
STATE OF NEW MEXICO
Elida Municipal Schools
June 30, 2017

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2017
With Independent Auditor's Report Thereon

Sandra Rush CPA PC

*1101 E Llano Estacado
Clovis, New Mexico 88101*

Introductory Section

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Official Roster
For the year ended June 30, 2017

Board of Education

Junior Jasso	President
Scott Burton	Vice-President
Garland Creighton	Secretary
Jenny Clemmons	Member
Cody Ferguson	Member

School Officials

Tandee Delk	Superintendent
Susan Lambirth	Business Manager

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

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ELIDA MUNICIPAL SCHOOLS

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Financial Section

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Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado •

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Independent Auditor's Report

Wayne A. Johnson
New Mexico State Auditor
The Governing Body
Elida Municipal Schools
Elida, New Mexico

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Elida Municipal School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I did not audit the 2016 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Educational Retirement Board (ERB), the administrator of the cost sharing pension plan for the District. The schedules and statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the District, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

Management was unable to provide sufficient audit evidence relating to the completeness, existence, and accuracy of the expenditures. Management had not implemented proper internal controls over governmental expenditures sufficient enough to provide evidence that all balances are accurate and complete. Multiple errors were identified in the expenditures. The amount by which this departure would affect the fund balances, net position, and expenditures of the governmental activities has not been determined.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, based on my report and the report of the other auditors the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District's as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for all nonmajor governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require the *Schedule of the Proportionate Share of the Net Pension Liability* on pages 53 the *Schedule of Contributions* on page 54, and the notes to the required supplementary information page 55 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. I have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplemental information required by 2.2.2 NMAC, presented in the supplementary information section of the Table of Contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and other Schedules, presented in the supplementary information section of the Table of Contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph the combining and individual fund financial statements,

and Schedules, presented in the supplementary information section of the Table of Contents, required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 21, 2018 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Sandra Rush CPA PC
Clovis, New Mexico
February 21, 2018

Basic Financial Statements

Government Wide Financial Statements

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Statement of Net Position
June 30, 2017

	Governmental Activities
<u>ASSETS</u>	
Current assets	
Cash	\$ 401,948
Receivables	
Property taxes	13,689
Due from grantor	17,263
	<u>432,900</u>
Total current assets	
Noncurrent assets	
Capital assets	6,670,317
Accumulated depreciation	<u>(3,977,894)</u>
Total non current assets	<u>2,692,423</u>
Total assets	<u>3,125,323</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to net pension liability	<u>428,533</u>
Total deferred outflows of resources	<u>428,533</u>
Total assets and deferred outflows of resources	<u>\$ 3,553,856</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 18,619
Total current liabilities	<u>18,619</u>
Noncurrent liabilities	
Net pension liability	<u>2,818,123</u>
Total noncurrent liabilities	<u>2,818,123</u>
Total liabilities	<u>2,836,742</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to net pension liability	<u>93,270</u>
Total deferred inflows of resources	<u>93,270</u>
Net Position	
Net investment in capital assets	2,692,423
Restricted for	
General funds	15,449
Special revenue funds	281,929
Capital project funds	62,906
Debt service fund	10,633
Unrestricted	<u>(2,439,496)</u>
Total net position	<u>623,844</u>
Total liabilities and net position	<u>\$ 3,553,856</u>

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

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Statement of Activities
For the year ended June 30, 2017

Functions / Programs	Expenses	Program Revenues		Net Program	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	[Expense] Revenues
				Governmental Activities Total	
Governmental activities					
Instruction	\$ 1,481,089	\$ 11,910	\$ 114,794	\$ -	\$ (1,354,385)
Support services:					
Students	97,605	-	-	-	(97,605)
Instruction	-	-	-	-	-
General administration	152,256	-	-	-	(152,256)
School administration	89,224	-	-	-	(89,224)
Central services	60,091	-	-	-	(60,091)
Operation & maintenance of plant	294,350	-	-	-	(294,350)
Student transportation	206,118	-	195,849	-	(10,269)
Other support services	1,926	-	-	-	(1,926)
Food services	107,906	8,184	57,307	-	(42,415)
Community services operation	23,261	-	-	-	(23,261)
Facilities acquisition and construction	31,272	-	-	-	(31,272)
Depreciation	4,751	-	-	-	(4,751)
Capital outlay	-	-	-	46,033	46,033
Capital outlay PSFA	-	-	-	240,562	240,562
Total governmental activities	<u>\$ 2,549,849</u>	<u>\$ 20,094</u>	<u>\$ 367,950</u>	<u>\$ 286,595</u>	<u>(1,875,210)</u>
			General revenues		
			Property tax		
			Levied for general purposes	10,341	
			Levied for debt service	401	
			Levied for capital projects	58,877	
			Oil and gas	3,178	
			Payment in lieu of taxes	385,560	
			Access board (e-rate)	8,633	
			Local		
			Interest	30	
			Rents	14,410	
			Equalization guarantee	1,603,513	
			Reimbursements / refunds	11,095	
			Total general revenues	<u>2,096,038</u>	
			Change in net position		220,828
			Net position, beginning		426,407
			Restatement		<u>(23,391)</u>
			Net position, beginning restated		<u>403,016</u>
			Net position, ending		<u>\$ 623,844</u>

The accompanying notes are an integral part of these financial statements

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Fund Financial Statements

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2017

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
ASSETS				
Cash and cash equivalents	\$ 28,565	\$ 13,555	\$ 138	\$ 2,275
Accounts receivable				
Taxes	381	-	-	-
Due from grantor	-	-	-	-
Due from other funds	42,266	-	-	-
Total assets	<u>\$ 71,212</u>	<u>\$ 13,555</u>	<u>\$ 138</u>	<u>\$ 2,275</u>
LIABILITIES				
Accounts payable	\$ 10,002	\$ 381	\$ -	\$ -
Due to other funds	-	-	301	-
Total liabilities	<u>10,002</u>	<u>381</u>	<u>301</u>	<u>-</u>
DEFERRED INFLOWS				
Unavailable revenue - state grants	-	-	-	-
FUND BALANCE				
Non-spendable	-	-	-	-
Restricted for				
General funds	-	13,174	-	2,275
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	-
Debt service fund	-	-	-	-
Unassigned				
General funds	61,210	-	(163)	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balance	<u>61,210</u>	<u>13,174</u>	<u>(163)</u>	<u>2,275</u>
Total liabilities and fund balances	<u>\$ 71,212</u>	<u>\$ 13,555</u>	<u>\$ 138</u>	<u>\$ 2,275</u>

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

Special Revenue		Capital Projects		Total
NM Reads to Lead 27114	Wind Farm Projects 29134	Senate Bill Nine State 31700	Other Governmental Funds	Governmental Funds
\$ -	\$ 265,237	\$ 7,019	\$ 85,159	\$ 401,948
-	-	-	13,308	13,689
14,025	-	-	3,238	17,263
-	-	-	-	42,266
<u>\$ 14,025</u>	<u>\$ 265,237</u>	<u>\$ 7,019</u>	<u>\$ 101,705</u>	<u>\$ 475,166</u>
\$ -	\$ 8,113	\$ -	\$ 123	\$ 18,619
14,025	-	19,598	8,342	42,266
14,025	8,113	19,598	8,465	60,885
-	-	-	-	-
-	-	-	-	-
-	-	-	-	15,449
-	257,124	-	24,805	281,929
-	-	-	62,906	62,906
-	-	-	10,633	10,633
-	-	-	-	61,047
-	-	-	(5,104)	(5,104)
-	-	(12,579)	-	(12,579)
-	257,124	(12,579)	93,240	414,281
<u>\$ 14,025</u>	<u>\$ 265,237</u>	<u>\$ 7,019</u>	<u>\$ 101,705</u>	<u>\$ 475,166</u>

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STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Reconciliation of the Balance Sheet
 All Governmental Funds to the
 Statement of Net Position
 June 30, 2017

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

Fund balance - total governmental funds	\$ 414,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital assets	6,670,317
Accumulated depreciation	(3,977,894)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds	
Deferred outflows of resources related to pension	428,533
Deferred inflows of resources related to pension	(93,270)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	
Accrued compensated absences	-
Net pension liability	<u>(2,818,123)</u>
Net position of governmental activities in the statement of net position	<u>\$ 623,844</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the year ended June 30, 2017

	General			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenues				
Taxes levied / assessed	\$ 10,341	\$ -	\$ -	\$ -
Oil and gas taxes	611	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	1	-	-
Access board (e-rate)	8,633	-	-	-
Reimbursements / refunds	11,095	-	-	-
Rents	-	14,410	-	-
State equalization guarantee	1,603,513	-	-	-
State direct grants	-	-	-	-
Transportation	-	-	195,849	-
Instructional materials - credit and cash	-	-	-	8,063
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	1,634,193	14,411	195,849	8,063
Expenditures				
Current				
Instruction	989,649	-	-	9,208
Support services				
Students	69,029	-	-	-
General administration	143,849	-	-	-
School administration	89,224	-	-	-
Central services	58,479	-	-	-
Other support services	1,926	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	272,673	9,653	-	-
Student transportation	-	-	196,150	-
Food service	39,434	-	-	-
Facilities acquisition/construction	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,664,263	9,653	196,150	9,208
Excess (deficiency) of revenues over expenditures	(30,070)	4,758	(301)	(1,145)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(30,070)	4,758	(301)	(1,145)
Fund balance, beginning	82,248	8,416	-	3,420
Prior period adjustment	9,032	-	138	-
Fund balance, beginning restated	91,280	8,416	138	3,420
Fund balance, end of year	\$ 61,210	\$ 13,174	\$ (163)	\$ 2,275

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects	Other Governmental Funds	Total Governmental Funds
NM Reads to Lead 27114	Wind Farm Projects 29134	Senate Bill Nine State 31700		
\$ -	\$ -	\$ -	\$ 59,278	\$ 69,619
-	-	-	2,567	3,178
-	385,560	-	-	385,560
-	-	-	46,033	46,033
-	-	-	20,094	20,094
-	28	-	1	30
-	-	-	-	8,633
-	-	-	-	11,095
-	-	-	-	14,410
-	-	-	-	1,603,513
27,059	-	-	265,737	292,796
-	-	-	-	195,849
-	-	-	-	8,063
-	-	-	57,307	57,307
-	-	-	27,807	27,807
-	-	-	26,690	26,690
<u>27,059</u>	<u>385,588</u>	<u>-</u>	<u>505,514</u>	<u>2,770,677</u>
27,059	162,108	-	96,251	1,284,275
-	28,576	-	-	97,605
-	7,940	-	467	152,256
-	-	-	-	89,224
-	1,612	-	-	60,091
-	-	-	-	1,926
-	2,972	-	5,343	290,641
-	329	-	-	196,479
-	-	-	67,896	107,330
-	-	31,272	-	31,272
-	134,160	-	319,546	453,706
-	-	-	-	-
-	-	-	-	-
<u>27,059</u>	<u>337,697</u>	<u>31,272</u>	<u>489,503</u>	<u>2,764,805</u>
-	47,891	(31,272)	16,011	5,872
-	-	(36,500)	36,500	-
-	-	(36,500)	36,500	-
-	47,891	(67,772)	52,511	5,872
-	206,486	54,363	38,320	393,253
-	2,747	830	2,409	15,156
-	209,233	55,193	40,729	408,409
<u>\$ -</u>	<u>\$ 257,124</u>	<u>\$ (12,579)</u>	<u>\$ 93,240</u>	<u>\$ 414,281</u>

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the year ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ 5,872

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

Current year capital expenditures capitalized 453,706
Depreciation expense (153,162)

Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Change in deferred outflows and inflows (85,588)

Change in Net Position of Governmental Activities \$ 220,828

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 General Fund - Operational - 11000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ 9,709	\$ 9,709	\$ 10,215	\$ 506
Oil and gas tax	1,557	1,557	603	(954)
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	8,633	8,633
Reimbursements / refunds	9,790	9,790	11,095	1,305
Rents	-	-	-	-
State equalization guarantee	1,627,464	1,622,677	1,603,513	(19,164)
State direct grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food Service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	1,648,520	1,643,733	1,634,059	(9,674)
Expenditures				
Current				
Instruction	1,052,296	1,011,401	988,288	23,113
Support services				
Students	60,196	78,306	69,029	9,277
General administration	148,010	145,877	142,831	3,046
School administration	90,008	90,645	89,224	1,421
Central services	57,290	58,480	58,479	1
Other support services	1,926	1,926	1,926	-
Operation of non-instructional services				
Operation & maintenance of plant	267,939	277,304	269,514	7,790
Student transportation	-	-	-	-
Food service	44,595	44,719	39,434	5,285
Facilities acquisition / construction	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,722,260	1,708,658	1,658,725	49,933
Excess (deficiency) of revenues over(under) expenditures	(73,740)	(64,925)	(24,666)	40,259
Other financing sources (uses)				
Operating transfers in (out)	-	-	(4,075)	(4,075)
Designated cash	48,274	48,274	-	(48,274)
Total other financing sources (uses)	48,274	48,274	(4,075)	(52,349)
Net change in cash balances	(25,466)	(16,651)	(28,741)	(12,090)
Cash balance, beginning	-	-	48,274	48,274
Prior period adjustment	-	-	9,032	9,032
Cash balance, beginning restated	-	-	57,306	57,306
Cash balance, ending	\$ (25,466)	\$ (16,651)	\$ 28,565	\$ 45,216
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (28,741)	
Adjustment to revenues for accruals & other deferrals			4,209	
Adjustment to expenditures for payables, prepaids & other accruals			(5,538)	
Net change in fund balance (GAAP Basis)			\$ (30,070)	

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

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 General Fund - Teacherage - 12000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and Gas Taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	1	1
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	13,800	13,800	14,410	610
State equalization guarantee	-	-	-	-
State direct grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	13,800	13,800	14,411	611
Expenditures				
Current				
Instruction	-	-	-	-
Support Services				
Students	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	27,074	27,074	9,992	17,082
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	27,074	27,074	9,992	17,082
Excess (deficiency) of revenues over(under) expenditures	(13,274)	(13,274)	4,419	17,693
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	9,136	9,136	-	(9,136)
Total other financing sources (uses)	9,136	9,136	-	(9,136)
Net change in cash balances	(4,138)	(4,138)	4,419	8,557
Cash balance, beginning	-	-	9,136	9,136
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	9,136	9,136
Cash balance, ending	\$ (4,138)	\$ (4,138)	\$ 13,555	\$ 17,693
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,419	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			339	
Net change in fund balance (GAAP Basis)			\$ 4,758	

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

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
General Fund - Transportation - 13000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	-	-	-	-
Transportation	208,731	221,047	195,849	(25,198)
Instructional materials - credit and cash	-	-	-	-
Food Service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	208,731	221,047	195,849	(25,198)
Expenditures				
Current				
Instruction	-	-	-	-
Support Services	-	-	-	-
Students	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Student Transportation	221,047	195,849	196,150	(301)
Food Services operations	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	221,047	195,849	196,150	(301)
Excess (deficiency) of revenues over(under) expenditures	(12,316)	25,198	(301)	(25,499)
Other financing sources (uses)				
Operating transfers in (out)	-	-	301	301
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	301	301
Net change in cash balances	(12,316)	25,198	-	(25,198)
Cash balance, beginning	-	-	-	-
Prior period adjustment	-	-	138	138
Cash balance, beginning restated	-	-	138	138
Cash balance, ending	\$ (12,316)	\$ 25,198	\$ 138	\$ (25,060)
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			(301)	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (301)	

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

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
General Fund - Instructional Materials - 14000
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	11,711	8,329	8,063	(266)
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	11,711	8,329	8,063	(266)
Expenditures				
Current				
Instruction	13,239	12,180	9,208	2,972
Support Services				
Students	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	13,239	12,180	9,208	2,972
Excess (deficiency) of revenues over(under) expenditures	(1,528)	(3,851)	(1,145)	2,706
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	1,528	3,420	-	(3,420)
Total other financing sources (uses)	1,528	3,420	-	(3,420)
Net change in cash balances	-	(431)	(1,145)	(714)
Cash balance, beginning	-	-	3,420	3,420
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	3,420	3,420
Cash balance, ending	\$ -	\$ (431)	\$ 2,275	\$ 2,706
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,145)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (1,145)	

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

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Special Revenue Fund - New Mexico Reads to Lead - 27114
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and Gas Taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	-	35,250	13,034	(22,216)
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	-	35,250	13,034	(22,216)
Expenditures				
Current				
Instruction	-	35,250	27,059	8,191
Support Services	-	-	-	-
Students	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition/construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	35,250	27,059	8,191
Excess (deficiency) of revenues over(under) expenditures	-	-	(14,025)	(14,025)
Other financing sources (uses)				
Operating transfers in (out)	-	-	14,025	14,025
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	14,025	14,025
Net change in cash balances	-	-	-	-
Cash balance, beginning	-	-	-	-
Prior period adjustment	-	-	-	-
Cash balance, beginning restated	-	-	-	-
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
Special Revenue Fund - Wind Farm - 29134
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	370,000	359,000	385,560	26,560
Fees	-	-	-	-
Insurance recoveries	-	-	-	-
Interest	-	-	28	28
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food Service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	370,000	359,000	385,588	26,588
Expenditures				
Current				
Instruction	350,561	567,675	164,588	403,087
Support Services				
Students	10,003	24,872	24,590	282
General administration	12,267	8,257	7,940	317
School administration	-	-	-	-
Central Services	1,730	1,613	1,612	1
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	3,007	3,046	2,972	74
Student Transportation	295	345	329	16
Food Services operations	-	-	-	-
Facilities acquisition / construction	-	-	-	-
Capital Outlay	-	-	134,160	(134,160)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	377,863	605,808	336,191	269,617
Excess (deficiency) of revenues over(under) expenditures	(7,863)	(246,808)	49,397	296,205
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Designated cash	7,863	213,093	-	(213,093)
Total other financing sources (uses)	7,863	213,093	-	(213,093)
Net change in cash balances	-	(33,715)	49,397	83,112
Cash balance, beginning	-	-	213,093	213,093
Prior period adjustment	-	-	2,747	2,747
Cash balance, beginning restated	-	-	215,840	215,840
Cash balance, ending	\$ -	\$ (33,715)	\$ 265,237	\$ 298,952
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 49,397	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(1,506)	
Net change in fund balance (GAAP Basis)			\$ 47,891	

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

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2017

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>27,387</u>
Total assets	\$ <u><u>27,387</u></u>
<u>LIABILITIES</u>	
Deposits held for others	\$ <u>27,387</u>
Total liabilities	\$ <u><u>27,387</u></u>

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

Notes to Financial Statements

NOTE 1 Summary of Significant Accounting Policies

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

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

B. Government-wide and fund financial statements

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

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment.

These include fees for meals, lab fees and activity fees for the District. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

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

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

General Fund 11000, 12000, 13000, 14000

The General Fund consists of four sub funds. The first is the Operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The Teacherage Fund is to provide teachers affordable housing to entice them to teach there. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District

New Mexico Reads to Lead 27114

The purpose of this grant is to assist the District to purchase informational text materials for grades K-3 in alignment with Common Core State Standards (CCSS).

Wind Farm – Special Revenue Fund 29134

This fund is used to account for wind farm payment in lieu of property taxes revenue. The fund was created by definition.

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2017

Capital Improvements SB-9 State 31700

To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

Debt Service Funds

The fund is used to account for resources for and the payment of general long-term debt principal interest, and related cost.

Fiduciary Funds

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

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

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc , (b) program specific operating grants, which includes revenues received from state and federal sources such as Title I and IDEA-B to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from the state resources such as SB-9 and HB-33 funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents: The District's cash and cash equivalents are cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

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

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

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

The District receives monthly income from a tax levy in Quay and Roosevelt counties. The funds are collected by the County Treasurers and remitted to the District in the following month. Under the modified accrual method

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Notes to the Financial Statements
 June 30, 2017

of accounting, the amount remitted by the county treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days (60) subsequent to year end.

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2017, the District does not have any prepaid items.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of material listed on the PED 'Multiple List', while fifty percent of each allocation is available for purchases directly from vendors or transfer to the fifty percent account for purchase of material from the "Multiple List". Districts are allowed to carry forward unused textbook funds from year to year.

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures, and equipment in accordance with NMAC 2.20.1.9 C (5).

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

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

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

Capital expenditures made on the District's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate. Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	30 - 50 Years
Equipment, vehicles, information technology equipment software & library books	5 - 30 Years

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the

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current year that are not considered to be "available" under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

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

Compensated Absences: The District contracts with all employees on an annual basis. Vacation and or sick leave are not paid out upon termination.

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

Capital Leases: Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund financial statement at the present value of the future minimum lease payments, using the stated or implicit interest rate in the leases. Lease payments are recorded as expenditures on the due date. Capital leases are recorded as a liability in the government-wide financial statement at the time of inception and the corresponding asset is recorded in the capital asset section on the balance sheet.

Short -Term Debt: Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. The District does not have any activity in short-term debt.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond issuance costs are reflected as a current period expense per GASB 65.

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

Fund Balance: Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent: The following classifications may be used:

Non-Spendable

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed

Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the District's Board of Education should be reported as committed fund balance. The committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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Assigned

Assigned fund balance includes (a) all remaining amounts, except for negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and amounts in the general fund that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent, and removal of, is expressed by the Board of Education or the Finance Committee. The District did not have assigned fund balances for the year ended June 30, 2017.

Unassigned

The remaining fund balance, after all other classifications, within the general fund is reported as unassigned fund balance. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, a negative fund balance will be reported as unassigned fund balance.

When committed, assigned, and unassigned resources are available for use, it is the District's policy to use committed first followed by assigned and unassigned resources as they are needed.

Net Position: Net Position is presented on the Statement of Net Position and may be presented in any of three components.

Net investment in capital assets

This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. That portion of the debt is included in restricted for capital projects.

Restricted Net Position

Net Position is reported as being restricted when the restriction is either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unrestricted Net Position

Unrestricted Net Position consists of Net Position that does not meet the definition of "net investment in capital assets" or "restricted."

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

In the governmental environment, Net Position often is designated to indicate that management does not consider them to be available for general operations. In contrast to restricted Net Position, these types of constraints on resources are internal and management can remove or modify them. However, enabling legislation established by the reporting government should not be construed as an internal constraint.

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

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

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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.

E. Revenues

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

A school district's program costs are determined using various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public-school fund under the authority of the Secretary of the Public Education Department. The District received \$1,603,513 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$69,619 ad valorem tax and \$3,178 oil & gas tax revenues in the governmental fund financial statements during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Secretary of the Public Education Department. The funds shall be used only for making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$195,849 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, fifty percent is restricted to the purchase of materials listed in the PED "Multiple List", while fifty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$8,063.

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

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

1. A critical need exists requiring action;
2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner;
4. The school district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a

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district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

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

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, if sufficient funds are not available in the public-school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary.

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

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

NOTE 2 Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

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

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

1. In April or May, the local school board submits to the School Budget and Finance Analysis Bureau (SBFAB) of the New Mexico Public Education Department, a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBFAB and certified and approved by the local school board at a public hearing of which notice has been published by the local school board who fixes the estimated budget for the District for the ensuing fiscal year.

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3. The school board meeting, while not intended for the public, is open for the public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAB and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBFAB.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the District and approved by the SBFAB.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

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

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

The appropriated budget for the year ended June 30, 2017, was not properly amended by the Board of Education throughout the year.

	<u>Original Budget</u>	<u>Final Budget</u>
Major Funds		
Operational - 11000	\$ 1,722,260	\$ 1,708,658
Teacherage - 12000	\$ 27,074	\$ 27,074
Transportation - 13000	\$ 221,047	\$ 195,849
Instructional Material - 14000	\$ 13,239	\$ 12,180
NM Reads - 27114	\$ -	\$ 35,250
Wind Farm - 29134	\$ 377,863	\$ 605,808
Senate Bill 9 - 31700	\$ 40,570	\$ 30,000
Non major	\$ 350,440	\$ 373,777

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

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

NOTE 3 Cash and Temporary Investments

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

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

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

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

The 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.

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

	J P Stone, Community Bank Portales, NM	Type
Total amount on deposit on June 30, 2017		
Elida Municipal Schools	\$ 384,502	Checking - Non Int
Elida Municipal Schools - Activities	27,530	Checking - Int
Elida Municipal Schools	139,986	Checking - Int
Total deposited	<u>552,018</u>	
Less FDIC coverage	<u>(250,000)</u>	
Total uninsured public funds	<u>302,018</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	<u>151,009</u>	
Pledged securities		
Schedule below	<u>405,677</u>	
Over (under)	<u>\$ 254,668</u>	

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Pledged Collateral

The collateral segregated on the Districts behalf on June 30, 2017 is as follows

Description	CUSIP #	Market Value	Maturity Date	Location
FHLB Qtrly Call Step	3130A8F65	98,223	6/30/2031	TIB, Dallas TX
FHLB Qtrly Call Step	3130AAF60	199,470	12/30/2031	TIB, Dallas TX
Alamogordo NM Muni School Dist #1	011464JF2	55,470	8/1/2018	TIB, Dallas TX
Dona Ana Branch Comnty Clg NM	257578EL4	52,514	8/1/2028	TIB, Dallas TX
		<u>405,677</u>		

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017, none of the District's bank balance of \$552,018 was exposed to custodial credit risk.

Custodial Credit Risk Deposits

Account Balance	\$	552,018
FDIC Insurance		250,000
Collateral:		
Collateral held by the pledging bank, not in the District's name		405,677
Uninsured and uncollateralized		<u>(103,659)</u>
Total Deposits	\$	<u>552,018</u>

Custodial Credit Risk- Investments

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

At June 30, 2017, the District had no investment balances therefore there was no custodial credit risk for investments.

NOTE 4 Accounts Payables and Accrued Expenses

Accounts payable as of June 30, 2017, was payable to suppliers.

Accounts payable

Major Funds		
Operational	\$	10,002
Teacherage		381
Wind Farm		8,113
Non Major Fund		
Athletics		<u>123</u>
Total	\$	<u>18,619</u>

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NOTE 5 Receivables

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the following:

	Fund 11000	SB-9 Fund 31701	Other Governmental Funds	Total
Taxes receivable				
Property taxes	\$ 373	\$ 13,275	\$ -	\$ 13,648
Oil and gas taxes	8	33	-	41
Due from grantor				
Entitlement			3,238	
NM Reads	-	-	14,025	
Totals	\$ 381	\$ 13,308	\$ 17,263	\$ 13,689

The above receivables are deemed 100% collectible.

NOTE 6 Inter-Fund Receivables and Payables

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

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

	Interfund Receivable	Interfund Payable
11000 Operational	\$ 42,266	\$ -
13000 Transportation		(301)
24106 Entitlement		(3,238)
27107 2012 GO Student Library		(4,820)
27114 NM Reads		(14,025)
27149 Pre K		(1)
27195 STEM		(283)
31700 SB-9 State	-	(19,598)
Totals	\$ 42,266	\$ (42,266)

These funds are part of pooled cash, so the General Fund is deemed to have loaned it money until reimbursements are received. All inter-fund balances are to be paid within one year.

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NOTE 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Adjustments/ Decrease</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 9,300	\$ -	\$ -	\$ 9,300
Capital assets being depreciated				
Buildings and Improvements	5,789,426	453,706	(611)	6,242,521
Equipment, Vehicles, Information Technology Equipment, Software, & Library Books	<u>482,761</u>	<u>-</u>	<u>(64,265)</u>	<u>418,496</u>
Total assets being depreciated	<u>6,281,487</u>	<u>453,706</u>	<u>(64,876)</u>	<u>6,670,317</u>
Less accumulated depreciation				
Buildings and improvements	(3,645,230)	(127,878)	26,329	(3,746,779)
Equipment, Vehicles, Information Technology Equipment, Software, & Library Books	<u>(205,831)</u>	<u>(25,284)</u>	<u>-</u>	<u>(231,115)</u>
Total accumulated depreciation	<u>(3,851,061)</u>	<u>(153,162)</u>	<u>26,329</u>	<u>(3,977,894)</u>
Governmental activity capital assets, net	<u>\$ 2,430,426</u>	<u>\$ 300,544</u>	<u>\$ (38,547)</u>	<u>\$ 2,692,423</u>

Capital assets, net of depreciation, at June 30, 2017 appear in the Statement of Net Position as follows:

Governmental activities \$2,692,423

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

Facility acquisition	\$ 23,261
Unclassified	<u>129,901</u>
Total Depreciation	<u>\$ 153,162</u>

NOTE 8 Risk Management

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

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

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

NOTE 9 Other Required Individual Fund Disclosures

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

- A. Deficit fund balance.
Transportation (\$163), Senate Bill 9 State (\$12,579), GO Bonds School Library (\$4,820), Pre-K Initiative (\$1), and STEM (\$283)
- B. Excess Expenditures over budget.
None
- C. Designated cash appropriations more than available balance:
None

NOTE 10 Pension Plan – Education Retirement Board

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

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

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

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

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

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

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

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

The member's age and earned service credit add up to the sum of 80 or more,

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The member is at least sixty-seven years of age and has five or more years of earned service credit, or
The member has service credit totaling 30 years or more.

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

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

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

The member's age is 67, and has earned 5 or more years of service credit.

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

Benefit Options – The Plan has three benefit options available.

Option A – Straight Life Benefit – The single life annuity option has no reductions to the monthly benefit, and there is no continuing benefit due to a beneficiary or estate, except the balance, if any, of member contributions plus interest less benefits paid prior to the member's death.

Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

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

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

Tier 1 membership is comprised of employees who became members prior to July 1, 2010

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

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

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

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

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

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

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increase Over Prior
2017	7/1/16 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2017	7/1/16 to 6/30/17	\$20K or less	7.90%	13.90%	21.080%	0.00%
2016	7/1/15 to 6/30/17	Over \$20K	10.70%	16.90%	24.60%	0.00%
2016	7/1/15 to 6/30/17	\$20K or less	7.90%	13.90%	21.080%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employer contributions of \$135,447 and \$148,364, which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the District reported a liability of \$2,818,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the Districts long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was .03916%, which was a decrease of 0.00111% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$239,486. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actuarial experience	\$ 12,226	\$ 26,804
Change in assumptions	57,366	
Net difference between projected and actual earnings on plan investments	168,219	-
Change in proportion and difference between District contribution and proportionate share of contributions	37,706	66,466
Reallocation	-	-
District's contribution subsequent to the measurement date	153,016	-
Totals	<u>\$ 428,533</u>	<u>\$ 93,270</u>

\$153,016 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2018	\$	27,476
2019		48,617
2020		65,132
2021		41,022

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

Inflation 3.00%

Salary Increases:

Composed of 3.0% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.

Investment Rate of Return

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

Average of Expected Remaining Service Lives 3.77 years

Mortality

Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB. **Healthy females:** Based on GRS Southwest Region Teacher Mortality Table, set back one-year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012. **Disabled males:** RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. **Disabled females:** RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB. **Active members:** RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%,

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and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

Retirement Age

Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.

Cost-of-living increases 2% per year, compounded annually.

Payroll growth 3.5% per year (with no allowance for membership growth).

Contribution accumulation

5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).

Disability Incidence

Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
District's proportionate share of the net pension liability	\$ 3,732,539	\$ 2,818,123	\$ 2,059,417

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

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

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

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

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

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

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

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

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The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$33,432, \$22,659, and \$23,176, respectively, which equal the required contributions for each year.

NOTE 12 Contingent Liabilities

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

NOTE 13 Concentrations

The District depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the District is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

NOTE 14 Cash Flows

The District's federal and state grants operate on a reimbursement basis. The District must support the expenditures of these grants with monies from the unrestricted operating monies. Operating on a reimbursement basis for these grants in its self does not adversely affect the District's ability to operate effectively. However, the time it takes to receive reimbursement, if extensive, does significantly affect the District's cash flows and the ability to deliver educational services to the community in an effective manner. This could affect the District's financial operations in subsequent years.

NOTE 15 Subsequent Events

The District has evaluated subsequent events through February 21, 2018, which is the date the financial statements were available to be issued.

NOTE 16 Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$5,118.

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 Notes to the Financial Statements
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NOTE 17 Surety Bond

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

NOTE 18 Memorandum of Understanding

A joint powers agreement was entered with the Regional Education Cooperative No. 6 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others. There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The financial statements for the REC were prepared by another IPA. The audit report is available at the REC located at 1500 South Ave K, Station 9, Portales, New Mexico 88130

NOTE 19 Prior Period Adjustments

Capital assets were decreased (\$64,876) and accumulated depreciation was decreased \$26,329. The capital asset subsidiary ledger did not agree with the prior years audited balances.

Stale dated checks for the following funds were voided:

11000 Operational	\$	9,032
13000 Transportation		138
22000 Athletics		1,186
24101 IASA Title 1		84
24106 IDEA-B Entitlement		32
29134 Wind Farm		2,747
31700 Senate Bill 9 Local		830
31701 Senate Bill 9 State		1,107
	\$	<u>15,156</u>

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 Notes to the Financial Statements
 June 30, 2017

Note 20 GASB 77

The District entered into an agreement that involve tax abatements; the following table outlines the key information regarding the entities involved and the type and amounts of taxes abated during the year ended June 30, 2017.

Agency number for Agency making the disclosure	5022
Disclosing Agency Name	Roosevelt County
Disclosing Agency Type	Local Government
Tax Abatement Agreement Name	San Juan Mesa Wind Project LLC
Recipient of tax abatement	San Juan Mesa Wind Project LLC Project Series 2005
Tax abatement program	San Juan Mesa Wind Project LLC
Specific Tax being Abated	Property Tax
Legal authority under which the tax abatement agreement was entered into	Roosevelt Board of County Commissioners
Criteria that made a recipient eligible to receive a tax abatement	IRB
How are the tax abatement recipient's taxes reduced	PILOT associated with mega watts of generated capacity & facility portions
Name of Agent affected by abatement agreement (Affected Agency)	Elida Municipal Schools
Agency number of Affected Agency	7026
Agency type of Affected Agency	Public Schools
Tax Abatement Agreement Name	
Recipient(s) of tax abatement	
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax Being Abated	Property Tax
Authority under which abated tax is paid to Affected Agency	Industrial Revenue Bond Act Section 4-59-1 to 4-59-16 NMSA
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenue were reduced	\$212,000
If the Disclosing Agency is omitting any information required in this spreadsheet or by GASB 77, cite the	N/A

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 Notes to the Financial Statements
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Agency number for Agency making the disclosure	5003
Disclosing Agency Name	Chaves County
Disclosing Agency Type	County Government
Tax Abatement Agreement Name	Industrial Revenue Bonds Project Agreement
Recipient of tax abatement	
Tax abatement program	
Specific Tax being Abated	Property Tax
Legal authority under which the tax abatement agreement was entered into	
Criteria that made a recipient eligible to receive a tax abatement	IRB
How are the tax abatement recipient's taxes reduced	PILOT associated with mega watts of generated capacity & facility portions
Name of Agent affected by abatement agreement (Affected Agency)	Elida Municipal Schools
Agency number of Affected Agency	7026
Agency type of Affected Agency	Public Schools
Tax Abatement Agreement Name	
Recipient(s) of tax abatement	
Tax abatement program (name and brief description)	Industrial Revenue Bonds
Specific Tax Being Abated	Property Tax
Authority under which abated tax is paid to Affected Agency	Industrial Revenue Bond Act Section 4-59-1 to 4-59-16 NMSA
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenue were reduced	\$16,078
If the Disclosing Agency is omitting any information required in this spreadsheet or by GASB 77, cite the	N/A

Supplementary Information Related to
Major Governmental Funds

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
Capital Project Fund - Senate Bill Nine State - 31700
Statement of Revenues, Expenditures, and Changes in Cash
Balance - Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and Gas Taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	40,570	30,000	-	(30,000)
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	40,570	30,000	-	(30,000)
Expenditures				
Current				
Instruction	-	-	-	-
Support Services	-	-	-	-
Students	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Facilities acquisition/construction	-	-	-	-
Student Transportation	-	-	-	-
Food Services operations	-	-	-	-
Capital Outlay	40,570	30,000	32,354	(2,354)
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	40,570	30,000	32,354	(2,354)
Excess (deficiency) of revenues over(under) expenditures	-	-	(32,354)	(32,354)
Other financing sources (uses)				
Operating transfers in (out)	-	-	(16,902)	(16,902)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	(16,902)	(16,902)
Net change in cash balances	-	-	(49,256)	(49,256)
Cash balance, beginning	-	-	54,338	54,338
Prior period adjustment	-	-	1,937	1,937
Cash balance, beginning restated	-	-	56,275	56,275
Cash balance, ending	\$ -	\$ -	\$ 7,019	\$ 7,019
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (49,256)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(18,516)	
Net change in fund balance (GAAP Basis)			\$ (67,772)	

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

Required Supplementary Information

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Schedule of Proportionate Share of the Net Pension Liability
 Education Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
The District's proportion of the net pension liability (asset)	0.04005%	0.04027%	0.03916%
The District's proportionate share of the net pension liability (asset)	\$ 2,228,081	\$ 2,608,395	\$ 2,818,123
The District's covered-employee payroll	\$ 1,076,261	\$ 1,099,500	\$ 1,100,839
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.02%	237.23%	256.00%
Plan fiduciary net position as a percentage of the total pension liability	66.54%	63.97%	61.58%

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

See notes to required supplementary information

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Schedule of Contributions
 Education Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 159,244	\$ 181,598	\$ 153,016
Contributions in relation to the contractually required contribution	<u>159,244</u>	<u>159,111</u>	<u>153,016</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 22,487</u>	<u>\$ -</u>
The District's covered-employee payroll	\$ 1,076,261	\$ 1,099,500	\$ 1,100,839
Contributions as a percentage of covered-employee payroll	14.80%	16.52%	13.90%

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

Note: Employee contributions are not included in this schedule.

See notes to required supplementary information

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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

See notes to required supplementary information

Supplementary Information Related to
Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Services 21000

To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics 22000

To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

Title I 24101

To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

IDEA B Entitlement 24106

To account for funds for free appropriate public education to all children with disabilities. The program is funded by Federal Government and pass through the State Department of Education under the individuals with Disabilities Education Act, Part B, Sections 611-617, and Part O, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

IDEA Preschool 24109

To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

Teacher Principal Training and Recruiting 24154

The purpose of this fund is to improve the skills of teachers and the quality of instruction in mathematics and science and to increase the accessibility of such instruction to all students. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382.

Rural Education Achievement Program 25233

To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Dual Credit Instructional Materials 27103

To provide funding to the District to purchase college books for students attending college classes and obtaining dual credits. The fund was created by grant provisions.

2012 G.O. Bond Student Library 27107

This award allows schools to acquire library books, equipment and library resources for public school library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

Pre-K Initiative 27149

To account for monies received from the State of New Mexico to be used to provide direct services to 4-year-old children in Pre-Kindergarten.

Senate Bill-60 27177

To account for funds to plan, design, and construct a pre-k classroom. Construction shall meet the current kindergarten adequacy standards (6.27.30 NMAC). Funding was made available through Laws of 2013, SB-60, Chapter 226, Section 53.

STEM Teacher Initiative 27195

The objective of this program is to provide training for teachers in Science, Technology, Engineering and Math. Funding is provided by the New Mexico Public Education Department. No minimum balance required according to legislation.

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NONMAJOR GOVERNMENTAL FUNDS

Capital Project Funds

Bond Building 31100

The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

Special Capital Outlay 31300

The revenues are derived from local donations. The expenditures are restricted to major capital improvements on the gym.

SB-9 Local - Capital Projects Funds 37101

To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

Debt Service Funds

Debt Service 41000

To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

Educational Technology Debt Service 43000

The fund is used to account for the resources for, and the payment of, principal, interest, and related cost.

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Food Service 21000	Athletics 22000	Title I 24101	Entitlement 24106
ASSETS				
Cash and cash equivalents	\$ 22,604	\$ 2,208	\$ 84	\$ 32
Accounts receivable				
Taxes	-	-	-	-
Other	-	-	-	-
Due from grantor	-	-	-	3,238
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ 22,604</u>	<u>\$ 2,208</u>	<u>\$ 84</u>	<u>\$ 3,270</u>
LIABILITIES				
Accounts payable	\$ -	\$ 123	\$ -	\$ -
Due to other funds	-	-	-	3,238
Total liabilities	<u>-</u>	<u>123</u>	<u>-</u>	<u>3,238</u>
DEFERRED INFLOWS				
Unavailable revenue - state grants	-	-	-	-
FUND BALANCE				
Non-spendable	-	-	-	-
Restricted for				
General fund	-	-	-	-
Special revenue funds	22,604	2,085	84	32
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Unassigned				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Total fund balance	<u>22,604</u>	<u>2,085</u>	<u>84</u>	<u>32</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 22,604</u>	<u>\$ 2,208</u>	<u>\$ 84</u>	<u>\$ 3,270</u>

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

IDEA-B Preschool 24109	Teacher/Principal Training & Recruiting 24154	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	2012 GOB Public School Library 27107	Pre-K Initiative 27149
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	4,820	1
-	-	-	-	4,820	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(4,820)	(1)
-	-	-	-	(4,820)	(1)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Senate Bill 60 27177	STEM 27195	Bond Building 31100	Capital Special Capital Outlay Local 31300
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 2,616	\$ 16,210
Accounts receivable				
Taxes	-	-	-	-
Other	-	-	-	-
Due from grantor	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,616</u>	<u>\$ 16,210</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	283	-	-
Total liabilities	<u>-</u>	<u>283</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS				
Unavailable revenue - state grants		-	-	
FUND BALANCE				
Non-spendable	-	-	-	-
Restricted for				
General fund	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	2,616	16,210
Debt service funds	-	-	-	-
Unassigned				
General fund	-	-	-	-
Special revenue funds	-	(283)	-	-
Total fund balance	<u>-</u>	<u>(283)</u>	<u>2,616</u>	<u>16,210</u>
Total liabilities, deferred inflows and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,616</u>	<u>\$ 16,210</u>

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

Project		Debt Service		Total
Special Capital Outlay State 31400	Senate Bill Nine Local 31701	Debt Service 41000	Ed Tech Debt Service 43000	Non-major Governmental Funds
\$ -	\$ 30,772	\$ 10,408	\$ 225	\$ 85,159
-	13,308	-	-	13,308
-	-	-	-	-
-	-	-	-	3,238
-	-	-	-	-
<u>\$ -</u>	<u>\$ 44,080</u>	<u>\$ 10,408</u>	<u>\$ 225</u>	<u>\$ 101,705</u>
\$ -	\$ -	\$ -	\$ -	\$ 123
-	-	-	-	8,342
-	-	-	-	8,465
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	44,080	-	-	24,805
-	-	10,408	225	62,906
-	-	-	-	10,633
-	-	-	-	-
-	-	-	-	(5,104)
-	44,080	10,408	225	93,240
<u>\$ -</u>	<u>\$ 44,080</u>	<u>\$ 10,408</u>	<u>\$ 225</u>	<u>\$ 101,705</u>

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Food Service 21000	Athletics 22000	Title I 24101	Entitlement 24106
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	-
Fees	8,184	11,910	-	-
Insurance recoveries	-	-	-	-
Interest	-	-	-	-
Access board (e-rate)	-	-	-	-
Royalties	-	-	-	-
Reimbursements / refunds	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	-	-	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	57,307	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	12,860	13,739
	<u>65,491</u>	<u>11,910</u>	<u>12,860</u>	<u>13,739</u>
Total revenues				
Expenditures				
Current				
Instruction	-	11,475	12,860	13,739
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services	67,896	-	-	-
Capital Outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>67,896</u>	<u>11,475</u>	<u>12,860</u>	<u>13,739</u>
Total expenditures				
Excess (deficiency) revenues over expenditures	(2,405)	435	-	-
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	(2,405)	435	-	-
Fund balance, beginning	25,009	464	-	-
Prior period adjustment	-	1,186	84	32
	<u>25,009</u>	<u>1,650</u>	<u>84</u>	<u>32</u>
Fund balance, beginning restated				
Fund balance, ending	<u>\$ 22,604</u>	<u>\$ 2,085</u>	<u>\$ 84</u>	<u>\$ 32</u>

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

IDEA-B Preschool 24109	Teacher/Principal Training & Recruiting 24154	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	2012 GOB Public School Library 27107	Pre-K Initiative 27149
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,181	-	11,844
-	-	-	-	-	-
-	-	-	-	-	-
-	-	27,807	-	-	-
91	-	-	-	-	-
91	-	27,807	1,181	-	11,844
91	-	27,807	1,181	4,820	11,845
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
91	-	27,807	1,181	4,820	11,845
-	-	-	-	(4,820)	(1)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(4,820)	(1)
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ (4,820)	\$ (1)

STATE OF NEW MEXICO
ELIDA MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2017

	Senate Bill 60 27177	STEM 27195	Bond Building 31100	Capital Special Capital Outlay Local 31300
Revenues				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
Oil and gas taxes	-	-	-	-
In lieu of taxes	-	-	-	-
Contributions	-	-	-	46,033
Fees	-	-	-	-
Insurance recoveries	-	-	-	-
Interest	-	-	1	-
Access board (e-rate)	-	-	-	-
Royalties	-	-	-	-
Reimbursements / refunds / prior years	-	-	-	-
Rents	-	-	-	-
State equalization guarantee	-	-	-	-
State direct grants	240,562	12,150	-	-
State flowthrough grants	-	-	-	-
Transportation	-	-	-	-
Instructional materials - credit and cash	-	-	-	-
Food service	-	-	-	-
Federal flowthrough grants	-	-	-	-
Federal restricted grants-in-aid	-	-	-	-
Total revenues	240,562	12,150	1	46,033
Expenditures				
Current				
Instruction	-	12,433	-	-
Support services	-	-	-	-
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central Services	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services	-	-	-	-
Capital Outlay	240,562	-	-	29,823
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	240,562	12,433	-	29,823
Excess (deficiency) revenues over expenditures	-	(283)	1	16,210
Other financing sources (uses)				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(283)	1	16,210
Fund balance, beginning	-	-	2,615	-
Prior period adjustment	-	-	-	-
Fund balance, beginning restated	-	-	2,615	-
Fund balance, ending	\$ -	\$ (283)	\$ 2,616	\$ 16,210

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

Project		Debt Service		Total Non-major Governmental Funds
Special Capital Outlay State 31400	Senate Bill Nine Local 31701	Debt Service 41000	Ed Tech Debt Service 43000	
\$ -	\$ 58,877 2,567	\$ 176	\$ 225	\$ 59,278 2,567
-	-	-	-	-
-	-	-	-	46,033
-	-	-	-	20,094
-	-	-	-	-
-	-	-	-	1
-	-	-	-	-
-	-	-	-	-
-	-	-	-	265,737
-	-	-	-	-
-	-	-	-	-
-	-	-	-	57,307
-	-	-	-	27,807
-	-	-	-	26,690
-	61,444	176	225	505,514
-	-	-	-	96,251
-	-	-	-	-
-	467	-	-	467
-	-	-	-	-
-	-	-	-	-
-	5,343	-	-	5,343
-	-	-	-	-
-	-	-	-	67,896
-	49,161	-	-	319,546
-	-	-	-	-
-	-	-	-	-
-	54,971	-	-	489,503
-	6,473	176	225	16,011
-	36,500	-	-	36,500
-	36,500	-	-	36,500
-	42,973	176	225	52,511
-	-	10,232	-	38,320
-	1,107	-	-	2,409
-	1,107	10,232	-	40,729
\$ -	\$ 44,080	\$ 10,408	\$ 225	\$ 93,240

Supplementary Information Related to Agency Funds

AGENCY FUNDS

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

The District has the following funds classified as Agency Funds:

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

STATE OF NEW MEXICO
 ELIDA MUNICIPAL SCHOOLS
 Agency Funds - Activity
 Statement of Changes in Assets and Liabilities
 June 30, 2017

	Beginning Balance	Additions	Deductions	Ending Balance
<u>ASSETS</u>				
Annual	\$ 1,774	\$ 6,126	\$ 5,817	\$ 2,083
Art	50	-	50	-
Boys basketball	-	749	598	151
Baseball	4,256	2,926	1,208	5,974
Cheerleaders	698	3,214	2,603	1,309
Elementary computers	254	-	254	-
Golden apple grant	-	1,000	228	772
FCCLA	2,456	-	-	2,456
FFA	900	16,017	16,237	680
Girls basketball	867	214	227	854
Greenhouse	997	-	1	996
Miscellaneous	922	4,631	3,254	2,299
National honor society	2,500	5,961	4,785	3,676
FFA food for all	666	-	666	-
Gym floor renovation	-	39,433	39,433	-
Student council	981	30	693	318
A + energy grant	937	-	937	-
Zune	204	-	204	-
Football	1,478	-	-	1,478
Robotics	602	-	602	-
Track	997	1,308	1,526	779
Class of 2016	30	-	30	-
Class of 2017	417	76	468	25
Class of 2018	196	8,930	6,105	3,021
Class of 2019	-	326	-	326
Class of 2018	-	190	-	190
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 22,182	\$ 91,131	\$ 85,926	\$ 27,387
<u>LIABILITIES</u>				
Due to student groups	\$ 22,182	\$ 91,131	\$ 85,926	\$ 27,387
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 22,182	\$ 91,131	\$ 85,926	\$ 27,387

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

Other Supplemental Information

Cash Reconciliation - All Funds
For the year ended June 30, 2017

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>	<u>Total Cash</u>
Elida Municipal Schools					
Operational	\$ 48,274	\$ 1,634,059	\$ (1,658,725)	\$ 4,957	\$ 28,565
Teacherage	9,136	14,411	(9,992)		13,555
Transportation	-	195,849	(196,150)	439	138
Instructional materials	3,420	8,063	(9,208)	-	2,275
Food services	22,397	60,373	(60,166)	-	22,604
Athletics	464	11,910	(11,352)	1,186	2,208
Federal direct	-	30,658	(26,690)	(3,852)	116
Federal flowthrough	-	27,807	(27,807)	-	-
State flowthrough	-	39,208	(57,338)	18,130	-
Wind Farm	213,093	385,588	(336,191)	2,747	265,237
Bond building	2,615	1	-	-	2,616
Special capital outlay	-	240,562	(240,562)	-	-
Special capital outlay local	-	46,033	(29,823)	-	16,210
Special capital outlay state	-	29,986	-	(29,986)	-
Capital improvement SB-9 state	54,338	-	(32,354)	(14,965)	7,019
Capital improvement SB-9 local	-	48,776	(54,504)	36,500	30,772
Debt service	10,232	178	(2)	-	10,408
Ed tech debt service	-	227	(2)	-	225
Total governmental funds	363,969	2,773,689	(2,750,866)	15,156	401,948
Student activities	22,182	91,131	(85,926)	-	27,387
Total Elida Municipal Schools	\$ 386,151	\$ 2,864,820	\$ (2,836,792)	\$ 15,156	\$ 429,335

The James Polk
Stone Community
Bank
Balances at
Year End

<u>Deposit or investment Account Type</u>	
Elida Municipal School - checking	\$ 384,502
Elida Municipal Schools - checking	139,986
Elida Municipal Schools Activity fund - checking	<u>27,530</u>
Total on deposit	<u>552,018</u>
Reconciling items - outstanding checks	<u>(122,683)</u>
Reconciled balance at year end	\$ <u>429,335</u>

Reconciliation to financial statements	
Cash and cash equivalents:	
Total cash and cash equivalents per statement of net position	\$ 401,948
Total cash and cash equivalents per statement of fiduciary assets and liabilities - agency funds	<u>27,387</u>
Total cash and cash equivalents	\$ <u>429,335</u>

Compliance Section

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Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Wayne A. Johnson
New Mexico State Auditor
The Governing Body
Elida Municipal Schools
Elida, New Mexico

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the Elida Municipal School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds of the District presented as supplementary information, except for the effects of the matter described with the Basis for Qualified Opinion Paragraph and have issued my report thereon dated February 21, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses. 2016-002, 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-008.

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. I consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. 2014-001, 2014-002, 2017-006, 2017-007, 2017-009, 2017-010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion.

The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as items 2014-001, 2014-002, 2017-005, 2017-006, 2017-007, 2017-008, 2017-009, 2017-010, 2017-011.

Response to Findings

The District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

Sandra Rush
Sandra Rush CPA PC
Clovis, New Mexico
February 21, 2018

Prior Year Findings:

2014-001	Budget Violations	Repeated
2014-002	Cash Appropriations in Excess of Available Cash Balances	Repeated
2016-001	Payroll Issues	Resolved
2016-002	Receipt Books	Revised and Repeated

2014-001 Budget Violations Significant Deficiency - Internal Control & Compliance

Condition

The District over expended its budget in the following funds:

13000 Transportation		
Transportation	\$	301
21000 Food Service		
Food Service	\$	3,957
25233 REAP		
Instruction	\$	10,007
27195 STEM		
Instruction	\$	283
29134 Wind Farm		
Capital Outlay	\$	134,160
31700 SB-9 State		
Capital Outlay	\$	2,354
31701 SB-9 Local		
Student Support - General Administration	\$	467
31200 Public School Capital Outlay		
Capital Outlay	\$	240,562
41100 Debt Service		
Student Support - General Administration	\$	1
43000 Ed Tech Debt Service		
Student Support - General Administration	\$	2

No progress has been made in correcting this finding.

Criteria

Budgetary controls, which include the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget. (NMSA 6-6-6(I))

Effect

Any expenditure in excess of the approved budget indicates a lack of controls in the purchasing process which leads to unauthorized purchases being made with District money.

Cause

The District over expended its budget in the above funds because of inadequate monitoring of the budget.

Recommendation

I recommend the District establish policies and procedures governing the budgetary process and monitoring of the budget to properly prepare and adjust the budget to properly authorize all expenditures.

Response

Correct coding of expenditures will be used. Business manager will call Visions to correct software set up. With the expenditures codes corrected, the district will implement an approval process to verify expenditures do not exceed the budget.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2014-002 Cash Appropriations in Excess of Available Cash Balances Significant Deficiency - Internal Control & Compliance Condition

The District maintained a deficit budget in excess of available cash balance in the following funds Operational (11000) \$25,466, Teacherage (12000) \$4,138, Transportation (13000) \$12,316, Senate Bill Nine (31701) \$72,188, and Athletics (22000) \$1,991.

No progress has been made correcting this finding.

Criteria

Section 2.2.210. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances re-budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect

The District will be required to supplement this budget deficit in this fund with cash reserves from other funds. This supplement may lead to financial difficulties and deplete the budget in other funds.

Cause

The District lacks a proper procedure to ensure that sufficient beginning cash balances exist to absorb budget deficits later in the fiscal year.

Recommendation

The District should review the budget for future years to insure that all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process and the end of the year cash balance estimates.

Response

The district will review fund expenditures from previous years and develop a budget for the 2018-19 fiscal year. The district is replacing the business manager. The new business manager will receive training in setting school budgets, accounting practices, and budget monitoring practices. The district will ensure that all accounts are reconciled as mandated by law. Reconciliations will be reviewed and approved by the Superintendent

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-001 Financial Statements and Disclosures

Material Weakness - Internal Control

Condition

The District relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The District requires the independent auditor gather all necessary information to convert their cash basis accounting information into financial statements prepared in accordance with GAAP. Presently the business manager is unable to prepare the financial statements in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the District personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the District's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the District's business manager lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The District's business manager lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the business manager of the District attend seminars on governmental financial reporting to increase their knowledge and abilities.

Response:

The district is replacing the Business Manager. The new Business Manager will receive training on the preparation of GAAP financial statements and disclosures.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-002 Design Deficiencies in Internal Control over Financial Reporting Material Weakness - Internal Control

Condition

The District's internal control structure is inadequate. The District does not have a comprehensive documented internal control system over financial information. The District does not maintain proper oversight or monitoring in regards to the District's accounting activities and has not taken the proper measures to monitor and mitigate the risk for fraud, misappropriation of assets, or misstatement of financial statements. During my audit, I noted the following internal control deficiencies:

- There is a lack of internal control over journal entries. Manual journal entries are prepared and posted by the business manager without independent review.
- There are inadequate internal controls over bank reconciliations.
- There is a lack of internal control over capital assets.
- There is a lack of internal controls over deposits. Twenty-four of forty-eight deposits tested were not deposited timely.
- There is a lack of internal control over recording revenue. Receipts are not written for all revenue received by the district.
- There is a lack of internal control over capital assets. Capital asset reports were not reconciled to the general ledger or the prior year's schedule. The schedule was not updated to properly report dollar amounts of additions and to ensure that all assets were being depreciated in accordance with the District's policies. The District did not certify capital assets at the end of the year.
- The general ledger cash balances did not agree with the reconciled bank account balances or the PED quarterly reports.
- During audit review and testing procedures performed, several instances of incorrect account coding to expenditures accounts was noted.

Criteria: NMAC 6.20.2.11 states:

Every school district 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, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

An internal control structure is required to demonstrate the District's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

- (1) rights and ownership;
- (2) existence and occurrence;
- (3) valuation and allocations;
- (4) completeness; and,
- (5) presentation and disclosure.

The internal control structure shall demonstrate that the District identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the District complies with those laws and regulations. Internal control procedures shall be established, documented and implemented. Appropriate internal control procedures shall be adopted by school board to safeguard its assets, check the accuracy and reliability of its accounting data,

promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all District transactions.

Effect

Because certain internal controls have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Cause

The District has not performed a formalized and documented risk assessment process for those key controls in place to prevent and detect errors or fraud.

Recommendation

The District should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the District's documented internal control procedures. The School Board is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Response

The district is replacing the Business Manager.

- Journal entries will be forwarded to Superintendent for approval prior to entry into the general ledger.
- Bank accounts, general ledger and PED quarterly report will be reconciled. The reconciliations and reports will be reviewed by the Superintendent prior to being submitted to PED.
- Capital Assets will be added to the subsidiary ledger when purchased. Capital asset purchases will be correctly coded as to fund and function in the general ledger. The subsidiary ledger will be reconciled to the general ledger at year end. A capital asset inventory will be performed at year end, the inventory will be provided to the board for their certification.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-003 Bank Reconciliation Preparation and Stale Dated Checks

Material Weakness - Internal Control

Condition:

The District had not reconciled the operational checking account or operational savings account to the general ledger as of June 30, 2017. The reconciled total of the checking and saving accounts was \$401,948, the general ledger showed ending cash balances totaling \$150,703, a difference of \$251,245.

The District listed sixty (60) checks totaling \$137,695 as outstanding as of June 30, 2017. Thirty-four (34) checks totaling \$13,970 of the sixty (60) outstanding checks were more than 1 year old. Of the thirty-four (34) checks that were more than 1 year old seventeen (17) checks totaling \$11,116 had cleared in prior years. The seventeen checks cleared in the following years: June 30, 2014 4 checks totaling \$7,424, June 30, 2015 6 checks totaling \$3,441, June 30, 2016 4 checks totaling \$216, and June 30, 2017 3 checks totaling \$35. This indicates the checking account has not been reconciled for four (4) years.

Criteria

Per 6.20.2.14: All bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. The bank statement, deposit slips, and canceled checks shall be made available to the district's auditor during the annual audit.

Section 7-8A NMSA 1978 and related regulations require the District provide information about the payee and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for checks that were distributed but not cashed within one year.

Effect

The District is not in compliance with 6.20.2.14. Adequate controls are not in place to prevent or detect misstatements of accounting information. Also, cash is subject to errors, fraud, or abuse.

The District is in violation of Section 7-8A NMSA 1978, and related regulations. Also, carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause

There is no policy and procedure in place requiring the bank accounts be reconciled timely and reviewed by someone other than the preparer.

Recommendation

I recommend the District implement policies and procedures that require the bank accounts be prepared monthly and reviewed by someone other than the preparer. The bank reconciliation should include the issue date and payee of all outstanding checks.

The District should implement a procedure to review the outstanding check list for all bank accounts and track stale dated checks. If checks on the outstanding check list are greater than one-year-old take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Response

The Business Manager will provide the check number, issue date, payee, and check amount for all outstanding checks on the bank reconciliation. Outstanding checks will be reviewed monthly to determine if they are actual liabilities of the District. At year end stale dated checks will either be voided or remitted to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-004 Capital Asset Listing / Depreciation Schedule Material Weakness - Internal Control

Condition

The District did not provide a reconciled capital asset listing and depreciation schedule for the fiscal year ending June 30, 2017.

My test over capital assets and depreciation revealed all new assets had not been added to the schedule and four assets was added to the schedule with a wrong acquisition date. The business manager relied on the auditor to provide a list of assets that needed to be added to and deleted from the schedule.

Also, the District did not conduct an annual inventory of movable chattel and equipment on the inventory list at the end of the physical year, nor did the board certify the correctness of the inventory after the physical inventory.

Criteria

The Audit Act (12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over five thousand dollars (\$5,000). All agencies shall maintain a capitalization policy that complies with the law. Older assets that were capitalized and added to the inventory listing under previous lower capitalization thresholds shall remain on the listing until they are disposed of.

Agencies shall conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors.

Cause

There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. For the current year the business manager did not maintain the capital asset inventory and depreciation schedules. The entity was unable to provide a schedule that contained current year depreciation and capital asset information compliant with GASB 34.177a and 3.30.1.12 NMAC 1978.

Assets were deleted off the schedule without authorization. The prior years audited balance plus current year additions less current year deletions does not reconcile to the current year balance. The difference is \$62,777.

Adequate records are not being kept that ensure all information is complete and accurate at any given point in time.

Effect

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be correctly depreciated due to lack of information being maintained. The financial statements of the District may not comply with GASB 34 and Section 12-6-10(A) NMSA 1978.

The board was unable to conduct and certify a physical inventory at the end of the year due to the schedules not being current.

Recommendation

The business manager should attend training to become familiar with the preparation of a capital asset inventory and depreciation schedule that is GASB 34 compliant.

A physical inventory should be conducted at year end and certified as correct and provided to the auditor.

Response

The new Business Manager will receive training on the preparation of a capital asset inventory and depreciation schedule that is GASB 34 compliant.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-005 Inadequate Review of Manual Journal Entries Material Weakness - Internal Control & Compliance

Condition

During the 2017 fiscal year, the District did not have procedures in place for authorization and review of manual journal entries. Multiple journal entries were posted to reconcile revenues and expenditures of the District without supporting documents and management review. The Fund Balance account was used to adjust current year expenditures for the following funds:

	Number of Entries	Net Adjustment
11000 Operational	7	\$ 86,542
12000 Teacherage	1	\$ 2
13000 Transportatior	3	\$ 3
29134 Wind Farm	6	\$ 297,501
31100 Bond Building	1	\$ 5,231
31700 SB-9 State	4	\$ 41,336
31701 SB-9 Local	19	\$ -

Criteria

Good accounting practices requires that manual adjusting entries be reviewed and authorized by someone other than the person initiating the adjusting entry.

Fund balance is the equity account, it should not be used to adjust current year expenditures.

Effect

Without a proper review processes, there is a greater risk that improper adjustments could be made. Improper adjustments result in balances being materially misstated. Also, the risk of fraudulent acts increases without proper review and approval.

Cause

The District is unaware of the significance of internal controls needed for manual journal entries.

Recommendation

I recommend all journal entries require a second person's review and approval prior to posting to the accounting records.

Response

The District has implemented a policy that requires all revenues be entered into the general ledger as a deposit and all expenditures entered as a check. All journal entries will require board approval.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-006 Timely Deposits

Significant Deficiency - Internal Control & Compliance

Condition

The District is not following the 24-hour, one banking day deposit rule as set forth by NMAC 6.20.2.14 (C). Due to the distance the District is from the bank, the District is allowed to make weekly deposits. A sample of 48 deposits revealed 24 were not made weekly.

The District withholds teacherage rent from the tenant's paychecks and does not deposit it until the end of the month. One half of the rent is withheld from the first paycheck of the month and the second half is withheld from the second paycheck of the month. The District does not deposit the rent withheld from the first paycheck until the second rent is withheld.

Criteria

According to NMAC 6.20.2.14 (C) Cash Control Standards- money received and receipted shall be deposited in the bank within twenty-four (24) hours or one banking day. If the distance to the bank is considerable, or the cash collection is limited to small amounts and/or low volume and it is impractical to meet the 24-hour requirement the local board may request approval from PED for an alternative plan.

Cause

The District did not have adequate controls in place to ensure deposits were made weekly.

Effect

Monies that are collected and not deposited timely or do not follow the District policies and procedures are subject to possible errors, fraud, or abuse.

Recommendation

I recommend the District conduct internal trainings on the importance and ramifications of not following state statutes and laws.

Response

The District has implemented a policy requiring all money received and receipted be deposited in the bank weekly.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-007 PED Cash Reports

Significant Deficiency - Internal Control & Compliance

Condition

The District's PED Cash Report at year end did not properly reflect the June 30, 2017 audited cash balances. The difference was \$20,717

The District's general ledger cash does not agree with the reconciled cash at year end. See finding 2017-003.

Criteria

6.20.2.11 (B) (6) NMAC and Regulation SBE-6 the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Effect

The information that is reported to PED is incomplete and could lead to inappropriate funding for the District. The District's general ledger cash accounts did not properly reflect the cash available to each fund.

Cause

The District does not have policies and procedures in place to assure the correct balances are reported to PED. Nor do they have policies and procedures in place to assure the general ledger cash is correct. The District does not have policies and procedures in place that require all reports be reviewed and approved by someone other than the preparer.

Recommendation

I recommend the District develop policies and procedures that assure all reports are reviewed and agreed to the general ledger prior to submission.

Response

The Business Manager will ensure that the bank accounts, general ledger, and PED reports reconcile each month prior to submission to PED.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-008 Expenditures

Material Weakness - Internal Control & Compliance

Condition

During the review of the internal controls over disbursements, the following was noted:

There were 8 out of 30 instances in which the vendor invoice predated the purchase order and or purchase requisition date. The invoices totaled \$13,362.63.

Two payments to employees for reimbursements in which the employees did not sign certifying they were entitled to the reimbursement. These invoices totaled \$553.35.

There were 12 out of 30 instances in which the expenditure was misclassified as to function. These invoices totaled \$267,995.14

There was 1 instance in which a transfer from the checking account to the saving account was recorded as an expenditure. The transfer was \$112,000.00.

There was 1 instance with no supporting documentation for the expenditure. This expenditure totaled \$2,529.12.

Criteria

Good internal controls and sound business practice require that the District develop policies and procedures for internal controls over revenue. Good internal controls and sound business practice also require that the District establish and implement internal control procedures over cash receipts. The District should ensure that pre numbered receipts are issued for all revenue. The receipts should be agreed to the general ledger daily.

Additionally, Section 6-5-8 NMSA 1978, states that purchases for goods and services, other than personnel, must be accompanied by supporting invoices and documentation, and the New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978) states that purchase orders should be approved by management prior to purchases, including purchase order revisions as necessary.

6.20.2.14, NMAC 1978 states the school district shall verify that there is sufficient cash and budget prior to the disbursement of cash.

Effect

The lack of enforcing Section 6-6-3 NMSA 1978 and Section 6-5-8 NMSA 1978 may result in the un-authorized purchases and/or purchases that exceed available resources. The district is in violation of Section 6-5-8 NMSA 1978, and New Mexico Procurement Code (13-1-28 to 13-1-199 NMSA 1978)

Cause

The District does not have policies and procedures in place to verify procurement requirement are followed.

Recommendation

The District should adopt and enforce policies and procedures for the purchase of goods and/or services. The policies and procedures should ensure purchase orders are authorized prior to the purchase of goods and services, and invoices are only paid when all the required documents are in hand, and they should also verify sufficient cash and budget is available prior to making disbursements.

Response

Expenditures will not will be authorized without an approved purchase order in place. The purchase order approval process will require verification that adequate budget is available prior to approval. The new Business Manager will be trained to record expenditures in the correct fund and function.

Responsible for Implementation: Superintendent and New Business Manager.

Time Frame: February 21, 2018 – June 30, 2018

2017-009 Request for Reimbursement

Significant Deficiency - Internal Control & Compliance

Condition

PED requires Request for Reimbursements (RFR's) be submitted timely, with the proper documents, and proof of payment prior to reimbursement. Since the following RFR's were not submitted timely, PED will not reimburse the District.

27107 2012 GO Bonds Student Library	\$	4,820
27195 STEM		283
31700 SB-9 State		<u>19,598</u>
Total	\$	<u><u>24,701</u></u>

Criteria

PED requires RFR's be submitted timely with complete decimation.

Cause

The District did not have a policy to verify all RFR's are submitted timely and with the proper documents.

Effect

The District was not reimbursed \$24,701.

Recommendation

The District should establish a procedure to verify the RFR's are filed timely and with complete documentation.

Response

The District has implemented a policy that requires RFR's be submitted monthly or as frequently as allowed by PED. A schedule will be maintained listing all funds that require a RFR's, when the RFR was submitted, and when the reimbursement was received. The schedule will be provided to the board monthly for their approval.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-010 Unauthorized Temporary Inter-Fund Loans Significant Deficiency - Internal Control & Compliance

Condition

As of June 30, 2017, there were funds that had overspent their cash balance that was pooled with other funds. This resulted in the funds borrowing from the operational fund without the approval of the local governing board. The following funds had unauthorized loans:

	Interfund Receivable	Interfund Payable
11000 Operational	\$ 42,266	\$ -
13000 Transportation		(301)
24106 Entitlement		(3,238)
27107 2012 GO Student Library		(4,820)
27114 NM Reads		(14,025)
27149 Pre K		(1)
27195 STEM		(283)
31700 SB-9 State	-	(19,598)
Totals	<u>\$ 42,266</u>	<u>\$ (42,266)</u>

Criteria

PSAB Supplement 7 states "Temporary transfers require local board approval only. Districts/charter schools may make a loan from the operational fund to another fund based on the maximum expected need during the year to minimize the cycles of board approval, making a loan and repaying it several times during the year, with a goal of having the loan repaid at year end." Internal control should exist to provide reasonable assurance that no disbursement is made that would result in a deficit cash balance within a fund. Cash from program specific revenues cannot be used to fund other programs without the proper approval of the awarding agency. The Board of Education is required to approve all inter-fund loans.

Cause: The state system requires that the federal funds should be spent before the schools get the money from the funding source, allowing the funding source to review and approve expenditures before reimbursement. The other cause was the school did not make the appropriate loan from the Operating Fund creating a deficit cash balance in the fund.

Effect

The District is not following the procedures of PASB Supplement 7.

Recommendation

Management should develop a plan to monitor cash balances to ensure that the Operational Fund can cover the reimbursement funds until reimbursements have been received. Requests for reimbursements should be monitored and followed up on to promote expedient processing.

Response

The District has implemented policies and procedures that provide reasonable assurance that disbursements are not made that result in a deficit cash balance within a fund. All temporary loans require board approval.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

2017-011 Audit Report Filed Late

Compliance Other

Condition

The June 30, 2017 audit report was not submitted to the State Auditor's office timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9, the audited financial statements were due November 15 of the fiscal year audited.

Cause

The audit was submitted to the New Mexico State Auditor on March 1, 2018.

Effect

The District is not in compliance with State Auditor Rule 2.2.2.9 for the fiscal year ended June 30, 2017.

Recommendation

The audit needs to be submitted timely.

Response

The district is replacing the Business Manager. The Superintendent and School Board agree the audit should be submitted timely.

The district is working diligently to correct the findings in this audit. Also, we are implementing internal control policies and procedures to safeguard the Districts assets and assure accurate records are maintained.

Responsible for Implementation: Superintendent and New Business Manager

Time Frame: February 21, 2018 – June 30, 2018

Financial Statement Preparation

Although it would be preferred and desirable for the District to prepare its own GAAP-basis financial statements, it is felt that the District's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the District. Management of the District has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with, Tandee Delk, Superintendent, Emiliano Jasso, Jr., Board President, Jenny Clemmons, Board Member, Susan Lambirth, Business Manager, and Sandra Rush, CPA, in an exit conference on February 21, 2018.