

**MONTESSORI OF THE RIO GRANDE**  
**(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL**  
**SCHOOL DISTRICT NO. 12)**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
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OFFICIAL ROSTER  
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**Montessori of the Rio Grande Governing Council**

Lawrence Rael, President

Michael Youngman, Vice President

Bretta Weiss, Secretary

Ryan Heironymus, Treasurer

**Montessori of the Rio Grande Administration**

Bonnie Dodge, Head Administrator/Principal

Chris Parrino, Business Manager

**Montessori of the Rio Grande Foundation Governing Council**

Michael Maestas, President

Susan Speed, Vice President

Laira Magnusson, Secretary

Ryan Heironymus, Treasurer



## INDEPENDENT AUDITORS' REPORT

Montessori of the Rio Grande  
Governing Council and  
Mr. Tim Keller  
New Mexico State Auditor

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, and the general fund budgetary comparison of the Montessori of the Rio Grande (the School), a component unit of Albuquerque Municipal School District No. 12, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

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Governing Council and  
Mr. Tim Keller  
New Mexico State Auditor

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School as of June 30, 2017, and the respective changes in financial position and the general fund budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 25 and the schedule of proportionate share of the net pension liability/contributions on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining nonmajor fund financial statements and the 2.2.2 NMAC required schedules presented as supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Montessori of the Rio Grande  
Governing Council and  
Mr. Tim Keller  
New Mexico State Auditor

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the School'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 solely 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 effectiveness of the School's 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 School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 14, 2017

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

This section of Montessori of the Rio Grande's (the School) financial report represents our discussion and analysis of the financial performance of the School for the year ended June 30, 2017. This information should be read in conjunction with the audited financial statements included in this report.

## Introduction

As management of the Montessori of the Rio Grande (the "Charter"), the Principal and Business & Finance Director offer readers of the Charter's financial statements this narrative overview and analysis of the financial activities of the Charter for the Fiscal Year ended June 30, 2017. The intent of this discussion and analysis is to provide both financial and informative information in order to evaluate the Charter's financial performance as a whole. Furthermore, readers of the discussion and analysis should also review the audited financial statements for Albuquerque Public School's (the "District"), as it pertains to the Charter, to enhance their understanding of the Charter's financial performance.

## About Montessori of the Rio Grande Charter School

To completely understand the financial discussion of Montessori of the Rio Grande Charter School, it is important to understand the nature of the Charter. The Charter is located in the north valley of Albuquerque, New Mexico, near the intersection of the I-40 Highway and Rio Grande Boulevard. The school first began as a private Montessori school in 1994, and became a public charter school, authorized through the Albuquerque Public School District on July 1, 2004.

To date, Montessori of the Rio Grande Charter School is one of twenty-two charter schools providing elementary and secondary education within the Albuquerque Public School District. The Charter is governed independently by its own board. The Albuquerque School District is liable for any operating deficits (to date the Charter has not experienced any operating deficits). The Charter is presented as a discretely presented component unit in the Albuquerque Public School District's Financial Statements.

The Charter's operating revenues are passed through the school district to the Charter. Two percent of the Charter's state equalization guarantee revenues are retained by the school district for administration purposes. Because the revenues are passed through the school district to the Charters, Governmental Accounting Standards Board pronouncement 61 requires that the Charter be treated as "component unit" and included within the scope of the District's Independent Audit and financial statements. In addition the 2.2.2 NMAC State Auditor Rule requires each Charter School and education foundations with significant assets to be disclosed discretely as significant component units. Furthermore, it should be noted that the Charter has participated in an Albuquerque Public School's pilot program in which the District purchased the building and grounds of the Charter so that the Charter would be in a public facility. In exchange, the District receives:

1. Lease payments equal to the amount that the Charter receives for its lease reimbursement program.
2. Payments equal to the amount that the Charter receives for its HB-33 program to be held in escrow by the District for improvements of the facilities.



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For parents choosing a public Montessori education for their children, Montessori of the Rio Grande Charter School offers full day Kindergarten and elementary instruction for approximately 216 students. At the Charter, we are pledged to academic achievement. Our vision is for the Charter to nurture and inspire the human potential and be a model public Montessori school. Our mission at the Charter is to use Montessori principles to inspire children to love learning and contribute to their communities while providing a peaceful, safe, and nurturing academic environment.

To accomplish this mission the Charter has developed and implemented an Educational Plan for Student Success (EPSS) that utilizes curriculum, instruction, and assessments that enable all students to demonstrate: 1) Literacy--Clear and accurate reading, writing, speaking, and interpersonal communication. 2) Math Skills--Clear and accurate use of mathematics in communications, reasoning, making connections, and problem solving. 3) Parent/Teacher/Student Conferences—Habits of mind that develop students independence with responsibility, all through the implementation of the Montessori educational program. Parent involvement is a component of the EPSS plan which includes The Friends of Montessori Foundation, volunteer committees, and parent advisory groups. Communication tools used are school newsletters, communication folders, and the school website.

## Forty Day Count Membership

Year	Number of Students	Increase (Decrease)	% Increase (Decrease)
2005-2006	153	*	*
2006-2007	173	20	11.56%
2007-2008	178	5	2.81%
2008-2009	192	14	7.29%
2009-2010	198	6	3.03%
2010-2011	198	-	0.00%
2011-2012	198	-	0.00%
2012-2013	199	1	0.50%
2013-2014	217	18	8.29%
2014-2015	217	-	0.00%
2015-2016	217	-	0.00%
2016-2017	216	(1)	-0.46%

**\*Note:** Data not available for determination.

## School Grade

In order to increase accountability and transparency in New Mexico schools, the Real Accountability, Real Results initiative originally proposed by Governor Martinez, adopts an easy-to-understand, easy-to-implement system of grading schools, using the traditional school grading format of A-F. The school grades for Montessori of the Rio Grande, since its inception in the School Year 2010-2011, are shown below. It should be noted that School Year 2014-2015 is the first year in which the Charter began student assessments with the newly adopted PARCC (Partnership for Assessment of Readiness for College and Careers) test.

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Year	<i>Performance in Math and Reading</i>				Opportunity to Learn	Final School Grade
	Current Standing	School Improvement	Improvement of Highest Performing Students	Improvement of Lowest Performing Students		
2010-2011	F	F	F	F	A	D
2011-2012	B	A	A	F	A	B
2012-2013	B	A	B	F	A	B
2013-2014	B	F	F	B	B	C
2014-2015	F	F	C	F	B	D
2015-2016	F	F	C	F	A	D
2016-2017	D	D	B	D	A	C

## Financial Highlights

Key events for the Fiscal Year 2017 are:

- The liabilities and deferred inflow of resources of the Charter exceeded assets and deferred outflows of resources at the close of the most recent Fiscal Year by \$2,115,358 (*total net position*). The components of net position include net investment in capital assets (\$19,071), restricted net position, (\$90,753) and unrestricted net position, (- \$2,225,182). The reason for the deficit net position is due to the pension liability presentation.
- The Charter's total net position decreased by \$314,107 compared to the prior year. This decrease results primarily from increased program expenses and significant decreases in revenues.
- As of June 30, 2017, the Charter had current and noncurrent assets totaling \$180,575 and \$19,071, respectively. Capital assets, net of accumulated depreciation totaled \$19,071. Deferred outflows of resources related to net pension liability totaled \$585,364. As of June 30, 2017 the Charter had current liabilities consisting of \$3,133 which was related to accrued payroll liabilities. Noncurrent liabilities consisted of \$2,869,938 from net pension liability.
- The Charter has been included in Albuquerque Public School's capital improvement plan, and work continues on facility improvements. On August 12, 2013 the first phase of construction for the Charter's new facilities was completed and 4 new upper elementary classrooms and a student enrichment center were placed in service. The Charter's contribution to the construction of those new facilities was later transferred to Albuquerque Public School's since they are the owner of the facilities and the buildings are not portable. The Charter is now actively working with Albuquerque Public Schools to begin the second phase of construction which should place all other grades of students in new facilities. That second phase is expected to begin at the end of fiscal year 2018.
- General Fund revenues decreased from \$1,749,361 for the year ended June 30, 2016 to \$1,659,274 for the fiscal year ended June 30, 2017, a decrease of 5.15 % or \$90,087.

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- Total actual General Fund expenditures for the year ended June 30, 2017 exceeded total revenues and other financing sources and other financing uses by \$75,623, resulting in an end of year fund balance of \$86,689.
- The Charter has successfully maintained the financial reporting processes as required by the Governmental Accounting Standards Board Statement No. 68.
- The Charter has successfully maintained the financial reporting processes as required by the Governmental Accounting Standards Board Statement No. 54.
- The Charter has successfully maintained the financial reporting processes as required by the Governmental Accounting Standards Board Statement No. 34.

## Overview of the Financial Statements

The audited financial statements for Albuquerque Public School consist of a series of financial statements and notes to those statements. Those statements are organized so the reader can understand Albuquerque Public School, including its component unit Charter Schools, as a financial whole, or as an entire operating entity. The focus of this overview will be on the financial statements as they pertain to Montessori of the Rio Grande Charter School.

The statement of net position and statement of activities provide information about the activities of the whole Charter, presenting both an aggregate view of the Charter's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at all the Charter's funds, and for the Charter the General Fund is the most significant.

## Statement of Net Position and Statement of Activities

While this report contains the large number of funds used by the Charter to provide programs and activities, the Charter looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the Charter has improved or diminished for the Charter as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Charter's property tax base, facility conditions, required educational programs, and other factors.

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In the statement of net position and the statement of activities, all of the Charter's activities are reported in one column. The column is labeled:

**Governmental Activities** - The Charter's programs and services are reported here including instruction, support services, central services, operation and maintenance of plant, and community services operations.

The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Statement of Activities, for governmental activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state entitlements.

The dependence upon revenues from the State of New Mexico for governmental activities is apparent. 66.67% percent of Charter general expenditures are being utilized for Direct Instruction.

**Table A-1  
The School's Net Position**

	FY 2017	FY 2016	Amount Change	Total % Change
<b>Assets:</b>				
Current and Other Assets	\$ 180,575	\$ 298,297	\$ (117,722)	-39%
Capital and Non-Current Assets	19,071	23,145	(4,074)	-18%
Total Assets	<u>199,646</u>	<u>321,442</u>	<u>(121,796)</u>	-38%
Deferred Outflows of Resources	<u>585,364</u>	<u>456,201</u>	<u>129,163</u>	28%
Total Assets and Deferred Outflows of Resources	<u>\$ 785,010</u>	<u>\$ 777,643</u>	<u>\$ 7,367</u>	1%
<b>Liabilities:</b>				
Current Liabilities	\$ 3,133	\$ 42,268	\$ (39,135)	-93%
Long-Term Liabilities	<u>2,869,938</u>	<u>2,479,498</u>	<u>390,440</u>	16%
Total Liabilities	<u>2,873,071</u>	<u>2,521,766</u>	<u>351,305</u>	14%
Deferred Inflows of Resources	<u>27,297</u>	<u>57,128</u>	<u>(29,831)</u>	-52%
<b>Net Position:</b>				
Net Investment in Capital Assets	19,071	23,145	(4,074)	-18%
Restricted	90,753	93,717	(2,964)	-3%
Unrestricted	<u>(2,225,182)</u>	<u>(1,918,113)</u>	<u>(307,069)</u>	16%
Total Net Position	<u>(2,115,358)</u>	<u>(1,801,251)</u>	<u>(314,107)</u>	17%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 785,010</u>	<u>\$ 777,643</u>	<u>\$ 7,367</u>	1%

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**Table A-2  
Changes in the School's Net Position**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Amount Change</u>	<u>Total % Change</u>
Revenues:				
Program Revenues:				
Capital Grants and Contributions	\$ 5,199	\$ -	\$ 5,199	100.0%
Operating Grants and Contributions	<u>543,343</u>	<u>596,470</u>	<u>(53,127)</u>	-8.9%
Total Program Revenues	548,542	596,470	(47,928)	-8.0%
General Revenues:				
State Equalization Guarantee	1,326,622	1,377,683	(51,061)	-3.7%
Property Taxes	<u>202,378</u>	<u>195,714</u>	<u>6,664</u>	3.4%
Total General Revenues	<u>1,529,000</u>	<u>1,573,397</u>	<u>(44,397)</u>	-2.8%
Total Revenues	2,077,542	2,169,867	(92,325)	-4.3%
Expenses:				
Instruction	1,370,870	1,362,430	8,440	
Support Services	584,652	571,848	12,804	
Operating of Non-Instructional Services	78,294	74,571	3,723	
Facilities, Materials, Supplies and Other Services	<u>357,833</u>	<u>310,820</u>	<u>47,013</u>	15.1%
Total Expenses	<u>2,391,649</u>	<u>2,319,669</u>	<u>71,980</u>	3.1%
<b>CHANGE IN NET POSITION</b>	(314,107)	(149,802)	(164,305)	109.7%
Net Position - Beginning of Year	<u>(1,801,251)</u>	<u>(1,651,449)</u>	<u>(149,802)</u>	9.1%
<b>NET POSITION - END OF YEAR</b>	<u>\$ (2,115,358)</u>	<u>\$ (1,801,251)</u>	<u>\$ (314,107)</u>	17.4%

## Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,115,358 at the close of the most recent fiscal year. By far the largest portion of the Charter's net position reflects its unrestricted net position. The deficit is due primarily to the Charter's net pension liability.

The Charter's net position decreased by \$314,107 during the current fiscal year. The decrease results primarily from increased program expenses and significant reductions in revenues. In looking at program revenues, the significant decrease in operating grants and contributions can be attributed to the fact that no donations revenues were accepted from the Friends of the Montessori Foundation because cash balances were subject to sweeps by the State of New Mexico. With respect to general revenues, the decrease in the state equalization can also be attributed to the fact that the State of New Mexico reduced funding to public schools during Fiscal Year 2017 because of the State's budget crisis.

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JUNE 30, 2017**

## Fund Financial Statements

Fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues and Expenditures and Changes in Fund Balances guides the reader to a meaningful overall view of the Charter's revenue, expenditures and changes to the fund balance. Total revenues from property taxes, state, local and federal sources were \$2,079,632. Total expenditures for the Charter were \$2,156,129. The total ending fund balance was \$175,204, a decrease of \$76,497 from the prior year.

## Multi-Year Charter Revenues and Expenditures

A multi-year view of overall Charter revenues and expenditures indicates long term growth in both areas. The growth and decline of revenues and expenditures are commensurate with student enrollment, legislative initiatives to improve funding for teacher salaries, student needs and other educational programs as well as state and local increase in revenues for capital outlay purposes.

Year	Total Revenues*	% Change, Revenues	Total Expenses*	% Change, Expenses	Excess (deficiency) of revenues over (under) expenditures	Restatements of Fund Balance	Fund Balance - End of Year
2005-2006	\$ 1,224,004	**	\$ 1,331,335	**	\$ (107,331)	\$ -	\$ 22,823
2006-2007	\$ 1,482,039	21.08%	\$ 1,363,567	2.42%	\$ 118,472	\$ -	\$ 141,295
2007-2008	\$ 1,436,033	-3.10%	\$ 1,485,950	8.98%	\$ (49,917)	\$ -	\$ 91,378
2008-2009	\$ 1,335,986	-6.97%	\$ 1,392,352	-6.30%	\$ (56,366)	\$ -	\$ 35,012
2009-2010	\$ 1,576,577	18.01%	\$ 1,518,654	9.07%	\$ 57,923	\$ -	\$ 92,935
2010-2011	\$ 1,964,958	24.63%	\$ 1,921,237	26.51%	\$ 43,721	\$ -	\$ 136,656
2011-2012	\$ 1,918,819	-2.35%	\$ 1,891,958	-1.52%	\$ 26,861	\$ -	\$ 163,517
2012-2013	\$ 1,759,155	-8.32%	\$ 1,716,547	-9.27%	\$ 42,608	\$ -	\$ 206,125
2013-2014	\$ 2,008,835	14.19%	\$ 1,988,332	15.83%	\$ 20,503	\$ 54,144	\$ 280,772
2014-2015	\$ 2,082,526	3.67%	\$ 2,092,765	5.25%	\$ (10,239)	\$ -	\$ 270,533
2015-2016	\$ 2,177,774	4.57%	\$ 2,196,606	4.96%	\$ (18,832)	\$ -	\$ 251,701
2016-2017	\$ 2,079,632	-4.51%	\$ 2,156,129	-1.84%	\$ (76,497)	\$ -	\$ 175,204

\* **Note:** Revenues exclude cash carryovers; Expenditures include capital outlays.

\*\***Note:** Data not available for determination.

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## The Budget

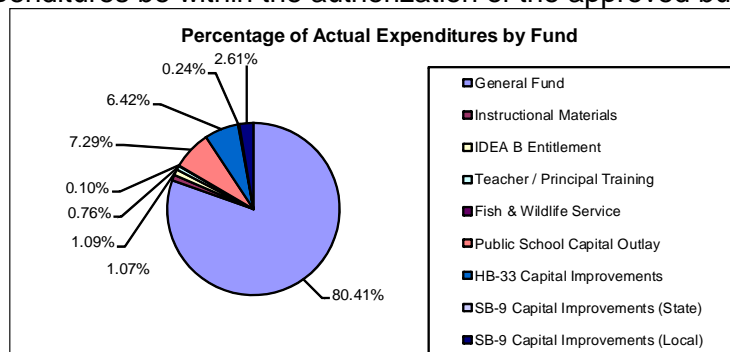
Charter budgets reflect the same change as seen in the revenue and expenditures of the Charter. The State of New Mexico school budget process is defined under state law and regulation. To enhance the process of developing a budget at the charter school level, the Charter utilizes goals and objectives defined by the Charter's Governing Council, community input meetings, long term plans and input from various staff groups to develop the Charter's budget. Charter priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for the year; however, all budgetary funds are required to be reported as a separate statement.

The following table and graphics show the fiscal relationship of the various funds for the Fiscal Year ended June 30, 2017. The reader will note that the General Fund represents 80.41% of the total funded dollar amount. This fund provides the salary and benefits for the significant majority of the Direct Instruction, Instructional Support, Administration, Business Support, and Maintenance as well as classroom materials, special education consulting staff and fixed utility costs. Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The General Fund is explored later in the Management Discussion and Analysis.

Fund Type	Fund Number	Final Budget	Actual	Variance
General Fund	11000	\$ 1,819,382	\$ 1,734,897	\$ 84,485
Instructional Materials	14000	\$ 26,229	\$ 23,125	\$ 3,104
IDEA B Entitlement	24106	\$ 23,615	\$ 23,615	\$ -
Teacher / Principal Training	24154	\$ 20,028	\$ 16,320	\$ 3,708
Fish & Wildlife Service	25251	\$ 2,187	\$ 2,187	\$ -
Public School Capital Outlay	31200	\$ 157,368	\$ 157,368	\$ -
HB-33 Capital Improvements	31600	\$ 141,227	\$ 138,608	\$ 2,619
SB-9 Capital Improvements (State)	31700	\$ 10,390	\$ 5,199	\$ 5,191
SB-9 Capital Improvements (Local)	31701	\$ 138,212	\$ 56,338	\$ 81,874
<b>TOTALS</b>		<b>\$ 2,338,638</b>	<b>\$ 2,157,657</b>	<b>\$ 180,981</b>

All funds fell within the regulatory criteria set by the Public Education Department and New Mexico Statute. Both the Manual of Procedures for Public School Account and NMSA 8-22-5, Annotated require that budget expenditures be within the authorization of the approved budget.



**MONTESSORI OF THE RIO GRANDE  
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## The General Fund

The General Fund revenues represent \$1,659,274 of the total \$2,079,632 in overall Charter revenues. The impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$1,806,460 and had a final budget of \$1,819,382. This change represents an increase of \$12,922. The increases are primarily due to cash carryover from the prior year being greater than initially budgeted.

The General Fund is predominately funded by revenues from the State of New Mexico State Equalization Guarantee Formula. In addition a significant portion of revenues are generated from tuition based preschool program as presented under "Educational Fees". The preschool program enrollment is currently at 44 students. The fund pays for teaching staff, teaching support staff, special education support staff, maintenance and administration staff. Because of the student enrollment increases experienced by the Charter, an emphasis on schools by the New Mexico Legislature, and because the State Equalization Guarantee Formula is based upon student populations, the amount had seen a steady increase in revenues in most years as student enrollment had increased. The State Equalization Guarantee saw a significant decrease in the most recent fiscal year because the budget crisis experienced by the State of New Mexico. It is expected that State Equalization Guarantee Formula revenues will remain consistent in most years because the Charter has achieved maximum enrollment per its charter and the lack of growth units going forward will be the norm, unless the funding formula or the charter is altered. Additionally, no donation revenues were accepted during the most recent fiscal year from Friends of the Montessori Foundation because cash balances were subject to sweeps by the State of New Mexico. Those donations will be accepted again in the future, but in a separately established activity fund.

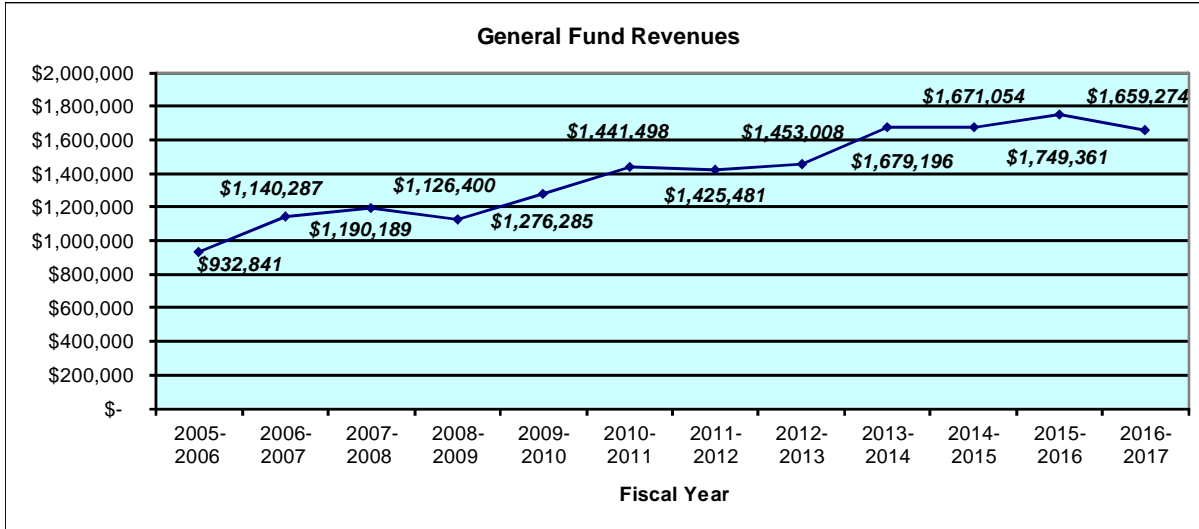
The General Fund and its various sources of revenues over the years are presented below:

Activity Fees	Educational Fees	Donations	Other Revenues	Total Revenues	Increase (Decrease)	% Increase (Decrease)
\$ -	\$ -	\$ -	\$ 3,729	\$ 932,841	*	*
\$ 52,198	\$ 2,725	\$ -	\$ 64,400	\$ 1,140,287	\$ 207,446	22.24%
\$ 33,305	\$ 7,884	\$ -	\$ -	\$ 1,190,189	\$ 49,902	4.38%
\$ 36,403	\$ 11,418	\$ -	\$ -	\$ 1,126,400	\$ (63,789)	-5.36%
\$ 73,589	\$ 62,797	\$ 25,840	\$ 5,228	\$ 1,276,285	\$ 149,885	13.31%
\$ 84,023	\$ 103,767	\$ 75,150	\$ 1,008	\$ 1,441,498	\$ 165,213	12.94%
\$ 75,445	\$ 141,530	\$ 59,820	\$ 527	\$ 1,425,481	\$ (16,017)	-1.11%
\$ 65,883	\$ 168,782	\$ 70,000	\$ 13,817	\$ 1,453,008	\$ 27,527	1.93%
\$ 64,586	\$ 238,623	\$ 54,500	\$ 32	\$ 1,679,196	\$ 226,188	15.57%
\$ 61,151	\$ 218,679	\$ 53,875	\$ 1,480	\$ 1,671,054	\$ (8,142)	-0.48%
\$ 51,716	\$ 218,003	\$ 100,207	\$ 1,752	\$ 1,749,361	\$ 78,307	4.69%
\$ 46,645	\$ 284,755	\$ -	\$ 1,252	\$ 1,659,274	\$ (90,087)	-5.15%

\*Note: Data not available for determination.



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The General Fund (Fund 11000) is the main fund whose expenditures are significantly related to the educational process; \$1,734,897 was expended in the year ending June 30, 2017. \$1,487,891 or 85.76% of all General Fund expenditures was made for employee salaries, payroll taxes and benefits. The expenditures of the General Fund expenditures are divided into various functions, of which Instruction is the most significant, and can be summarized as follows for the year ending June 30, 2017:

**Instruction**

\$1,156,654 represents 66.67% of General Fund expenditures and accounts for expenditures for regular and special education teachers and assistants, benefits, payroll taxes, school supplies, training, teacher and student travel and miscellaneous instructional related contract services.

**Support Services - Students**

\$57,090 represents 3.29% of General Fund expenditures and accounts for expenditures for the significant support to special education programs through contract ancillary support staff and contract programs.

**Support Services – General Administration**

\$14,516 represents 0.84% of all General Fund expenditures and accounts for expenditures for governing council training, legal fees and audit costs.

**Support Services – School Administration**

\$212,138 represents 12.22% of all General Fund expenditures and accounts for expenditures for the school principal, office manager, data entry, benefits, payroll taxes, training, and office supplies.

**Central Services**

\$120,977 represents 6.97% of all General Fund expenditures and accounts for expenditures for the school business and finance director, benefits, payroll taxes, financial software, advertising, bank service fees, training and office supplies.

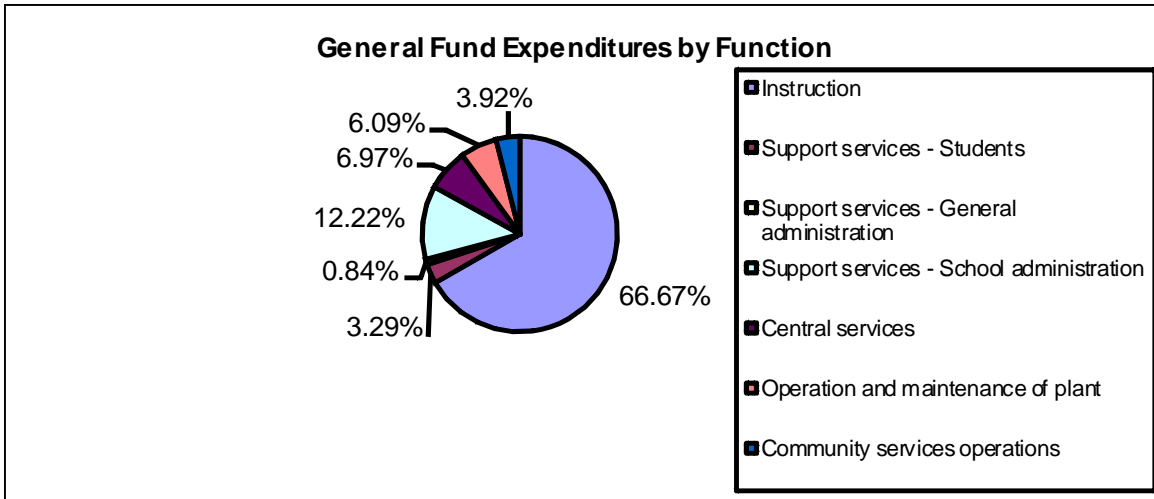
**Operation and Maintenance of Plant**

\$105,572 represents 6.09% of all General Fund expenditures and accounts for expenditures for custodial services, maintenance of buildings and grounds, rents and leases, communications, and supplies.

**Community Services Operations**

\$67,950, represents 3.92% of all General Fund expenditures and accounts for expenditures for the aftercare director, aftercare staff, yearbook costs and supplies.

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## Other Funds

In general, the other funds, while important to the success of school operations, do not represent a significant fiscal impact to warrant specific discussion. However, because of their relative importance to the success of students, we have elected to present information on each of these funds. These funds represent a single source of revenue and are received from local, state or federal sources. The years of their funding can be reviewed after the following fund descriptions.

**Instruction Materials (Fund 14000)**

The Instructional Materials Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

**IDEA-B Entitlement (Fund 24106)**

The IDEA-B Entitlement Fund is used to account for a program funded by a Federal grant to assist the Charter in providing free appropriate public education to all children with special needs.

**Charter Schools (Fund 24146)**

The Charter School Planning Fund is used to account for a program funded by a Federal grant for the purposes of providing start-up charter schools with adequate funding at their inception.

**English Language Acquisition (Fund 24153)**

The English Language Acquisition Fund is used to account for a program funded by a Federal grant for the purposes of providing support for English language learners.

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**Teacher / Principal Training & Recruiting (Fund 24154)**

The Teacher / Principal Training and Recruiting Fund is used to account for a program funded by a Federal grant, that is used 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.

**IDEA-B Entitlement Federal Stimulus (Fund 24206)**

The IDEA-B Entitlement Federal Stimulus Fund is used to account for a program funded by a Federal grant to assist the Charter in providing free appropriate public education to all children with special needs. The funds are also subject to the requirements and restrictions in ARRA, and are tracked in a separate fund code in order to be fully accountable to the taxpayers.

**Emergency Response Plans for School Safety Initiative (Fund 24249)**

The Emergency Response Plans for School Safety Initiative Fund is used to account for a program funded by a Federal grant for an 18-month program designed to strengthen the Charter's crisis preparedness and response capabilities

**State Equalization Guarantee Federal Stimulus (Fund 25250)**

The State Equalization Guarantee Federal Stimulus Fund is used to account for a program funded by a Federal grant for the purpose of offsetting the decrease in state funding. These are federal funds, and must be used for education purposes consistent with State and local requirements. The funds are also subject to the requirements and restrictions in ARRA, and are tracked in a separate fund code in order to be fully accountable to the taxpayers.

**US Fish & Wildlife (Fund 25251)**

The US Fish & Wildlife Fund is used to account a program funded by a Federal grant for the purpose of restoring and maintaining a wetland on the school grounds to further student learning opportunities.

**Education Jobs Fund (Fund 25255)**

The Education Jobs Fund is used to account for a program funded by a Federal grant for the purpose of offsetting the decrease in state funding. These are federal funds may only be used for jobs related to direct instruction job positions such as teachers and instructional assistants and must be used for education purposes consistent with State and local requirements. The funds are also subject to the requirements and restrictions in ARRA, and are tracked in a separate fund code in order to be fully accountable to the taxpayers.

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**Golden Apple Foundation (Fund 26163)**

The Golden Apple Foundation Fund is used to account for a program funded by Wells Fargo Bank for the purposes of providing enhanced educational opportunities in the forms of fieldtrips, classroom materials and various projects that teachers apply for.

**Local Grants (Fund 26177)**

The Local Grants Fund is used to account for a program funded by the City of Albuquerque for the purposes of providing a supervised and safe environment on school grounds for children after school at little or no cost to the student's family.

**2008 Library GO Bonds (Fund 27105)**

The 2008 Library GO Bonds Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support school libraries through purchasing books, videos and additional materials.

**2010 Library GO Bonds (Fund 27106)**

The 2010 Library GO Bonds Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support school libraries through purchasing books, videos and additional materials.

**2012 Library GO Bonds (Fund 27107)**

The 2012 Library GO Bonds Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support school libraries through purchasing non-book related library resources such as computers, software, projectors, televisions, other hardware and software, and furniture.

**Charter School Planning (Fund 27112)**

The Charter School Planning Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing start-up charter schools with adequate funding at their inception.

**NM Reads to Lead K-3 (Fund 27114)**

The NM Reads to Lead K-3 Fund is used to account for funds received to provide children opportunities to acquire a firm foundation in literacy and are not only prepared for future academic success, but will possess a lifelong gift of reading. New Mexico's early reading initiative, New Mexico Reads to Lead, provides an aligned approach schools to ensure that children can read by the end of the third grade – giving them essential skills for future career and college success. The New Mexico Reads to Lead! Initiative also provides reading coaches, supports for intervention, and professional development for parents, teachers, reading coaches, and administrators.

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**Obesity Program (Fund 27120)**

The Obesity Program Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing before and/or after school programs that contain both physical activity and nutrition components targeting elementary school-aged children.

**Library GO Bonds Laws of 2004 (Fund 27145)**

The Library GO Bonds Laws of 2004 Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support school libraries through purchasing books, videos and additional materials.

**Beginning Teacher Mentoring Program (Fund 27154)**

The Beginning Teacher Mentoring Program Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students and improve the overall success of the school.

**After School Enrichment Program (Fund 27168)**

The After School Enrichment Program Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing a supervised and safe environment on school grounds for children after school at little or no cost to the student's family.

**Library GO Bonds Laws of 2006 (Fund 27170)**

The Library GO Bonds Laws of 2006 Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support school libraries through purchasing books, videos and additional materials.

**2010 GOB Instructional Materials (Fund 27171)**

The 2010 GOB Instructional Materials Fund is used to account for money received from the New Mexico Public Education Department. Funds were used to purchase Montessori learning materials within the Charter.

**Next Generation Assessments (Fund 27185)**

The Next Generation Assessments Fund is used to account for monies made available to remediate deficiencies in computer devices so that schools can be compliant with the Partnership for Assessment of Readiness for College and Careers (PARCC) assessment requirements. Funds were used to purchase computing devices for student use within the Charter.

**2008 Library Funds (Fund 27549)**

The 2008 Library Funds Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of providing State legislative funds to support the purchase of school library books.

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**Private Direct Grants (Fund 29102)**

The Private Direct Grants Fund is used to account for local and state direct grants funds not covered by the Uniform Chart of Accounts. For the Charter this was used in fiscal year 2014 to account for the Albert I. Pierce Grant Award which was used for the acquisition of materials and curriculum support for the Montessori of the Rio Grande Wetlands School Yard Habitat Outdoor Classroom. In fiscal year 2016 it was used to account for tools and equipment received from the 2015 Bernalillo County Outdoor Classroom Grant.

**Public School Capital Outlay (Fund 31200)**

The Public School Capital Outlay Fund is used to account for the monies received from the New Mexico Public Education Department to account for the monies received in reimbursement for rent of the Charter's facilities.

**Special Public School Capital Outlay (Fund 31400)**

The Special Public School Capital Outlay Fund is used to account for the monies received from the New Mexico Public Education Department for the purpose of accounting for special legislative appropriations monies received for facility improvements.

**HB-33 Capital Improvements (Fund 31600)**

The HB-33 Capital Improvements Fund is used to account for the monies received from the New Mexico Public Education Department to account for the costs relating to erecting, remodeling, making additions to, providing equipment for, or furnishing public school buildings and purchasing or improving public school grounds. Financing is provided through county property taxes. Under a Memorandum of Agreement with Albuquerque Public Schools, the District receives these revenues, to hold in escrow for Montessori of the Rio Grande, in exchange for providing building and grounds maintenance because the District owns the Charter's facilities.

**SB-9 Capital Improvements – State Match (Fund 31700)**

The SB-9 Capital Improvements Fund is used to account for the monies received from the New Mexico Public Education Department 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. Prior to Fiscal Year 2016, SB-9 State and Local monies were co-mingled into the same fund, but going forward are now separated.

**SB-9 Capital Improvements – Local Sources (Fund 31701)**

The SB-9 Capital Improvements Fund is used to account for the monies received from the New Mexico Public Education Department 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 a special tax levy by Counties as authorized by the Public School District Capital Improvements Act. Prior to Fiscal Year 2016, SB-9 State and Local monies were co-mingled into the same fund, but going forward are now separated.

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The other funds revenues as well as a total of all funds over the years are presented below:

Year	Instruction Materials (Fund 14000)	IDEA-B Entitlement (Fund 24106)	Charter Schools (Fund 24146)	English Language Acquisition (Fund 24153)	Teacher / Principal Training & Recruiting (Fund 24154)	IDEA-B Entitlement Federal Stimulus (Fund 24206)	Emergency Response Plans for School Safety Initiative (Fund 24249)	State Equalization Guarantee Federal Stimulus (Fund 25250)	Fish & Wildlife Service (Fund 25251)
2005-2006	\$ 12,727	\$ 10,652	\$ 150,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006-2007	\$ 13,585	\$ 20,964	\$ 209,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007-2008	\$ 19,585	\$ 25,605	\$ -	\$ -	\$ 10,360	\$ -	\$ -	\$ -	\$ -
2008-2009	\$ 15,491	\$ 31,899	\$ -	\$ -	\$ 12,432	\$ -	\$ 8,000	\$ -	\$ -
2009-2010	\$ 12,816	\$ 24,551	\$ -	\$ -	\$ 8,507	\$ 32,888	\$ -	\$ 107,287	\$ -
2010-2011	\$ 7,690	\$ 33,214	\$ -	\$ -	\$ 9,251	\$ -	\$ -	\$ 14,921	\$ -
2011-2012	\$ 8,367	\$ 39,032	\$ -	\$ 80	\$ 9,262	\$ -	\$ -	\$ -	\$ -
2012-2013	\$ 15,131	\$ 29,215	\$ -	\$ -	\$ 12,657	\$ -	\$ -	\$ -	\$ -
2013-2014	\$ 12,868	\$ 17,252	\$ -	\$ -	\$ 9,034	\$ -	\$ -	\$ -	\$ -
2014-2015	\$ 15,439	\$ 22,061	\$ -	\$ -	\$ 10,678	\$ -	\$ -	\$ -	\$ -
2015-2016	\$ 15,512	\$ 26,945	\$ -	\$ -	\$ 11,663	\$ -	\$ -	\$ -	\$ 3,400
2016-2017	\$ 13,388	\$ 23,615	\$ -	\$ -	\$ 16,320	\$ -	\$ -	\$ -	\$ -

Year	Education Jobs Fund (Fund 25255)	Golden Apple Foundation (Fund 26163)	Local Grants (Fund 26177)	2008 Library GO Bonds (Fund 27105)	2010 Library GO Bonds (Fund 27106)	Library GO Bond (Fund 27107)	Charter School Planning (Fund 27112)	NM Reads to Lead K-3 (Fund 27114)	Obesity Program (Fund 27120)
2005-2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2006-2007	\$ -	\$ -	\$ 2,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007-2008	\$ -	\$ -	\$ 10,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,600
2008-2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,500
2009-2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010-2011	\$ 34,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011-2012	\$ 508	\$ -	\$ -	\$ 3,233	\$ 2,168	\$ -	\$ -	\$ -	\$ -
2012-2013	\$ -	\$ 2,937	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013-2014	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ 3,243	\$ -	\$ 31,926	\$ -
2014-2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -
2015-2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,585	\$ -	\$ 50,000	\$ -
2016-2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Year	Library GO Bonds Laws of 2004 (Fund 27145)	Beginning Teacher Mentoring Program (Fund 27154)	After School Enrichment Program (Fund 27168)	Library GO Bonds Laws of 2006 (Fund 27170)	2010 GOB Instructional Materials (Fund 27171)	Next Generation Assessments (Fund 27185)	2008 Library Funds (Fund 27549)	Private Direct Grants (Fund 29102)	Public School Capital Outlay (Fund 31200)
2005-2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,708
2006-2007	\$ 2,890	\$ 368	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,800
2007-2008	\$ 3,251	\$ 1,858	\$ 38,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,900
2008-2009	\$ -	\$ 2,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,258
2009-2010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,881
2010-2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,719
2011-2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,755
2012-2013	\$ -	\$ -	\$ -	\$ -	\$ 7,765	\$ -	\$ -	\$ -	\$ 118,948
2013-2014	\$ -	\$ -	\$ -	\$ -	\$ 4,276	\$ 6,035	\$ -	\$ 5,000	\$ 116,891
2014-2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,872
2015-2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 799	\$ 112,888
2016-2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,368

Year	Special Public School Capital Outlay (Fund 31400)	HB-33 Capital Improvements (Fund 31600)	SB-9 Capital Improvements – State Match (Fund 31700)	SB-9 Capital Improvements – Local Sources (Fund 31701)	Total Non Operational Funds	General Fund (Fund 11000)	Total General Fund and Non Operational Funds
2005-2006	\$ -	\$ -	\$ -	\$ -	\$ 291,163	\$ 932,841	\$ 1,224,004
2006-2007	\$ -	\$ -	\$ -	\$ -	\$ 341,752	\$ 1,140,287	\$ 1,482,039
2007-2008	\$ -	\$ -	\$ -	\$ -	\$ 245,844	\$ 1,190,189	\$ 1,436,033
2008-2009	\$ -	\$ -	\$ -	\$ -	\$ 209,586	\$ 1,126,400	\$ 1,335,986
2009-2010	\$ -	\$ -	\$ 3,362	\$ -	\$ 300,292	\$ 1,276,285	\$ 1,576,577
2010-2011	\$ 198,000	\$ 97,441	\$ 3,921	\$ -	\$ 523,460	\$ 1,441,498	\$ 1,964,958
2011-2012	\$ 198,000	\$ 106,700	\$ 4,233	\$ -	\$ 493,338	\$ 1,425,481	\$ 1,918,819
2012-2013	\$ -	\$ 114,959	\$ 4,535	\$ -	\$ 306,147	\$ 1,453,008	\$ 1,759,155
2013-2014	\$ -	\$ 115,816	\$ 6,098	\$ -	\$ 329,639	\$ 1,679,196	\$ 2,008,835
2013-2015	\$ -	\$ 129,373	\$ 69,049	\$ -	\$ 411,472	\$ 1,671,054	\$ 2,082,526
2015-2016	\$ -	\$ 136,102	\$ 67,519	\$ -	\$ 428,413	\$ 1,749,361	\$ 2,177,774
2016-2017	\$ -	\$ 137,081	\$ 5,199	\$ 67,387	\$ 420,358	\$ 1,659,274	\$ 2,079,632



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## Capital Asset Administration

The following is a summary of the Charter's capital assets position over the past fiscal year:

	<b><u>Overview of Capital Assets</u></b>			
	<b><u>June 30, 2016</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>June 30, 2017</u></b>
Land Improvements	\$ 7,918	\$ -	\$ -	\$ 7,918
Building Improvements	20,000			20,000
Furniture, Fixtures & Equipment	24,301			24,301
Less Accumulated Depreciation	<u>(29,074)</u>	<u>(4,074)</u>	<u>-</u>	<u>(33,148)</u>
<i>Capital Assets, Net</i>	<b><u>\$ 23,145</u></b>	<b><u>\$ (4,074)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 19,071</u></b>

## Long-Term Debt Administration

The Charter does not maintain any long -term debt.

## Component Units

The Montessori of the Rio Grande Charter School has one component unit that is an Education Foundation organized as a 501 (c) (3) charitable organization. It was established on December 15, 2005 to raise parental and private support for programs within the Charter.

### **The Friends of Montessori Foundation**

The Friends of Montessori Foundation (FOMF) is an organization for the purpose of raising financial support. They have provided various forms of fundraisers over the years that have supported fine arts, physical education, classroom instruction and more. Most notably since Fiscal Year 2011 FOMF continues to oversee the School Enrichment Fund, which is responsible for raising significant revenues for Charter to keep in place its physical education program and small classroom sizes. In future years FOMF will continue to support the school, but will be principally focused on continued support of school programs & classrooms.

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## Component Units (continued)

Below represents comparative data for the foundation.

### Statement of Net Position

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Variance</b>
<i>Assets:</i>			
Cash and cash equivalents	\$ 57,360	\$ 6,810	\$ 50,550
Receivables (net of allowance for uncollectibles)			
Other	-	-	-
<b>Total Assets</b>	<b>\$ 57,360</b>	<b>\$ 6,810</b>	<b>\$ 50,550</b>
<i>Liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<i>Net Position:</i>			
Restricted	\$ -	\$ -	\$ -
Unrestricted	57,360	6,810	50,550
<b>Total Net Position</b>	<b>\$ 57,360</b>	<b>\$ 6,810</b>	<b>\$ 50,550</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 57,360</b>	<b>\$ 6,810</b>	<b>\$ 50,550</b>

### Statement of Activities

	<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>Variance</b>
Foundation income	\$ 128,622	\$ 144,663	\$ (16,041)
<b>Total Revenues</b>	<b>\$ 128,622</b>	<b>\$ 144,663</b>	<b>\$ (16,041)</b>
Foundation expenses	78,072	157,059	(78,987)
<b>Total Expenses</b>	<b>\$ 78,072</b>	<b>\$ 157,059</b>	<b>\$ (78,987)</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 50,550</b>	<b>\$ (12,396)</b>	<b>\$ 62,946</b>
<b>Net Position - Beginning</b>	<b>\$ 6,810</b>	<b>\$ 19,206</b>	<b>\$ (12,396)</b>
<b>Net Position - Ending</b>	<b>\$ 57,360</b>	<b>\$ 6,810</b>	<b>\$ 50,550</b>

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

## Future Trends

Montessori of the Rio Charter School is among the earliest established charter schools in the Albuquerque area. As such, the Charter is no longer in a growing phase, but entering its maturity. Despite a waiting list that sometimes equals the number of its enrolled students, the Charter wishes to maintain the small community feeling that its current student population provides for the school as well as the surrounding neighborhood. The Charter is now working to establish a sustainable model going forward now that growth is not a factor. While the Charter is satisfied with the quality of classroom instruction it provides, in future years just a few goals of the Charter are:

1. improvement of school academic performance
2. sustaining full-time physical education as opposed to part-time
3. sustaining a full-time fine arts instructor as opposed to in-class art instruction that currently takes place
4. sustaining a full-time math coach to support struggling students
5. sustaining a full-time reading coach to support struggling students
6. increase the amount of educational outings that take place,

In addition to being one of the earliest charter schools in Albuquerque, Montessori of the Rio Grande Charter School also has its history as having formerly been a private Montessori school. As such, the Charter is still in the same facilities that it was during that time and the facilities are now aging and in need of improvement. With the facilities having been purchased by Albuquerque Public Schools in Fiscal Year 2010, the facilities are now publicly owned and can be improved. During Fiscal Year 2011 planning and development phases of capital improvements began and continue to take place. The results thus far is that in the beginning of Fiscal Year 2014 four new classrooms and an enrichment center were completed and placed in service. The Charter will continue to work with the District through legislative appropriations, capital campaigns, funds that the District has for allocated for Charter capital funds and other means to replace the existing facilities and improve the grounds. The Charter would like to see the improvements take place over the next year, but recognizes that given the current economic climate there could be delays.

At this time, the Charter knows of no other facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations in the future.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

## Requests for Information

This financial report is designed to provide our community, taxpayers, investors and creditors with a general overview of the Schools' financial condition and to provide accountability for the funds the Charter receives. If you have questions about our report or about the operations of the School, please visit our web site at [www.mrgcharter.org](http://www.mrgcharter.org) , or contact:

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Montessori of the Rio Grande  
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**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	Governmental Activities	Component Unit
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 173,676	\$ 57,360
Restricted Cash	-	-
Due from Other Governments	6,899	-
Total Current Assets	180,575	57,360
Non-Current Assets:		
Capital assets:		
Land and Land Improvements	7,918	-
Building	20,000	-
Furniture, Fixtures and Equipment	24,301	-
Less: Accumulated Depreciation	(33,148)	-
Total Non-Current Assets	19,071	-
Total Assets	199,646	57,360
Deferred Outflows of Resources Related to Net Pension Liability	585,364	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 785,010</b>	<b>\$ 57,360</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Current Liabilities:		
Accrued Liabilities	\$ 3,133	\$ -
Accounts Payable	-	-
Accrued Interest Payable	-	-
Compensated Absences	-	-
Total Current Liabilities	3,133	-
Non-Current Liabilities:		
Long Term Debt - Non-Current Portion	-	-
Net Pension Liability	2,869,938	-
Total Liabilities	2,873,071	-
Deferred Inflows of Resources Related to Net Pension Liability	27,297	-
Net Investment in Capital Assets	19,071	-
Restricted	90,753	-
Unrestricted	(2,225,182)	57,360
Total Net Position	(2,115,358)	57,360
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 785,010</b>	<b>\$ 57,360</b>

See accompanying Notes to Financial Statements.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	Program Revenues				Net Revenues (Expenses) and Changes in Net Position	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 1,370,870	\$ -	\$ 362,260	\$ -	\$ (1,008,610)	\$ -
Support Services:						
Students	80,704	-	23,615	-	(57,089)	-
Instruction	-	-	-	-	-	-
General Administration	14,517	-	-	-	(14,517)	-
School Administration	245,678	-	100	-	(245,578)	-
Central Services	136,255	-	-	-	(136,255)	-
Operation & Maintenance of Plant	107,498	-	-	-	(107,498)	-
Student Transportation	-	-	-	-	-	-
Operating of Non-instructional Services:						
Food Services Operations	-	-	-	-	-	-
Community Services Operations	78,294	-	-	-	(78,294)	-
Facilities, Materials, Supplies and Other Services	357,833	-	157,368	5,199	(195,266)	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,391,649</b>	<b>\$ -</b>	<b>\$ 543,343</b>	<b>\$ 5,199</b>	<b>(1,843,107)</b>	
<b>COMPONENT UNIT</b>						
Foundation	\$ 78,072	\$ -	\$ -	\$ -	-	(78,072)
<b>GENERAL REVENUES</b>						
State Equalization Guarantee					1,326,622	-
Miscellaneous					-	128,622
Property Taxes					202,378	-
Total General Revenues					<u>1,529,000</u>	<u>128,622</u>
<b>CHANGE IN NET POSITION</b>					(314,107)	50,550
Net Position - Beginning of Year					<u>(1,801,251)</u>	<u>6,810</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ (2,115,358)</u>	<u>\$ 57,360</u>

See accompanying Notes to Financial Statements.

**MONTESSORI OF THE RIO GRANDE**  
**(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL**  
**SCHOOL DISTRICT NO. 12)**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	11000	31600	31701		
	General	Capital Improvements HB-33	Capital Improvements SB-9 Local	Non-Major Funds	Governmental Funds Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 86,689	\$ -	\$ 82,021	\$ 4,966	\$ 173,676
Accounts Receivable:					
Due from Other Governments	-	4,343	2,556	-	6,899
Due from Other Funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 86,689</b>	<b>\$ 4,343</b>	<b>\$ 84,577</b>	<b>\$ 4,966</b>	<b>\$ 180,575</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
Current Liabilities:					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Primary Government	-	3,133	-	-	3,133
Due to Other Funds	-	-	-	-	-
Total Current Liabilities	-	3,133	-	-	3,133
Deferred Inflows of Resources -					
Unavailable Revenues	-	1,210	1,028	-	2,238
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	83,549	4,966	88,515
Committed	-	-	-	-	-
Assigned for Subsequent Year	34,750	-	-	-	34,750
Unassigned (Deficit)	51,939	-	-	-	51,939
Total Fund Balance (Deficit)	86,689	-	83,549	4,966	175,204
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 86,689</b>	<b>\$ 4,343</b>	<b>\$ 84,577</b>	<b>\$ 4,966</b>	<b>\$ 180,575</b>

See accompanying Notes to Financial Statements.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

<b>Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)</b>	<b><u>\$ 175,204</u></b>
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
The cost of capital assets is	52,219
Accumulated depreciation is	<u>(33,148)</u>
Total Capital Assets	19,071
 Deferred inflows and outflows of resources related to the net pension liability and not reported in the funds.	
Deferred Outflows of Resources	585,364
Deferred Inflows of Resources	(27,297)
Deferred Inflows of Resources - Unavailable Property Taxes	2,238
 Long-term and certain other liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
 Long-term and other liabilities at year end consist of:	
Net Pension Liability	(2,869,938)
Compensated Absences Payable	<u>-</u>
Total Long-Term and Other Liabilities	<u>(2,869,938)</u>
<b>Net Position of Governmental Activities (Statement of Net Position)</b>	<b><u><u>\$ (2,115,358)</u></u></b>

See accompanying Notes to Financial Statements.



**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	11000 General	31600 Capital Improvements HB-33	31701 Capital Improvements SB-9 Local	Non-Major Funds	Governmental Funds Total
<b>REVENUES</b>					
Property Taxes	\$ -	\$ 137,081	\$ 67,387	\$ -	\$ 204,468
Local and County Sources	332,652	-	-	-	332,652
State Sources	1,326,622	-	-	175,955	1,502,577
Federal Sources	-	-	-	39,935	39,935
Total Revenues	<u>1,659,274</u>	<u>137,081</u>	<u>67,387</u>	<u>215,890</u>	<u>2,079,632</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	1,156,653	-	-	41,532	1,198,185
Support Services:					
Students	57,089	-	-	23,615	80,704
Instruction	-	-	-	-	-
General Administration	14,517	-	-	-	14,517
School Administration	212,139	-	-	100	212,239
Central Services	120,977	-	-	-	120,977
Operation & Maintenance of Plant	105,572	-	-	-	105,572
Operation of Non-Instructional Services:					
Community Services Operations	67,950	-	-	-	67,950
Food Services Operations	-	-	-	-	-
Capital Outlay	-	137,081	56,337	162,567	355,985
Total Expenditures	<u>1,734,897</u>	<u>137,081</u>	<u>56,337</u>	<u>227,814</u>	<u>2,156,129</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,623)	-	11,050	(11,924)	(76,497)
Other Financing Sources (Uses):					
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGES IN FUND BALANCES</b>	(75,623)	-	11,050	(11,924)	(76,497)
Fund Balances - Beginning of Year	<u>162,312</u>	<u>-</u>	<u>72,499</u>	<u>16,890</u>	<u>251,701</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 86,689</u>	<u>\$ -</u>	<u>\$ 83,549</u>	<u>\$ 4,966</u>	<u>\$ 175,204</u>

See accompanying Notes to Financial Statements.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

<b>Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)</b>	<b>\$ (76,497)</b>
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - pension and compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid).

Expenses related to the net pension liability not reported in the funds.	(231,446)
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Unavailable Revenue - Property Taxes	(2,090)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital Outlay	-
Depreciation Expense	(4,074)
	(4,074)

Excess of Depreciation Expense Over Capital Outlay	(4,074)
	(4,074)

<b>Change in Net Position of Governmental Activities (Statement of Activities)</b>	<b><u>\$ (314,107)</u></b>
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**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
GENERAL FUND (FUND 11000)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET (BUDGETARY BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local and County Sources	\$ 331,000	\$ 331,000	\$ 332,652	\$ 1,652
State Sources	1,375,460	1,326,070	1,326,622	552
Federal Sources	-	-	-	-
Interest	-	-	-	-
Total Revenues	<u>1,706,460</u>	<u>1,657,070</u>	<u>1,659,274</u>	<u>2,204</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,222,107	1,182,650	1,156,654	25,996
Support Services:				
Students	46,075	64,938	57,090	7,848
Instruction	-	-	-	-
General Administration	14,200	17,868	14,516	3,352
School Administration	215,260	220,282	212,138	8,144
Central Services	118,670	126,261	120,977	5,284
Operation & Maintenance of Plant	120,678	138,429	105,572	32,857
Student Transportation	-	-	-	-
Other Support Services	-	-	-	-
Operation of Non-Instructional Services:				
Community Services Operations	69,470	68,954	67,950	1,004
Food Services Operations	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>1,806,460</u>	<u>1,819,382</u>	<u>1,734,897</u>	<u>84,485</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(100,000)	(162,312)	(75,623)	86,689
<b>DESIGNATED CASH</b>	<u>100,000</u>	<u>162,312</u>	<u>-</u>	<u>(162,312)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(75,623)</u>	<u>\$ (75,623)</u>
<b>RECONCILIATION TO GAAP BASIS</b>				
Adjustments to Revenues			-	
Adjustments to Expenditures			-	
<b>NET CHANGES IN FUND BALANCES</b>			<u>\$ (75,623)</u>	

See accompanying Notes to Financial Statements.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Montessori of the Rio Grande (the School), organized under the laws of the State of New Mexico, operates under the governing council-Director form of government. The School is a component unit of the Albuquerque Municipal School District No. 12, as the District is the authorizer of the School, however, the operations of the entities are separate and distinct. The School provides a peaceful, safe, and nurturing academic environment using Montessori principles to develop children who love to learn, contribute to their communities, and continually strive to achieve their full potential.

The financial statements of the School 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.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Friends of the Montessori Foundation (the Foundation) is considered to be a component unit of the School as the Foundation's financial statements are considered material to the financial statements of the School and the Foundation is considered to be legally separate from the School. The Foundation is discretely presented from the School on the government-wide financial statements.

**Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment such as the collection of cafeteria fees and lost books, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment such as in Title I and IDEA-B or state programs such as HB-33 and SB-9.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Government-Wide and Fund Financial Statements (Continued)**

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Those revenues susceptible to accrual are property taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property, and other taxes that are not available are called unavailable revenue and shown as a deferred inflow of resources. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred.

Property taxes are collected by the Bernalillo and Sandoval County Treasurers and remitted to the School. Property tax revenue is recognized at the time of receipt or earlier if accrual criteria are met. The School's accounting policy is to defer property taxes that are not collected within 60 days after fiscal year end since delinquent property taxes are not available to finance current fiscal year School operations. Delinquent property taxes collected in future periods will be recognized as revenue when collected.

Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues arise when resources are received by the School before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the School has a legal claim to the resources, the revenue is recognized.

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

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

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

The General Fund is the primary operating fund of the School, and accounts for all financial resources, except those required to be accounted for in other funds.

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

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

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

Under the requirements of GASB #34, the School 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 are identified below (in addition to the General Fund).

The General Fund (11000) is the primary operating fund of the School, and accounts for all financial resources, except those required to be accounted for in other funds

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

Instruction Materials (Fund 14000) - The Instructional Materials Fund is used to account for a program funded by the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

IDEA-B Entitlement (Fund 24106) - The IDEA-B Entitlement Fund is used to account for a program funded by a Federal grant to assist the Charter in providing free appropriate public education to all children with special needs.

Teacher / Principal Training & Recruiting (Fund 24154)  
The Teacher / Principal Training and Recruiting Fund is used to account for a program funded by a Federal grant, that is used 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.

US Fish & Wildlife (Fund 25251)  
The US Fish & Wildlife Fund is used to account a program funded by a Federal grant for the purpose of restoring and maintaining a wetland on the school grounds to further student learning opportunities.

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

The Public School Capital Outlay Fund (31200) is used to account for monetary assistance received by the public school capital outlay council for educational facility lease/rent payments.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

The Capital Improvements SB9 Fund (31600) is used 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 tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10, NMSA 1978). **This is a Major Fund.**

Capital Improvements SB9 State Match (31700) – The fund is used 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' State Equalization Matching. (22-25-1 to 22-25-10, NMSA 1978)

Capital Improvements SB9 Local Fund (31701) -The fund is used 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 a special tax levy as authorized by the Public School District Capital Improvements Act. (22-25-1 to 22-25-10, NMSA 1978). **This is a Major Fund.**

Additionally, the School reports the following fund type:

Fiduciary Funds are used to account for assets held by the School as an agent for individuals, private organizations or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. These funds relate primarily to the activities of individual schools. While these funds are under the supervision of the School and enhance the School's educational programs, they are funds of the individual schools and/or their student bodies and are not available for use by the School.

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

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



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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity**

**Cash and Cash Equivalents:** Policies regarding cash and cash equivalents are approved by the School's Governing Council and are governed by New Mexico statute. Such policies allow deposits or investments in certificates of deposit, savings accounts, overnight repurchase agreements, various obligations of the U.S. Government or its agencies and the New Mexico State Treasurer's Local Government Short Term Investment Fund. Such deposits and investments must be made through a State or Federally chartered bank or savings and loan association which is insured by the FDIC and which is within the geographic boundaries of the School, or with the New Mexico State Treasurer. The School'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.

Collateral is required for at least 50% of deposits that are not insured by the FDIC, with the exception of repurchase agreements. These are required to have collateral of at least 102%. Obligations that may be pledged as collateral are obligations of the U.S. Government, its agencies, and state and local governments. Collateral is held in safekeeping at depository institutions in the name of the School.

**Receivables and Payables:** Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables and interfund payables.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts, the aging of accounts receivable and historical experience.

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

**Capital Assets:** Capital assets costing more than \$5,000 are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Donated capital assets valued at more than \$5,000 are recorded at the time of acquisition at estimated fair value plus ancillary charges. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

Capital assets include land and land improvements, buildings and building improvements, furniture, fixtures, equipment, machinery and vehicles. Capital assets are used in operations and have a useful life of more than one year and a cost exceeding established capitalization thresholds. The School does not own any infrastructure assets such as roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems.

Capital assets are reported net of accumulated depreciation in the statement of net position. Capital assets that are not being depreciated, such as land, are reported separately for significant amounts.

The following are the School's estimated useful lives:

Land	N/A	Land Improvements	15 Years
Furniture, Fixtures and Equipment	3 - 15 Years	Vehicles	8 Years
Buildings and Building Improvements	15 Years		

Depreciation was allocated to the various functions based upon originating purchasing source where identifiable. Unallocated depreciation was recorded in the statement of activities.

**Accrued Salaries:** Certain employees of the School (primarily school teachers and support staff) work nine months of the 12-month fiscal year. The School disburses payroll to such employees throughout the entire 12-month period. Accordingly, salaries payable included as accrued expenses in the accompanying financial statements include accrued salaries for services performed through June 30, 2017 for these employees. The accrued salaries will be paid within two months after the end of the fiscal year.

**Compensated Absences:** Certain employees of the School can carry over thirty-seven and one half hours of accumulated leave. There was no accrual of vacation leave as the obligation was determined to be immaterial by management.

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

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

**Deferred Outflows/Inflows of Resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School is reporting \$585,364 related to the pension plan in this category as of June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School reported deferred inflows that amounted to \$27,297 at June 30, 2017 related to the pension plan. In addition, the School reported deferred inflows of resources in the governmental funds that amounted to \$2,238 at June 30, 2017 for unavailable revenues.

**Fund Balance:** The difference between assets and liabilities in the governmental fund financial statements are among the most widely and frequently used information in state and local government financial reports.

GASB Statement No. 54 distinguishes fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- **Nonspendable** - portion of net resources that cannot be spent because of their form or because they must remain intact
- **Restricted** - amounts constrained by external parties, constitutional provision, or enabling legislation
- **Committed** - amounts constrained by a government using its highest level of decision-making authority. The Governing Council is the highest level of decision making authority. Formal Governing Council action, through a resolution creates a commitment.
- **Assigned** - amounts a government intends to use for a particular purpose
- **Unassigned** - amounts that are not constrained at all will be reported in the general fund.

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

**Net Position:** The government-wide statements utilize a net position presentation categorized as follows:

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

Restricted Net Position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on its use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

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

The School's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The School's restricted fund balances for capital projects represent those imposed by law through enabling legislation. When an expenditure is incurred for which committed, assigned, and/or unassigned amounts of funding are available, funds are applied in that respective order.

**Interfund Transactions:** Reciprocal and non-reciprocal 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 reciprocal and non-reciprocal transactions and reimbursements, are reported as transfers.

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

**State Equalization Guarantee:** School districts and Charter Schools 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 or charter school to insure that the school district's or charter school 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 or charter school's program cost.

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

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)**

A school district's charter school's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The School received \$1,326,622 in state equalization guarantee distributions during the year ended June 30, 2017.

**Revenues**

**Tax Revenues:** The School receives mill levy and ad valorem tax revenues primarily for debt service and capital outlay purposes. Revenues are recognized for governmental purposes when they are assessed and for fund purposes when they are measurable and available. The School records only the portion of the taxes considered to be 'measurable' and 'available'. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

**Property Taxes:** An enforceable lien is attached on property as of January 1st. Tax notices are sent to property owners by November 1st of each year, to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects County, City, and School taxes and distributes some to each fund once per month.

**Instructional Materials:** The New Mexico State Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts and charter schools for the purchase of educational materials. Of each allocation, fifty percent is restricted to the requisition of materials listed on the State Board of Education's "State Adopted Instructional Material" list, while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$13,388.

**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 1st of each year that the tax is imposed, in accordance with Section 22-25-3, NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvements fund to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

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

**Revenues (Continued)**

**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 capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

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

1. A critical need exists requiring action;
2. The residents of the school district or charter school have provided all available resources to the district to meet its capital outlay requirements;
3. The school district or charter school has used its resources in a prudent manner;
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district or charter school has provided insurance for buildings of the school district or charter school 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 or charter school has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis. Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

**Allocation of Indirect Expenses:** The School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The School does not currently employ indirect cost allocation systems. Depreciation expense not charged to a specific function is identified as unallocated on the Statement of Activities.

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

**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.

**Budgetary Information**

The following procedures are utilized to establish the School's budget:

1. Subsequent to January 31, and prior to June 1, School management submits to the Governing Council a proposed budget for the fiscal year which commences on July 1. The budget includes an estimate of revenues and a proposed expenditure plan.
2. The proposed budget is presented at meetings subject to the Open Meetings Act of New Mexico, and the public is invited to comment.
3. The School is required to submit to the State of New Mexico, Public Education Department School Budget & Financial Analysis Unit (SBFAU) a balanced budget for the fiscal year which commences on July 1.
4. Based on criteria set by the SBFAU, the School undergoes either a formal technical review of the proposed budget or a more informal phone review each year. Subsequent to this review, the local Governing Council approves a budget resolution to adopt the proposed budget subject to any technical adjustments by SBFAU. The final budget as approved by SBFAU is provided to the Governing Council for information purposes only.
5. The budget is adjusted throughout the fiscal year based upon changes in programmatic needs. Budgetary control is at the function level; over-expenditure of a function is not allowed per NMAC 6.20.2.9.A.
6. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are adopted on a basis consistent with the "Manual of Procedures for Uniform Financial Accounting and Budgeting for School Districts". Budgetary amounts for the Debt Service Fund are based upon the issuance of general obligation bonds.
7. Budgeted amounts are as originally adopted or as amended by the SBFAU.

For budgetary purposes, expenditures include amounts paid in the fiscal year, adjusted for the effects of liabilities paid within ten days of fiscal year-end and unpaid salaries and benefits attributable to services provided during the school year. The Governing Council must approve amendments to the appropriated budget when the budgeted fund balance differs from the actual fund balance at the end of the fiscal year. New Mexico state law prohibits a Governmental Agency from exceeding the appropriated budget.

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

**Budgetary Information (Continued)**

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2017 is presented with each fund's Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis).

Budgetary comparisons are presented in the balanced presentation format whereby the excess (deficiency) of revenues over expenditures is reflected as Beginning Fund Balance for budgetary purposes. The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and
2. Generally, expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). However, budgetary expenditures include amounts for salaries and benefits attributable to services provided during the fiscal year.

**NOTE 2 CASH AND CASH EQUIVALENTS**

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

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

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



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**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

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

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

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

**Deposits**

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 Schools for at least one-half of the amount on deposit with the institution. The Schedule I listed in the financial statements for the School will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits. The Foundation is not subject to the same statutory requirements of the School.

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$-0- of the School's bank balance of \$192,220 was exposed to custodial credit risk.

**NOTE 3 ACCOUNTS RECEIVABLE**

As of June 30, 2017, accounts receivable consists of the following:

Intergovernmental	\$	6,899
Total	\$	<u>6,899</u>

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**NOTE 4 CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows:

Primary Government Activities	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
Land Improvements	\$ 7,918	\$ -	\$ -	\$ 7,918
Building	20,000	-	-	20,000
Furniture, Fixtures & Equipment	24,301	-	-	24,301
Total	<u>52,219</u>	<u>-</u>	<u>-</u>	<u>52,219</u>
Accumulated Depreciation				
Land Improvements	(836)	(528)	-	(1,364)
Building	(14,333)	(1,333)	-	(15,666)
Furniture, Fixtures & Equipment	(13,905)	(2,213)	-	(16,118)
Total Accumulated Depreciation	<u>(29,074)</u>	<u>(4,074)</u>	<u>-</u>	<u>(33,148)</u>
Net Total - Primary Government	<u>\$ 23,145</u>	<u>\$ (4,074)</u>	<u>\$ -</u>	<u>\$ 19,071</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

Direct Instruction	\$ 300
Operations/Plant Maintenance	1,926
Facilities, Materials, Supplies	1,848
Total	<u>\$ 4,074</u>

**NOTE 5 PENSIONS**

**General Information about the Pension Plan**

*Plan Description.* ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer 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 agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

*Benefits Provided.* A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and 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. A brief summary of Plan coverage provisions follows:

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**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

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 or 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. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date 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.

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. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was 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%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. 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.

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**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

*Contributions.* The contribution requirements of defined benefit plan members and the charter schools are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2017, employers contributed 13.90%, and employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. There were no changes to contribution requirements between fiscal years 2017 and 2016. Contributions to the pension plan from the School for the year ended June 30, 2017 was \$150,713.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the School reported a liability for its proportionate share of the net pension liability, as detailed in the table below. The School's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016 and June 30, 2015, the Schools' proportions were as detailed in the following table. For the year ended June 30, 2017, the School recognized pension expense in the amounts as further detailed in the following table.

June 30, 2015 Proportionate Share	June 30, 2016 Proportionate Share	June 30, 2017 Net Pension Liability	June 30, 2017 Pension Expense
0.03828%	0.03988%	\$ 2,869,938	\$ 383,004

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**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,451	\$ (27,297)
Changes of Assumptions	58,420	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	171,311	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	192,469	-
Employer's Contributions Subsequent to the Measurement Date	150,713	-
Total	<u>\$ 585,364</u>	<u>\$ (27,297)</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2018	\$ 157,318
2019	106,220
2020	102,041
2021	41,776
2022	-
Thereafter	-

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**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

*Actuarial assumptions.* As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

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

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates

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**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

Mortality 90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

*Rate of Return:* The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric expected rates of return for each major asset class included in the Plan's target asset allocation for 2015 and 2016 for 30-year return assumptions are summarized in the following table:

<u>Asset Class</u>	Expected Rate of Return <u>2016</u>	Expected Rate of Return <u>2017</u>
Cash	-0.25%	0.00%
Treasuries	0.00%	0.25%
IG Corp Credit	1.75%	1.50%
MBS	0.25%	0.50%
Core Bonds	0.64%	0.73%
TIPS	0.75%	0.75%
High Yield Bonds	2.55%	2.50%
Bank Loans	2.75%	2.75%
Global Bonds (Unhedged)	-0.50%	-1.00%
Global Bonds (Hedged)	-0.38%	-0.84%
EMD External	2.75%	2.75%
EMD Local Currency	3.25%	3.50%
Large Cap Equities	4.25%	4.25%
Small/Mid Cap	4.50%	4.50%
International Equities (Unhedged)	4.75%	4.75%
International Equities (Hedged)	5.14%	5.22%
Emerging International Equities	6.25%	6.00%
Private Equity	6.25%	6.25%
Private Debt	4.75%	4.75%
Private Real Assets	4.50%	4.50%
Real Estate	3.25%	3.25%
Commodities	3.25%	2.50%
Hedge Funds	3.25%	3.50%

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JUNE 30, 2017**

**NOTE 5 PENSIONS (CONTINUED)**

**General Information about the Pension Plan (Continued)**

*Discount rate:* A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

*Sensitivity of the charter schools' proportionate share of the net pension liability to changes in the discount rate:* The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the School's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

Proportionate Share of Net Pension Liability		
Current		
1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$ 3,801,166	\$ 2,869,938	\$ 2,097,281

*Pension plan fiduciary net position.* Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2016 and 2015, which are publicly available at [www.nmerb.org](http://www.nmerb.org).

*Payables to the pension plan.* \$-0- was payable to the Plan as of June 30, 2017, which is related to required contributions outstanding at the end of the period.



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JUNE 30, 2017**

**NOTE 6 COMMITMENTS AND LIABILITIES**

Lease payments were made to Albuquerque Public Schools (APS) under a short-term MOU. These payments totaled \$157,368 for the fiscal year. In addition, as part of the MOU, all HB-33 distributions to the school are paid to APS. These totaled \$138,608 for the fiscal year. The MOU expired on June 30, 2017, for which a new MOU with similar terms was signed effective for fiscal year 2018. The school leases office equipment under short-term cancelable operating leases. Rental expense for the year ended June 30, 2017 was \$1,719. Commitments for lease obligations for the following periods as of June 30, 2017 are as follows:

Year Ending June 30,	Amount
2018	\$ 1,426
2019	1,426
2020	1,426
2021	1,426
2022	1,426
Thereafter	1,426

**NOTE 7 LONG-TERM DEBT**

The School has no long-term debt.

**NOTE 8 RETIREE HEALTH CARE (RHC) CONTRIBUTIONS**

**State Retiree Health Care Act**

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

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

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SCHOOL DISTRICT NO. 12)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 RETIREE HEALTH CARE (RHC) CONTRIBUTIONS (CONTINUED)**

**State Retiree Health Care Act (Continued)**

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4 of 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 statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees who were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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.

**MONTESSORI OF THE RIO GRANDE  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 8 RETIREE HEALTH CARE (RHC) CONTRIBUTIONS (CONTINUED)**

**State Retiree Health Care Act (Continued)**

During fiscal years 2017, 2016 and 2015, RHC remitted by the School was \$21,685, \$22,781 and \$21,764, respectively, in employer contributions, as well as \$10,843, \$11,389 and \$10,882, respectively, in employee contributions.

**NOTE 9 RELATED PARTY TRANSACTIONS**

The Foundation is considered to be a related party of the School. The Foundation's primary focus is to provide supplemental funding to the School and obtain resources to construct a new educational facility. There were no significant related party transactions during fiscal year 2017.

**NOTE 10 OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

Generally accepted accounting principles require disclosures as part of the combined statements of certain information concerning individual funds, including:

- A. There were no receivables and payables from inter-fund transactions as of June 30, 2017.
- B. Deficit fund balance of individual funds.  
No funds reporting a deficit fund balance at June 30, 2017.
- C. Excess of expenditures over appropriations.  
No funds exceeded budgetary authority for the year ended June 30, 2017.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY AND CONTRIBUTIONS  
(REQUIRED SUPPLEMENTARY INFORMATION)  
JUNE 30, 2017**

**SCHEDULE OF MONTESSORI OF THE RIO GRANDE'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Educational Retirement Board (ERB) Plan  
Last 10 Fiscal Years \* (Unaudited)**

	Measurement Date		
	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability (Asset)	0.03988%	0.38280%	0.04400%
Proportionate Share of the Net Pension Liability	\$ 2,869,938	\$ 2,479,498	\$ 2,073,463
Covered Payroll	\$ 1,139,058	\$ 1,088,173	\$ 1,001,544
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	251.96%	227.88%	207.03%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.58%	63.97%	66.54%

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

**SCHEDULE OF MONTESSORI OF THE RIO GRANDE'S CONTRIBUTIONS  
Educational Retirement Board (ERB) Plan  
Last 10 Fiscal Years \* (Unaudited)**

	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 150,713	\$ 158,329	\$ 151,256
Contributions in Relation to the Contractually Required Contribution	150,713	158,329	151,256
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,084,266	\$ 1,139,058	\$ 1,088,173
Contributions as a Percentage of Covered Payroll	13.90%	13.90%	13.90%

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

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2017**

**Changes of benefit terms**

The COLA and retirement eligibility benefits changes in recent years are described in the *Benefits Provided* subsection of Note 5, Pensions.

**Changes of assumptions**

ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on June 12, 2015, ERB implemented the following changes in assumptions for fiscal years 2016 and 2015.

1. Fiscal year 2015 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.25% to 3.75%
  - b. Payroll growth will remain at 3.50%
  - c. Minor changes to demographic assumptions
  - d. Population growth per year from 0.50% to 0%
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%

See also the *Actuarial Assumptions* subsection of Note 5, Pensions.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	14000	24106	24154	25251	31200	31700	
	Instructional Materials	IDEA-B Risk Pool	Teacher/ Principal Training	Fish & Wildlife Service	Public School Capital Outlay	Capital Improvements SB-9 State Match	Total
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 4,966	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,966
Accounts Receivable:							
Due from Other Governments	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 4,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,966</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>							
Current Liabilities:							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Primary Government	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-
Deferred Inflows of Resources - Unavailable Revenues	-	-	-	-	-	-	-
Fund Balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	4,966	-	-	-	-	-	4,966
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-	-	-
Total Fund Balance (Deficit)	<u>4,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,966</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 4,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,966</u>

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NON-MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	14000	24106	24154	25251	31200	31700	
	Instructional	IDEA-B	Teacher/ Principal	Fish & Wildlife	Public School	Capital	
	Materials	Risk Pool	Training	Service	Capital Outlay	Improvements SB-9 State Match	Total
<b>REVENUES</b>							
Local and County Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	13,388	-	-	-	157,368	5,199	175,955
Federal Sources	-	23,615	16,320	-	-	-	39,935
<b>Total Revenues</b>	<b>13,388</b>	<b>23,615</b>	<b>16,320</b>	<b>-</b>	<b>157,368</b>	<b>5,199</b>	<b>215,890</b>
<b>EXPENDITURES</b>							
Current:							
Instruction	23,125	-	16,220	2,187	-	-	41,532
Support Services:							
Students	-	23,615	-	-	-	-	23,615
Instruction	-	-	-	-	-	-	-
General administration	-	-	-	-	-	-	-
School Administration	-	-	100	-	-	-	100
Central services	-	-	-	-	-	-	-
Operation & maintenance of plant	-	-	-	-	-	-	-
Student transportation	-	-	-	-	-	-	-
Other support services	-	-	-	-	-	-	-
Operation of Non-Instructional Services:							
Community services operations	-	-	-	-	-	-	-
Food Services Operations	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	157,368	5,199	162,567
<b>Total Expenditures</b>	<b>23,125</b>	<b>23,615</b>	<b>16,320</b>	<b>2,187</b>	<b>157,368</b>	<b>5,199</b>	<b>227,814</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(9,737)	-	-	(2,187)	-	-	(11,924)
Other Financing Sources (Uses):							
Other Financing Uses	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
<b>NET CHANGES IN FUND BALANCES</b>	<b>(9,737)</b>	<b>-</b>	<b>-</b>	<b>(2,187)</b>	<b>-</b>	<b>-</b>	<b>(11,924)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>14,703</b>	<b>-</b>	<b>-</b>	<b>2,187</b>	<b>-</b>	<b>-</b>	<b>16,890</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 4,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,966</b>

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
(REQUIRED BY 2.2.2 NMAC)  
JUNE 30, 2017**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Fair/Par Market Value June 30, 2017</u>	<u>Safekeeping Agent</u>
US Bank		\$ -	US Bank
		<u>\$ -</u>	
	Total Amount on Deposit	\$ 192,220	
	Less: FDIC	<u>(250,000)</u>	
	Total Uninsured Public Money	-	
	50% Collateral Requirement	-	
	Total Pledged	<u>-</u>	
	Over (Under) Pledged	<u>\$ -</u>	



**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SCHEDULE OF CASH AND CASH EQUIVALENTS  
(REQUIRED BY 2.2.2 NMAC)  
JUNE 30, 2017**

	Primary Government
	US Bank
Operating Account	\$ 192,220
Reconciling Items	(18,544)
Reconciled Balance at June 30, 2017	173,676
Less: Activity Funds	-
Balance per Statement of Net Position	\$ 173,676

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
CASH RECONCILIATION  
(REQUIRED BY 2.2.2 NMAC)  
JUNE 30, 2017**

	Operational Account 11000	Pupil Transportation 13000	Instructional Materials 14000	Food Services 21000	Student Activity 23000	Projects Account 24000
<b>June 30, 2016 Cash (Book Balance)</b>	\$ 196,335	\$ -	\$ 14,703	\$ -	\$ -	\$ -
June 30, 2016 Payroll Liabilities	(37,608)	-	-	-	-	-
June 30, 2016 Temporary Interfund Loans	3,585	-	-	-	-	-
June 30, 2016 Adjustments/Reconciling Differences	-	-	-	-	-	-
<b>June 30, 2016 Cash Available to Budget</b>	162,312	-	14,703	-	-	-
2016-2017 Revenue	1,659,274	-	13,388	-	-	39,935
2016-2017 Expenditures	(1,734,897)	-	(23,125)	-	-	(39,935)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
<b>June 30, 2017 Cash Available to Budget</b>	86,689	-	4,966	-	-	-
June 30, 2017 Payroll Liabilities	-	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-	-
June 30, 2017 Adjustments/Reconciling Differences	-	-	-	-	-	-
<b>June 30, 2017 Cash (Book Balance)</b>	\$ 86,689	\$ -	\$ 4,966	\$ -	\$ -	\$ -
<b>Reconciliation to PED Cash Report Line 7</b>						
June 30, 2017 Cash (Book Balance)	\$ 86,689	\$ -	\$ 4,966	\$ -	\$ -	\$ -
June 30, 2017 Payroll Liabilities	-	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-	-
Audit adjustments and reclassifications	-	-	-	-	-	-
<b>Line 7 PED Cash Report June 30, 2017 *</b>	<u>\$ 86,689</u>	<u>\$ -</u>	<u>\$ 4,966</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* May include rounding errors when compared to PED Cash Report

	Direct Account 25000	Grants Fund 26000	State Flowthrough Fund 27000	State Direct Account 28000	Local/State Account 29000	Public School Capital Outlay 31200
<b>June 30, 2016 Cash (Book Balance)</b>	\$ 2,187	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2016 Payroll Liabilities	-	-	-	-	-	-
June 30, 2016 Temporary Interfund Loans	-	-	(3,585)	-	-	-
June 30, 2016 Adjustments/Reconciling Differences	-	-	3,585	-	-	-
<b>June 30, 2016 Cash Available to Budget</b>	2,187	-	-	-	-	-
2016-2017 Revenue	-	-	-	-	-	157,368
2016-2017 Expenditures	(2,187)	-	-	-	-	(157,368)
Permanent Cash Transfers/Reversions	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-
<b>June 30, 2017 Cash Available to Budget</b>	-	-	-	-	-	-
June 30, 2017 Payroll Liabilities	-	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-	-
June 30, 2017 Adjustments/Reconciling Differences	-	-	-	-	-	-
<b>June 30, 2017 Cash (Book Balance)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation to PED Cash Report Line 7</b>						
June 30, 2017 Cash (Book Balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
June 30, 2017 Payroll Liabilities	-	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-	-
Audit adjustments and reclassifications	-	-	-	-	-	-
<b>Line 7 PED Cash Report June 30, 2017 *</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\* May include rounding errors when compared to PED Cash Report

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
CASH RECONCILIATION (CONTINUED)  
(REQUIRED BY 2.2.2 NMAC)  
JUNE 30, 2017**

	Special Capital Outlay 31400	Capital Improve. HB 33 31600	Capital Improve. SB 9 31700	Capital Improve. SB 9 31701	Total Primary Government
<b>June 30, 2016 Cash (Book Balance)</b>	\$ -	\$ 1,970	\$ 71,021	\$ -	\$ 286,216
June 30, 2016 Payroll Liabilities	-	-	-	-	(37,608)
June 30, 2016 Temporary Interfund Loans	-	-	-	-	-
June 30, 2016 Adjustments/Reconciling Differences	-	-	-	-	3,585
<b>June 30, 2016 Cash Available to Budget</b>	-	1,970	71,021	-	252,193
2016-2017 Revenue	-	136,638	5,199	67,337	2,011,802
2016-2017 Expenditures	-	(138,608)	(5,199)	(56,337)	(2,101,319)
Permanent Cash Transfers/Reversions	-	-	(71,021)	71,021	(71,021)
Adjustments	-	-	-	-	-
<b>June 30, 2017 Cash Available to Budget</b>	-	-	-	82,021	173,676
June 30, 2017 Payroll Liabilities	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-
June 30, 2017 Adjustments/Reconciling Differences	-	-	-	-	-
<b>June 30, 2017 Cash (Book Balance)</b>	\$ -	\$ -	\$ -	\$ 82,021	\$ 173,676
<b>Reconciliation to PED Cash Report Line 7</b>					
June 30, 2017 Cash (Book Balance)	\$ -	\$ -	\$ -	\$ 82,021	\$ 173,676
June 30, 2017 Payroll Liabilities	-	-	-	-	-
June 30, 2017 Temporary Interfund Loans	-	-	-	-	-
Audit adjustments and reclassifications	-	-	-	-	-
<b>Line 7 PED Cash Report June 30, 2017 *</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,021</u>	<u>\$ 173,676</u>

\* May include rounding errors when compared to PED Cash Report



# CliftonLarsonAllen

## 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*

Montessori of the Rio Grande  
Governing Council and  
Mr. Tim Keller  
New Mexico State Auditor

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, the discretely presented component unit, each major fund, the aggregate remaining fund information and the general fund budgetary comparison of the Montessori of the Rio Grande (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 14, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, which we consider to be a material weakness. (2017-031)

Montessori of the Rio Grande  
Governing Council and  
Mr. Tim Keller  
New Mexico State Auditor

### **Compliance and Other Matters**

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

### **The School's Response to the Findings**

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

### **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
November 14, 2017

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2017**

**SECTION I – FINANCIAL STATEMENT FINDINGS**

**Montessori of the Rio Grande**

No Current Year Findings

**Friends of Montessori Foundation**

**2017-031 Internal Control Structure (Original Finding 2013-019) (Material Weakness)**

**Condition:** During our audit, we encountered the following issues:

- During our review of cash receipts, we noted approximately \$25,427 of cash receipts in which the same individual recounted the cash deposit, approved the cash summary sheet and prepared the deposit.
- During our review of cash disbursements, we noted cashier's checks of \$6,211.90 were obtained to issue payments. The Foundation was only able to provide support of cashier's checks of \$5,902.27, which resulted in \$309.63 of cashier's check(s) that were not accounted for.
- During our review of cash disbursements, we noted that purchase orders were inconsistently prepared, which resulted in one over expenditure, one instance of the purchase proceeding purchase order and one instance in which a purchase order was not prepared.
- During our review of cash disbursements, we noted two disbursements that lacked sufficient supporting documentation.
- During our review of journal entries, we noted there was no formal review and approval process. We were unable to determine if the board was aware of journal entries during review of meeting minutes.

*Management's Progress for Repeat Findings: Management failed to implement adequate controls to resolve the finding and will work toward corrective action during FY18.*

**Criteria:** The Foundation shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with GAAP.

**Cause:** Management oversight.

**Effect:** Possible misstatements to the financial statements, possible misappropriation of assets.

**Recommendation:** We recommend that management ensure that adequate internal controls are established surrounding the cash receipt and cash disbursement process to ensure accurate recording and documentation.

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2017**

**SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Friends of Montessori Foundation**

**2017-031 Internal Control Structure (Original Finding 2013-019) (Material Weakness) (Continued)**

**Management's Response:** Going forward, FOMF will exercise appropriate segregation of duties over cash receipts by having more than two people involved in the process. Also, FOMF believes that the \$309.63 discrepancy involving cashier's checks must have been an error made by the bank. We are currently following up with the bank to recoup those funds. Furthermore, FOMF will make sure that purchase orders are prepared for all expenditures prior to when purchases are made. Also, we will ensure that receipts are appropriately retained and kept as supporting documentation. Lastly, FOMF will establish a formal review and approval process for manual journal entries.

**Implementation:** End of Fiscal Year 2018.

**Person Responsible:** Treasurer.



**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2017**

**FINDINGS — FINANCIAL STATEMENT AUDIT**

**Montessori of the Rio Grande**

No Prior Year Findings

**Friends of Montessori Foundation**

**2013-019 – Internal Control Structure (Material Weakness) – Repeated and Modified**

**MONTESSORI OF THE RIO GRANDE  
(A COMPONENT UNIT OF ALBUQUERQUE MUNICIPAL  
SCHOOL DISTRICT NO. 12)  
JUNE 30, 2017**

An exit conference was held with the School on September 28, 2017. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**MONTESSORI OF THE RIO GRANDE**

Ellen Bayard, Government Council Member  
Deborah Henwood, Principal  
Chris Parrino, Business and Finance Director

**CLIFTONLARSONALLEN LLP**

Victor Kraft, CPA, CGFM, CFE, Engagement Manager

An exit conference was held with the Foundation on September 28, 2017. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**FRIENDS OF MONTESSORI FOUNDATION**

Ryan Hieronymus, Treasurer  
Erica Pena, Executive Assistant

**CLIFTONLARSONALLEN LLP**

Victor Kraft, CPA, CGFM, CFE, Engagement Manager

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.