</u>	<u>\$ 1,440</u>	<u>\$ 52</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	Sun Safety	NM Pre-K Initiative	Private Direct Grants	Kindergarten 3 Plus	Total
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	5,985
Local Sources	-	-	-	-	3,181
State Sources	-	14,183	204	23,343	125,472
Federal Sources	-	-	-	-	11,120
Earnings From Investments	-	-	-	-	-
Other	-	-	-	-	2,528
Donations	-	-	-	-	-
Total Revenues	<u>-</u>	<u>14,183</u>	<u>204</u>	<u>23,343</u>	<u>148,286</u>
EXPENDITURES:					
Current:					
Direct Instruction	75	13,862	-	22,996	85,908
Instructional Support	-	321	-	347	9,404
Food Services	-	-	768	-	47,175
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service:					
Bond Principal	-	-	-	-	-
Bond Interest	-	-	-	-	-
Total Expenditures	<u>75</u>	<u>14,183</u>	<u>768</u>	<u>23,343</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(75)</u>	<u>-</u>	<u>(564)</u>	<u>-</u>	<u>148,286</u>
Other Financing Sources and Financing Uses:					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(75)	-	(564)	-	148,286
Fund Balance at Beginning of Year	1,271	(321)	564	108	41,281
Fund Balance at End of Year	<u>\$ 1,196</u>	<u>\$ (321)</u>	<u>\$ -</u>	<u>\$ 108</u>	<u>\$ 189,567</u>

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR CAPITAL PROJECTS FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District has the following separate funds classified as Capital Projects Funds:

Bond Building Fund (Fund 31100)

To account for funds used for building construction.

Public School Capital Outlay (31200)

To account for the Critical Capital Outlay funds and other special capital outlay funds received from the State of New Mexico. The funds are restricted for the purposes outlined in the applicable legislation under which the funds were approved. This generally includes construction of new schools or improvements to existing schools.

Special Capital Outlay - Local (31300)

To account for revenues which are derived from local sources such as the sale of a building.

Special Capital Outlay - State (31400)

To account for special appropriation monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of upgrading Wagon Mound Public School facilities.

Capital Improvements SB-9 State (31700) and (31701) Local

To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching and a special levy tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017**

	Bond Building Fund	Public School Capital Outlay	Special Capital Outlay Local	Special Capital Outlay State
ASSETS				
Cash and Temporary Investments	\$ 4	\$ 18,339	\$ 23,628	\$ 44,858
Receivables:				
Due From Other Governments	-	-	-	-
Property Taxes	-	-	-	-
Inventory	-	-	-	-
Total Assets	\$ 4	\$ 18,339	\$ 23,628	\$ 44,858
LIABILITIES AND FUND BALANCE				
Liabilities:				
Cash Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-
Accrued Liabilities	-	-	-	-
Other Liabilities	-	-	-	-
Unearned Revenue	-	-	-	-
Total Liabilities	-	-	-	-
Fund Balance:				
Nonspendable:				
Inventories	-	-	-	-
Restricted For:				
Pupil Transportation				
Instructional Materials	-	-	-	-
Special Revenue	-	-	-	-
Capital Projects	4	18,339	23,628	44,858
Debt Service	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	4	18,339	23,628	44,858
Total Liabilities and Fund Balance	\$ 4	\$ 18,339	\$ 23,628	\$ 44,858

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS (continued)
JUNE 30, 2017**

	<u>Capital Improvements SB-9</u>	<u>Capital Improvements SB-9 37101</u>	<u>Total</u>
ASSETS			
Cash and Temporary Investments	\$ -	\$ 103,232	\$ 190,061
Receivables:			
Property Taxes	1,334	-	1,334
Due From Other Governments	97,953	-	97,953
Inventory	-	-	-
Total Assets	<u>\$ 99,287</u>	<u>\$ 103,232</u>	<u>\$ 289,348</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Cash Overdraft	\$ -	\$ -	\$ -
Accounts Payable	-	97,953	97,953
Accrued Liabilities	-	-	-
Other Liabilities	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>-</u>	<u>97,953</u>	<u>97,953</u>
Fund Balance:			
Nonspendable:			
Inventories	-	-	-
Restricted For:			
Pupil Transportation			-
Instructional Materials	-	-	-
Special Revenue	-	-	-
Capital Projects	99,287	5,279	191,395
Debt Service	-	-	-
Unassigned	-	-	-
Total Fund Balance	<u>99,287</u>	<u>5,279</u>	<u>191,395</u>
Total Liabilities and Fund Balance	<u>\$ 99,287</u>	<u>\$ 103,232</u>	<u>\$ 289,348</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Bond Building Fund</u>	<u>Public School Capital Outlay</u>	<u>Special Capital Outlay Local</u>	<u>Special Capital Outlay State</u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-
Local Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	-	-	-	-
Earnings From Investments	-	-	-	-
Other	-	-	-	-
Donations	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Direct Instruction	-	-	-	-
Instructional Support	-	-	-	-
Food Services	-	-	-	-
Other	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources and Financing Uses:				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	<u>4</u>	<u>18,339</u>	<u>23,628</u>	<u>44,858</u>
Fund Balance at End of Year	<u>\$ 4</u>	<u>\$ 18,339</u>	<u>\$ 23,628</u>	<u>\$ 44,858</u>

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUNDS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

	Capital Improvements SB-9	Capital Improvements SB-9 37101	Total
REVENUES:			
Taxes	\$ 1,334	\$ 76,042	\$ 77,376
Charges for Services	-	-	-
Local Sources	-	-	-
State Sources	-	-	-
Federal Sources	-	-	-
Earnings From Investments	-	-	-
Other	-	-	-
Donations	-	-	-
Total Revenues	<u>1,334</u>	<u>76,042</u>	<u>77,376</u>
EXPENDITURES:			
Current:			
Direct Instruction	-	-	-
Instructional Support	-	-	-
Food Services	-	-	-
Other	2,597	70,763	73,360
Capital Outlay	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Total Expenditures	<u>2,597</u>	<u>70,763</u>	<u>73,360</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,263)</u>	<u>5,279</u>	<u>4,016</u>
Other Financing Sources and Financing Uses:			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,263)	5,279	4,016
Fund Balance at Beginning of Year	100,550	-	187,379
Fund Balance at End of Year	<u>\$ 99,287</u>	<u>\$ 5,279</u>	<u>\$ 191,395</u>

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
NON-MAJOR DEBT SERVICE FUNDS DESCRIPTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

Debt Service Fund (Fund 41000)

This 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 the tax levy based upon property values.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING BALANCE SHEETS
NON-MAJOR DEBT SERVICE FUNDS
AS OF JUNE 30, 2017**

	Debt Services Fund	Total Debt Services Funds
ASSETS		
Cash and Temporary Investments	\$ 9,622	\$ 9,622
Receivables:		
Property Taxes	2,231	2,231
Due From Other Governments	-	-
Inventory	-	-
Total Assets	\$ 11,853	\$ 11,853
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Cash Overdraft	\$ -	\$ -
Accounts Payable	-	-
Accrued Liabilities	-	-
Other Liabilities	-	-
Unearned Revenue	-	-
Total Liabilities	-	-
Fund Balance:		
Nonspendable:		
Inventories	-	-
Restricted For:		
Pupil Transportation		-
Instructional Materials	-	-
Special Revenue	-	-
Capital Projects	-	-
Debt Service	11,853	11,853
Unassigned	-	-
Total Fund Balance	11,853	11,853
Total Liabilities and Fund Balance	\$ 11,853	\$ 11,853

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Debt Services</u>	<u>Total</u>
REVENUES:		
Taxes	\$ 95,573	\$ 95,573
Charges for Services	-	-
Local Sources	2,231	2,231
State Sources	-	-
Federal Sources	-	-
Earnings From Investments	-	-
Other	-	-
Donations	-	-
Total Revenues	<u>97,804</u>	<u>97,804</u>
EXPENDITURES:		
Current:		
Direct Instruction	-	-
Instructional Support	-	-
Food Services	-	-
Other	5,341	5,341
Capital Outlay	-	-
Debt Service:		
Bond Principal	70,000	70,000
Bond Interest	35,063	35,063
Total Expenditures	<u>110,404</u>	<u>110,404</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(12,600)</u>	<u>(12,600)</u>
Other Financing Sources and Financing Uses:		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources and Financing Uses:	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(12,600)	(12,600)
Fund Balance at Beginning of Year	24,453	24,453
Fund Balance at End of Year	<u>\$ 11,853</u>	<u>\$ 11,853</u>

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SUPPLEMENTARY SCHEDULES

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION –
LIBRARY PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Fund	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Private Purpose Trust Fund	<u>\$ 46,772</u>	<u>\$ 8,651</u>	<u>\$ 16,321</u>	<u>\$ 39,102</u>
Total	<u>\$ 46,772</u>	<u>\$ 8,651</u>	<u>\$ 16,321</u>	<u>\$ 39,102</u>

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STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
AGENCY FUNDS
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2017

Fund	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Agency Funds	\$ 34,205	\$ 26,250	\$ 24,363	\$ 36,092
Total	<u>\$ 34,205</u>	<u>\$ 26,250</u>	<u>\$ 24,363</u>	<u>\$ 36,092</u>

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2017**

Name of Depository	Description of Pledged Collateral	Quantity	Fair / Par Market Value at June 30, 2017	Name and Location of Safekeeper
Wells Fargo	CUSIP 3138ATDB3 3% Due 10/1/2026	182,123	\$ <u>105,923</u>	BNY Mellon
Total			\$ <u>105,923</u>	

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS
JUNE 30, 2017**

<u>Bank Account Type</u>	<u>Wells Fargo Bank</u>
Certificate of Deposit	\$ 3,385
Checking - General Fund	382,105
Checking - Athletic Fund	6,058
Checking - Hot Lunch Fund	40,798
Checking - Activities II	9,169
Checking - Activities I	<u>34,490</u>
Total on Deposit	476,005
Reconciling Items	<u>(62,761)</u>
Reconciled Balance, June 30, 2016	413,244
Less: Fiduciary Funds Cash	<u>(43,404)</u>
Cash per Statement of Net Position	<u><u>\$ 369,840</u></u>

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**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS
JUNE 30, 2017**

	<u>Operational</u>	<u>Pupil Transportation</u>	<u>Instructional Materials</u>	<u>Title I IASA</u>
Cash, June 30, 2016	\$ 223,293	\$ 21,161	\$ 6,563	\$ (40,087)
Add:				
FY 2017 Revenues	1,871,345	101,091	3,532	64,635
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	-
Total Cash Available	<u>2,094,638</u>	<u>122,252</u>	<u>10,095</u>	<u>24,548</u>
Less:				
FY 2017 Expenditures	1,840,086	111,383	7,359	32,526
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	-	-	-	-
Total Disbursements	<u>1,840,086</u>	<u>111,383</u>	<u>7,359</u>	<u>32,526</u>
Cash, June 30, 2017	<u>\$ 254,552</u>	<u>\$ 10,869</u>	<u>\$ 2,736</u>	<u>\$ (7,978)</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>Food Services</u>	<u>Athletics</u>	<u>Entitlement IDEA-B</u>	<u>Fresh Fruit in Classroom</u>
Cash, June 30, 2016	\$ 46,407	\$ 3,798	\$ (20,779)	\$ (1,791)
Add:				
FY 2017 Revenues	45,845	8,513	31,886	331
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	-
Total Cash Available	<u>92,252</u>	<u>12,311</u>	<u>11,107</u>	<u>(1,460)</u>
Less:				
FY 2017 Expenditures	52,456	7,788	29,698	1,646
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	-	-	-	-
Total Disbursements	<u>52,456</u>	<u>7,788</u>	<u>29,698</u>	<u>1,646</u>
Cash, June 30, 2017	<u>\$ 39,796</u>	<u>\$ 4,523</u>	<u>\$ (18,591)</u>	<u>\$ (3,106)</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>Sun Safety</u>	<u>NM Reads to Lead</u>	<u>Teacher Principal Training & Recruit</u>	<u>Rural Education Achievement</u>
Cash, June 30, 2016	\$ 1,271	\$ (23,728)	\$ (1,891)	\$ 303
Add:				
FY 2017 Revenues	-	41,793	9,295	-
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	-
Total Cash Available	<u>1,271</u>	<u>18,065</u>	<u>7,404</u>	<u>303</u>
Less:				
FY 2017 Expenditures	75	22,057	8,628	-
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	-	-	-	-
Total Disbursements	<u>75</u>	<u>22,057</u>	<u>8,628</u>	<u>-</u>
Cash, June 30, 2017	<u>\$ 1,196</u>	<u>\$ (3,992)</u>	<u>\$ (1,224)</u>	<u>\$ 303</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>Bond Building Fund</u>	<u>Public School Capital Outlay</u>	<u>Special Capital Outlay Local</u>	<u>Special Capital Outlay State</u>
Cash, June 30, 2016	\$ 4	\$ 18,339	\$ 23,628	\$ 44,858
Add:				
FY 2017 Revenues	-	-	-	-
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	-
Total Cash Available	<u>4</u>	<u>18,339</u>	<u>23,628</u>	<u>44,858</u>
Less:				
FY 2017 Expenditures	-	-	-	-
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	-	-	-	-
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash, June 30, 2017	<u>\$ 4</u>	<u>\$ 18,339</u>	<u>\$ 23,628</u>	<u>\$ 44,858</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>Capital Improvements SB-9</u>	<u>Ed. Technology Equipment Act</u>	<u>Debt Service</u>	<u>Capital Improvements SB-9 Local</u>
Cash, June 30, 2016	\$ 97,953	\$ (109,432)	\$ 20,068	\$ -
Add:				
FY 2017 Revenues	1,334	-	97,804	76,042
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	97,953
Total Cash Available	<u>99,287</u>	<u>(109,432)</u>	<u>117,872</u>	<u>173,995</u>
Less:				
FY 2017 Expenditures	2,597	-	108,250	70,763
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	96,690	-	-	-
Total Disbursements	<u>99,287</u>	<u>-</u>	<u>108,250</u>	<u>70,763</u>
Cash, June 30, 2017	<u>\$ -</u>	<u>\$ (109,432)</u>	<u>\$ 9,622</u>	<u>\$ 103,232</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>Preschool IDEA-B</u>	<u>Kindergarten 3 Plus</u>	<u>NM Pre-K Initiative</u>
Cash, June 30, 2016	\$ (662)	\$ (9,542)	\$ (4,658)
Add:			
FY 2017 Revenues	510	20,249	14,183
Permanent Cash Transfers In	-	-	-
Loans From Other Funds	-	-	-
Total Cash Available	<u>(152)</u>	<u>10,707</u>	<u>9,525</u>
Less:			
FY 2017 Expenditures	(204)	13,801	7,527
Permanent Cash Transfers Out	-	-	-
Loans to Other Funds	-	-	-
Total Disbursements	<u>(204)</u>	<u>13,801</u>	<u>7,527</u>
Cash, June 30, 2017	<u>\$ 52</u>	<u>\$ (3,094)</u>	<u>\$ 1,998</u>

See Independent Auditors' Report

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF CASH RECONCILIATIONS (continued)
JUNE 30, 2017**

	<u>CYFD Summer Food</u>	<u>Trust</u>	<u>Student Activities</u>	<u>Total</u>
Cash, June 30, 2016	\$ 744	\$ 9,720	\$ 34,205	\$ 339,745
Add:				
FY 2017 Revenues	1,737	724	26,250	2,417,099
Permanent Cash Transfers In	-	-	-	-
Loans From Other Funds	-	-	-	97,953
Total Cash Available	<u>2,481</u>	<u>10,444</u>	<u>60,455</u>	<u>2,854,797</u>
Less:				
FY 2017 Expenditures	932	3,132	24,363	2,344,863
Permanent Cash Transfers Out	-	-	-	-
Loans to Other Funds	-	-	-	96,690
Total Disbursements	<u>932</u>	<u>3,132</u>	<u>24,363</u>	<u>2,441,553</u>
Cash, June 30, 2017	<u>\$ 1,549</u>	<u>\$ 7,312</u>	<u>\$ 36,092</u>	<u>\$ 413,244</u>

See Independent Auditors' Report



Independent Auditors' 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

Honorable Timothy Keller
New Mexico State Auditor
Santa Fe, New Mexico
and
The Board of Education
Wagon Mound Public Schools
Wagon Mound, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and the major special revenue funds, of the Wagon Mound Public Schools (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District presented as supplementary information, and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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: 2014-002, 2016-001, 2017-001 and 2017-002.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 2014-001 and 2017-003.

The District's Responses to Findings

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

Purpose of this Report

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

Kubiak Melton & Associates, LLC

Kubiak Melton & Associates, LLC
Albuquerque, New Mexico
November 10, 2017

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

Section I – Financial Statement Findings

2014-001 – Capital Asset Inventory – Other Non-compliance (Repeated)

Condition: The District did not conduct an annual capital asset inventory.

Management's Progress: The conditions involved in this year's finding are similar to those of the previous year.

Criteria: In accordance 12-6-10(A) NMSA 1978 the district must conduct a capital asset inventory to provide accountability for the safeguard of movable chattels and equipment at the end of each fiscal year. The district shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the District's Auditors.

Cause: Annual inventory process is not being initiated or completed by the District.

Effect: Lack of conducting a capital asset inventory can result in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity.

Auditors' Recommendation: We recommend that the District conduct a capital asset inventory at the end of each fiscal year.

Management's Response: At least twice annually, teaching staff and support staff are given a print out of the assets in their control. Each employee is instructed to report by certification as to whether the assets are still in their control and in working condition. Employees are instructed to follow the procedures set forth in the district's GFA inventory procedures handbook. The district agrees that a physical inventory of the General Fixed Assets with a value over \$5,000 has not been conducted. The district will put in place an annual procedure in June of each year that will require that the Head of Maintenance and the Business Manager work together to complete the physical inventory of items over \$5,000.

Responsible Party: Business Manager and the Head of Maintenance

Timeline to Correct: June 30, 2018.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2014-002 — Internal Controls over Purchase Cards – Significant Deficiency (Modified and Repeated)

Condition: During our test work of purchase cards, we noted that for two (2) out of ten (10) purchases made, the client could not produce any supporting documentation for the purchases. The amounts of the purchases totaled \$2,868.77.

Management's Progress: The conditions involved in this year's finding are similar to those of the previous year. Therefore, management has not made sufficient progress in rectifying this situation.

Criteria: NMAC 6.20.2.17 states that each governmental entity shall establish and implement written policies and procedures for purchasing, which shall be in compliance with the procurement code Section 13-1-21, NMSA 1978.

Effect: The District did not comply with NMSA 1978 Section 13-1-21 and NMAC 6.20.2.17. In addition, the proper disbursement internal controls were not monitored, which increases the risk of misuse of funding by the District.

Cause: The District did not maintain necessary documents to monitor the purchase card process, and failed to follow disbursement internal controls when processing checks for purchase card payments.

Auditors' Recommendations: We recommend the District implement a procurement policy in relation to purchase card use, in accordance with NMSA 1978 Section 13-1-21, that monitors the purchase card holders' usage, and ensures that proper authorization and documentation is being performed for purchase card transactions.

Management's Response: The District will retrain staff in the areas of New Mexico State Law and the procurement process. The training will take place in August 2017 as part of the back to school orientation. The Business Manager will also work with the Superintendent to ensure that all items are being reviewed and returned to the Business Office for audit review.

Responsible Party: Business Manager and Superintendent

Timeline to Correct: December 31, 2017.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2016-001 – Activities Funds (Lack of Internal Controls) Significant Deficiency (Repeated)

Condition: During our testwork over Student Activity Funds, we noted that two activity funds had deficit fund balances totaling \$824.99.

Management's Progress: Deficit balances have decreased but are still deficit as of June 30, 2017.

Criteria: Pursuant to Section 6-6-6 NMSA 1978, governments should not make disbursements in excess of amounts available for expenditure.

Cause: Staff did not properly anticipate the total amount of the items purchased upon establishing the purchase order.

Effect: The District did not adhere to state statute with respect to disbursing the proper amount of public money.

Auditors' Recommendation: Management should educate the employees responsible for activity funds regarding the State statutes and the District's Activity Fund policies and procedures, and continue to monitor each activity fund for continuous improvement.

Management's Response: The district will perform internal audits of activity funds and emphasize the importance of strict adherence to state statutes and the District's Activity Fund policies. The district has created and disseminated a procedures booklet that emphasizes the procedures that should be adhered to with regards to Athletic and Activity accounts. The booklet and staff training will be conducted in August 2017. School Staff that is in receipt of cash or checks will be expected to sign acceptance of the procedures booklet and will sign an agreement of compliance with district policies and procedures. Random audits of fundraising activities will be conducted throughout the school year.

Responsible Party: School staff that are sponsors of Activity funds. Business Manager will conduct the training with Superintendent Oversight. Business Manager will conduct random audits.

Timeline to Correct: June 30, 2018.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-001 – Internal Control over Payroll Compliance and Disbursements – Significant Deficiency

Condition: During our test work of payroll compliance and disbursements, we noted:

- One (1) out of the nine (9) employees selected for payroll testing lacked a valid teaching license during the time of employment as a teacher.
- One (1) out of the nine (9) employees selected for payroll testing lacked a proper contract with proper authorization before payroll distribution occurred.

Management's Progress: New finding for FY2017.

Criteria: According to the New Mexico School Personnel Act, 22-10A-1 through 22-10A-39 any person teaching, supervising and instructional program or providing instructional support services in a public school or state agency any person administering in a public school; and any person providing health care and administering medications or performing medical procedures in a public school shall hold a valid license or certificate from the department authorizing the person to perform that function. Furthermore, management is responsible for ensuring that all employees have valid licensure prior to authorizing employment.

Management is responsible for ensuring that all employees have valid contracts for employment and proper authorization of employment prior to incurring payroll expenditures.

Cause: Adequate controls and procedures were not in place to ensure proper review of licensure before the authorization of employment occurred. Also, adequate controls and procedures were not in place to ensure proper authorization of employment prior to incurring payroll expenditures.

Effect: The District was not in compliance with the New Mexico School Personnel Act and their personnel and procedures manual.

Auditors' Recommendation: Establish, and implement internal control procedures to ensure proper review of licensure occurs before the authorization of employment occurs. Also, establish, and implement internal control procedures to ensure proper review and authorization of employment occurs before the disbursement of payroll.

Management's Response: State law calls for the Superintendent to be the party responsible for hiring and firing school employees exclusive of the Superintendent. In an effort to mitigate non-compliance with regards to licensure, the district will put into place a vetting procedure that allows the Human Resources department to conduct a background check that includes vetting the licensure of incoming employees as well as fingerprint clearance. The Human Resources Department will use the Human Resources Module of its accounting software to produce and publish employee contracts for signature.

Responsible Party: Superintendent and Business Manager/Human Resources Department

Timeline to Correct: June 30, 2018.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-002 - Internal Control over Tracking Leave – Significant Deficiency

Condition: During our test work of compensated absences we noted that one (1) employee used accrued leave time in excess of the balance the employee had accrued.

- One employee used more time than accrued balances in the amount of 169.75 hours as of year-end, June 30, 2017. This employee's hourly rate is \$18.38, which totaled to \$3,120 of payment to this employee for services not performed.

Management's Progress: New finding for FY2017.

Criteria: Per the Board of Education's Policy Manual, management is responsible for tracking accrued leave and accrued time taken for all employees.

Cause: Adequate controls and procedures were not in place to ensure proper tracking over accrued time taken and accrued leave.

Effect: The District was not in compliance with the Board of Education's Policy Manual.

Auditors' Recommendation: Establish, and implement internal control procedures to ensure proper tracking over accrued time taken and accrued leave, as well as to fix and recuperate the additional monies paid to this employee for time off this employee had not accrued yet.

Management's Response: The district will use an online timeclock software to track employee accrued time and accrued leave. A report will be produced on a weekly basis with the software being updated in a timely manner to ensure that district employees are aware of their accrued leave. The employee whose leave is in excess of availability will be notified of the extent of the leave. Any employee with an excessive leave amount will receive an adjustment to their pay on the next scheduled pay period.

Responsible Party: Business Manager/Human Resources with oversight and support from the Superintendent.

Timeline to Correct: June 30, 2018.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

2017-003 – Inadequate Pledged Collateral - Other Non-compliance

Condition: The District's deposits with financial institutions were not adequately collateralized as required by law.

Management's Progress: New finding for FY2017.

Criteria: Pursuant to 6-10-17 NMSA 1978, pledged collateral shall have an aggregate value equal to one-half of the amount of public money held by the depository. If this requirement is not met the audit report shall include a finding.

Cause: The District was not aware that they were under-collateralized.

Effect: In the event of the failure of the financial institutions, the District could lose \$7,080 due to the under-collateralization.

Auditors' Recommendation: We recommend that the District verifies that their financial institutions obtain sufficient pledged collateral at all times.

Management's Response: The district has contacted the Banking institution and has requested that they look into the Pledged collateral calculation. The district will put into place a monthly review of the pledged collateral and will work with the bank to ensure that the district is adequately collateralized.

Responsible Party: Business Manager with oversight from the Superintendent

Timeline to Correct: December 31, 2017.

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

Section II – Status of Prior Year Audit Findings

2009-003 [FS 09-03] – Per Diem and Mileage Act - Resolved
2014-001 [FS 14-01] – Capital Asset Inventory - Repeated
2014-002 [FS 14-02] – Internal Controls over Purchase Cards – Repeated and Modified
2014-003 [FS 14-03] – Internal Controls over Receipts and Deposits – Resolved
2016-001 [FS 14-04] – Activities Funds – Repeated

**STATE OF NEW MEXICO
WAGON MOUND PUBLIC SCHOOLS
EXIT CONFERENCE
JUNE 30, 2017**

The contents of this report were discussed at an exit conference held November 10, 2017.

The District was represented by:

Tom Herrera, Board Member
Anita Romero, Interim Superintendent
Teresa P. Casias, Business Manager
Claudia Martinez, Business Manager's Assistant

The firm of Kubiak Melton & Associates, LLC was represented by

Daniel O. Trujillo, CPA, CFE, CGFM, CGMA

Preparation of Financial Statements

The financial statements in this report were prepared substantially by the Independent Audit firm of Kubiak Melton & Associates, LLC, with the assistance of District management.