

Gadsden Independent School District No. 16

Financial Statements
For the Year Ended June 30, 2017



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STATE OF NEW MEXICO
 Gadsden Independent School District No. 16
 June 30, 2017
 Table of Contents

	Exhibit	Page
INTRODUCTORY SECTION		
Table of Contents		3-4
Official Roster		5
FINANCIAL SECTION		
Independent Auditors' Report		7-9
Management's Discussion and Analysis		11-18
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Position	A-1	20-21
Statement of Activities	A-2	22-23
Fund Financial Statements:		
Balance Sheet - Governmental Funds	B-1	24-25
Reconciliation of the Balance Sheet to the Statement of Net Position		27
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	28-29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities		30
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund - 11000, 13000, 14000	C-1	31
Food Services Fund - 21000	C-2	32
Title I Fund - 24101	C-3	33
Statement of Fiduciary Net Position - Agency Funds	D-1	34
Statement of Changes in Fiduciary Net Position - Agency Funds	D-2	35
NOTES TO THE FINANCIAL STATEMENTS		36-71
	Statement/ Schedule	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of Proportionate Share of the Net Pension Liability	A-1	74
Schedule of Contributions	A-2	75
Notes to Required Supplementary Information		76
SUPPLEMENTARY INFORMATION		
Nonmajor Governmental Fund Descriptions		81-83
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet - Nonmajor Governmental Funds	A-1	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	A-2	85
Combining Balance Sheet - Nonmajor Special Revenue Funds	B-1	86-93
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	B-2	94-101
Combining Balance Sheet - Nonmajor Capital Projects Funds	C-1	102-103
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds	C-2	104-105
Combining Balance Sheet - Nonmajor Debt Service Funds	D-1	106
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds	D-2	107

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
June 30, 2017
Table of Contents

	Statement/ Schedule	Page
SUPPLEMENTARY INFORMATION (continued)		
Combining Balance Sheet - General Fund	E-1	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - General Fund	E-2	109
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual:		
Operational Fund - 11000	E-3	110
Pupil Transportation Fund - 13000	E-4	111
Instructional Materials Fund - 14000	E-5	112
SUPPORTING SCHEDULES		
Schedule of Changes in Assets and Liabilities - Agency Funds	I	114-115
Schedule of Collateral Pledged by Depository for Public Funds	II	116-117
Schedule of Deposits and Investments	III	119
Cash Reconciliation	IV	120-123
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		126-127
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance		130-131
Schedule of Expenditures of Federal Awards	V	132-133
Schedule of Findings and Questioned Costs	VI	134-139
OTHER DISCLOSURES		140

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Official Roster
June 30, 2017

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Jennifer Viramontes		President
Daniel Castillo		Vice President
Daniel Estupiñan		Secretary
Maria Saenz		Member
Laura Salazar Flores		Member (since 3/1/2017)
Craig Ford		Member (until 2/28/2017)
	<u>Administrative Officials</u>	
Efren Yturralde		Superintendent
Ludym Martinez		Interim Associate Superintendent For Finance
Barbara Browder		Executive Associate Superintendent for Human Resources
Alfredo Holguin		Interim Associate Superintendent for Support Services
Susan Yturralde		Associate Superintendent for Curriculum, Instruction & Technology

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INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Gadsden Independent School District No. 16 (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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of Gadsden Independent School District No.16, as of June 30, 2017, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 11 through 18 and Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 74 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules I through IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the combining financial statements for the general fund and related budgetary comparisons, the Schedule of Expenditures of Federal Awards and Supporting Schedules I through IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 18, 2017

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**State of New Mexico
Gadsden Independent School District No. 16**

Management's Discussion and Analysis

As management of the Gadsden Independent School District No. 16 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

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

- The assets of the District exceeded its liabilities at the end of the fiscal year by \$193,177,115 (net position). Of this amount, \$297,144,231 is invested in capital assets, \$17,856,042 is restricted for capital projects and debt service purposes, \$20,482,851 is restricted for special revenue fund purposes and \$(142,306,009) is unrestricted (deficit). The unrestricted (deficit) portion of the net position was impacted by the recognition of a net pension liability of \$194,295,070 and deferred outflows and inflows of resources of \$29,662,801 and \$2,445,912, respectively, at June 30, 2017.
- The District's total net position increased by \$11,112,662 which is reflected in the District's Statement of Activities.
- The District's liabilities increased by \$17,779,207 in fiscal year 2017. This increase is due to an increase of \$21,459,594 in the net pension liability along with increases in accrued payroll liabilities and the non-current portion of the bonds payable. These increases were offset by decreases in accounts payable, accrued interest, compensated absences, unamortized bond premium, and the current portion of bonds payable.
- Deferred outflows of resources of \$29,662,801 related to employer contributions subsequent to the measurement date and deferred inflows of resources of \$2,445,912 related to a pension plan are reported in the Statement of Net Position at June 30, 2017. These items are the result of the implementation of GASB 68 as it relates to the District's proportionate share of the NM Educational Retirement Board Pension Plan, a multiple employer cost sharing defined benefit pension plan.
- At June 30, 2017, the fund balance for the operational fund was \$25,244,574, which reflects a decrease of \$2,061,019 from 2016. Throughout the Fiscal year General Fund expenditures were carefully managed to absorb State Budget cuts totaling \$3,511,334 from the Operational fund, \$601,320 from Transportation and \$122,033 from Instructional Materials. These factors resulted in a decrease of \$2,061,019 to the Operational fund which was used to subsidies expenditures from the Transportation and Instructional Materials funds.
- The District's general obligation bond and lease purchase notes debt balance is \$44,650,000, which reflects a \$2,100,000 decrease due to the net offset of issuing new debt and retiring old bonds. Voters authorized new bonds in the amount of \$38,000,000 in an election in February 2014, which allows the District to issue new debt over a four year period beginning with the fiscal year ending June 30, 2015.

Basic Financial Statements

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

State of New Mexico
Gadsden Independent School District No. 16

Government-wide financial statements

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

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

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

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

The *government-wide financial statements* can be found in Exhibit A-1 and Exhibit A-2 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

- Operational Fund
- Transportation Fund
- Instructional Materials Fund
- Food Services Fund
- Title I – 24101 Fund
- Bond Building Fund

State of New Mexico
Gadsden Independent School District No. 16

Debt Service Fund
Other Governmental Funds

The first seven funds are considered major funds. Individual fund data for each of the funds included in the Other Governmental Funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B-1 and Exhibit B-2 of this report.

Fiduciary Funds

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

The fiduciary fund financial statements can be found in Exhibit D-1 and Exhibit D-2 of this report.

Overview of the District's Financial Position and Operations

The District's overall financial position and operations for the current year are as follows:

Gadsden Independent School District No. 16 Net Position

	Governmental Activities	
	2017	2016
Current and other assets	\$ 91,741,323	\$ 93,196,092
Capital assets	322,793,229	305,796,899
Deferred outflows of resources	29,662,801	18,213,943
Total assets and deferred outflows of resources	\$444,197,353	\$417,206,934
Long-term liabilities	\$232,342,911	\$210,261,206
Other liabilities	16,231,415	20,533,913
Deferred inflows of resources	2,445,912	4,347,362
Total liabilities and deferred inflows of resources	\$251,020,238	\$235,142,481
Net position:		
Invested in capital assets, net of debt	\$297,144,231	\$279,209,581
Restricted for:		
Debt service	13,389,106	14,750,755
Capital projects	4,466,936	2,786,741
Special revenue	20,482,851	17,929,125
Unrestricted (deficit)	(142,306,009)	(132,611,749)
Total net position	\$193,177,115	\$182,064,453

Total Net position of the District's governmental activities increased by 6.10% from 2016. *Unrestricted* net position-the part of net position that is unrestricted in nature and can be used at the discretion of the District and to meet ongoing obligations to creditors and stakeholders, decreased \$9,694,260 to reflect a deficit of

State of New Mexico
Gadsden Independent School District No. 16

\$(142,306,009). This deficit is the result of the implementation of GASB 68 which requires the District to reflect the net pension liability and related deferred outflows and inflows of resources related to the District's proportionate share of the NM Educational Retirement Board Pension Plan.

All other portions of net position are restricted for the stated purpose. The District's net position invested in capital assets, net of related debt reflects an increase of 6.42% from 2016. This indicates that the accumulated depreciation along with the asset value exceed existing debt. Net Position Invested in Capital Assets increased \$17,934,631 due to the cost of completed buildings and building projects being more than depreciation expense. The District continues to utilize local Bond Funds and State Matching Funds to construct new schools and make improvements to existing facilities.

Current and other assets decreased from 2016 to 2017 by \$1,454,769. This decrease was primarily due to a decrease in cash in the General, Bond Building and Debt Service Funds offset by an increase in cash in the Student Nutrition Fund. Long-term liabilities increased by \$22,081,705 primarily due to the increase of \$21,459,594 in net pension liability. The net pension liability for the fiscal year ended June 30, 2017 was \$194,295,070. The District's Statement of Net Position also reflects an increase in deferred outflows of resources of \$29,662,801 and a decrease in deferred inflows of resources of \$2,445,912 as a result of the implementation of GASB 68 as it applies to the District's participation in the NM Educational Retirement Board Pension Plan.

Governmental activities increased the District's net position by \$11,112,662. This increase is related to the District's recognition of State Matching Funds in Capital Grants and Contributions with other Program Revenue categories remaining relatively stable compared to 2016. Governmental activities expense decreased compared to 2016 expenses, which reflects a decrease in expenses related to the District's cost savings measures resulting from state budget cuts and cash sweeps. The District also experienced a decrease in the general revenues compared to 2016. Another important fact is the District's liquidity which is the ability to convert assets into cash to pay for obligations and commitments. Unrestricted and Restricted Cash and cash equivalents represent approximately 91% of the District's current and other assets.

The following are major elements of the District's governmental activities contributing to the increase in the change in net position.

Gadsden Independent School District No. 16 Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 1,255,120	\$ 1,201,544
Operating grants and contributions	36,397,530	36,007,072
Capital grants and contributions	22,420,067	23,743,456
General revenues:		
Local property taxes	15,403,549	15,355,472
Federal and state aid	97,343,362	100,858,799
Interest and investment earnings	31,302	22,363
Gain / (Loss) on disposal of assets	14,832	-
Other	7,663	394,389
	\$172,873,425	\$177,583,095
Total revenues		

**State of New Mexico
Gadsden Independent School District No. 16**

Gadsden Independent School District No. 16 Changes in Net Position (continued)

Expenses:		
Direct Instruction	\$ 84,195,079	\$ 87,282,075
Support services-Student/Instruction/School Admin	26,306,302	27,378,412
Support services-General Administration/Other	1,088,760	1,087,566
Central Services	2,820,700	3,037,918
Operation and maintenance of plant	28,482,967	19,767,195
Food Services	10,750,403	9,172,217
Community Service	51,623	400,887
Student Transportation	5,973,265	5,831,542
Interest on long-term debt	858,217	1,056,320
Depreciation-facilities acquisition and construction	1,233,447	2,689,624
	<hr/>	<hr/>
Total expenses	\$161,760,763	\$157,703,756
	<hr/>	<hr/>
Change in net position	\$ 11,112,662	\$ 19,879,339
Net position – beginning – July 1	182,064,453	162,185,114
Prior period adjustment	-	-
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Net position – ending – June 30	\$193,177,115	\$182,064,453
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As noted in the preceding schedule, the District is heavily dependent on federal and state aid which comprises 56% of total revenues. In addition the District received \$20,439,121 from State Capital Outlay Matching funds included in Operating Grants and Contributions which represents 12% of total revenues. Correspondingly, it spends almost 68% of total expenditures on direct instruction and support services-student/instruction/school admin., the two primary functions that indicate direct school spending.

The District experienced a slight increase of \$48,077 in property tax revenues. Federal and State Aid experienced a decrease of \$3,515,437 compared to 2016 due to mid-year state budget cuts. Operating Grants and Contributions increased by \$390,458 compared to 2016. Due to the economic factors of the communities we serve, the District qualifies for substantial Federal assistance. The ability to obtain Capital Funding from the State is related to the student growth that the District experiences as well as the ranking of its facilities by the NM Public School Facility Authority which determines when facilities are to be replaced, upgraded, or added.

General Fund Budgetary Highlights

Budget to actual comparison schedules are presented for all major funds in Exhibits C-1 to C3. These schedules are prepared on a non-GAAP budgetary basis which is the format allowed by the District's oversight agency, the New Mexico Public Education Department.

The original expenditure budget for the District's operational fund was increased by \$2,028,593 due to changes in the designated cash balance available for budgeting. The final expenditure budget was \$120,693,694, of which \$101,142,521 was expended in the current year. Of the \$97.9 million revenue budget, 101% of the budgeted amount was received during the year.

The District continues to maintain a strong financial position in the food services fund and the debt service fund.

Capital Assets and Debt Administration

**State of New Mexico
Gadsden Independent School District No. 16**

Capital Assets

The District's investment in capital assets as of June 30, 2017 is \$322,793,229. These assets include land and land improvements, building and building improvements, equipment and furniture, vehicles, and construction in progress. Construction in progress consisted of major construction projects currently underway in the District which includes additions and improvements to existing high schools and other various remodel/addition projects throughout the District. Capital Assets increased approximately 5.58% from the prior year due to adding the value of matching construction costs received from the State of New Mexico and the status of completed construction projects compared to the prior year.

Depreciation calculated during years 2006 through 2017 as a result of GASB 34 implementation resulted in a balance of \$144,111,467 of which \$12,518,382 is for depreciation in the current year. Additional information of the District's capital assets is presented in Note 6 of the financial statements.

Long-term obligations

At the end of the current year, the district had \$46,028,485 in long-term debt related to governmental activities. Of this debt, \$44,650,000 was related to general obligation bonds and \$0.00 was related to educational technology lease purchase notes outstanding at year end. The debt position of the District is summarized below and is more fully analyzed in Note 7 of the financial statements.

	Governmental Activities				
	Balance 7/1/16	Additions	Deletions	Balance 6/30/17	Amounts Due In One Year
Compensated Absences	\$ 1,457,412	\$ 378,412	\$ 457,339	\$ 1,378,485	\$ 464,126
Lease Purchase Notes	2,000,000	2,000,000	4,000,000	-	-
General Obligation Bonds	44,750,000	9,500,000	9,600,000	44,650,000	8,745,000
Total Long Term Debt	\$48,207,412	\$11,878,412	\$14,057,339	\$46,028,485	\$ 9,209,126

The District issued General Obligation Bonds in the amount of \$9,500,000 in October 2016. On August 15, 2016 and June 1, 2017 the District reduced the general obligation bond debt principal by \$8,500,000 and \$1,100,000, respectively, in accordance with scheduled bond payments.

Overall, the District decreased its debt balances by \$2,178,927, which was due to the issuance of new bonds and an offset by a decrease in compensated absences and an increase in debt payment activity described above.

The most recent issuances by the District have received the following credit ratings:

- The \$8,770,000 bonds issued in October 2002 received a Moody's rating of Aaa, and an A3 Underlying rating.
- The \$9,800,000 bonds issued in September 2003 received an upgraded Moody's rating of Enhanced Aa2 and an A3 underlying rating. The upgrade in rating was partly due to recent legislative action that guarantees payment to the bond holders in the event of default by the District.
- The \$8,000,000 bonds issued in September 2004 received a Moody's rating of Aa2.

State of New Mexico
Gadsden Independent School District No. 16

- The \$3,200,000 bonds issued in August 2005 received a Moody's rating of Enhanced Aa2 and an A3 underlying rating.
- The \$12,250,000 bonds issued in November 2006 were privately placed with the New Mexico Finance Authority.
- The \$8,900,000 bonds issued in September 2007 were privately placed with the New Mexico Finance Authority.
- The \$7,000,000 bonds issued in August 2008 received a Moody's rating of Enhanced Aa2 and a Baa1 underlying rating.
- The \$9,075,000 bonds issued in November 2009 were privately placed with the New Mexico Finance Authority.
- The \$7,250,000 bonds issued in November 2010 were privately placed with the New Mexico Finance Authority.
- The \$8,250,000 bonds and \$12,300,000 bonds issued in October 2011 received a Moody's rating of Enhanced Aa1/NEG and a Baa1 underlying rating.
- The \$11,000,000 bonds and \$1,180,000 bonds issued in December 2012 received a Moody's rating of Enhanced Aa1/NEG and an A3 underlying rating.
- The \$9,500,000 bonds issued in October 2013 received a Moody's rating of Enhanced Aa1 and an A2 underlying rating.
- The \$9,500,000 bonds issued in October 2014 received a Moody's rating of Enhanced Aa1 and an A2 underlying rating.
- The \$9,500,000 bonds issued in October 2015 received a Moody's rating of Enhanced Aa1 and an A1 underlying rating.
- The \$9,500,000 bonds issued in October 2016 received a Moody's rating of Enhanced Aa1 and an A1 underlying rating.

Relevant Current Economic Factors, Decisions and Conditions

The District has experienced a slowing in the growth in student population, which has an effect on the amount of state revenues as well as on future construction needs. Since the District, like all other New Mexico school districts, is funded on a prior year funding formula, (i.e. the student population from this year will determine the amount of funding received in the following year), it must maintain tight budgetary controls in order to meet current year needs with the prior year's funding base. The District's primary general source of revenues is derived from the state funding formula. The District anticipates that the student population will remain at the same level.

Even with a slowing in growth of the overall student population, growth continues in the southern and Chaparral areas of the District, the need exists to continue to add new schools and/or construct major additions to its existing schools.

With respect to property taxes, the District's tax rate has remained stable over the last few years due to the bond program implemented by the District. As old debt is retired, new debt is issued, thereby maintaining a non-residential rate of approximately \$14.4 per \$1,000 assessed valuation.

State of New Mexico
Gadsden Independent School District No. 16

In February 2003 new bonds in the amount of \$21 million were approved by voters, as well as a \$2.00 mill levy for capital improvements. In August 2003, \$9.8 million of these bonds were sold, in August 2004, an additional \$8 million bonds were sold and the balance of this authorization, \$3.2 million were sold in August 2005.

In February 2006 new bonds in the amount of \$38,000,000 were approved by voters, as well as the continuation of the \$2.00 mill levy for capital improvements. This debt authorization was sold over a four year period from 2006 to 2009. In November 2006, \$12.25 million of these bonds were sold, in September 2007, \$8.9 million of these bonds were sold, in August 2008, \$7.0 million of these bonds were sold and in November 2009, \$9.075 million of these bonds were sold. The remaining authorized amount of \$775,000 will not be issued due to the lack of adequate bonding capacity and the expiration of the authorization period.

In February 2010 new bonds in the amount of \$36,000,000 were approved by voters. This debt authorization was sold over a four year period from 2010 to 2013. \$7,250,000 of this debt authorization was sold in 2010. \$8,250,000 of this debt authorization was sold in 2011, \$11,000,000 of this debt authorization was sold in 2012 and the remaining debt authorization amount of \$9,500,000 was sold in 2013.

In February 2014 new bonds in the amount of \$38,000,000 were approved by voters. This debt authorization will be sold over a four year period from 2014 to 2017. \$9,500,000 of this debt authorization was sold in 2014, \$9,500,000 of this debt authorization was sold in 2015, \$9,500,000 of this debt authorization was sold in 2016, and it is anticipated that \$9,500,000 will be issued in October 2017. The remaining amount to be issued will be dependent on the available bonding capacity which is impacted by the assessed valuation of the property within the boundaries of the District.

In February 2012 the continuation of the \$2.00 mill levy for capital improvements was approved by voters.

Continuing construction needs due to changes in the student population as well as aging of facilities requires funding from taxpayers as well as continued support through direct legislative appropriations and legislative funded matching funds from the State.

Request for Information

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

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Interim Associate Superintendent for Finance
(575) 882-6243
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Physical Address:
4950 McNutt
Sunland Park, NM 88063

Mailing Address:
P. O. Drawer 70
Anthony, NM 88021

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Net Position
June 30, 2017

	Primary Government Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 71,957,421
Receivables:	
Property taxes	2,548,049
Due from other governments	4,952,852
Inventory	983,743
Total current assets	80,442,065
Noncurrent assets	
Restricted assets:	
Restricted cash and cash equivalents	11,163,291
Bond discounts, net of accumulated amortization of \$120,167	135,967
Capital assets	466,904,696
Less: accumulated depreciation	(144,111,467)
Total noncurrent assets	334,092,487
<i>Total assets</i>	414,534,552
Deferred outflows of resources	
Changes in proportion	2,568,994
Change of assumptions	3,955,069
Net difference between expected and actual investment earnings and actual experience	12,440,722
Employer contributions subsequent to the measurement date	10,698,016
<i>Total deferred outflows of resources</i>	29,662,801
<i>Total assets and deferred outflows of resources</i>	\$ 444,197,353

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

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 1,041,308
Accrued payroll	5,603,463
Accrued interest	377,518
Accrued compensated absences	464,126
Current portion of bonds payable	<u>8,745,000</u>
Total current liabilities	<u>16,231,415</u>
Noncurrent liabilities	
Accrued compensated absences	914,359
Bonds payable	35,905,000
Bond premium, net of accumulated amortization of \$1,628,781	1,228,482
Net pension liability	<u>194,295,070</u>
Total noncurrent liabilities	<u>232,342,911</u>
<i>Total liabilities</i>	<u>248,574,326</u>
Deferred inflows of resources	
Changes in proportion	597,921
Difference between expected and actual experience	<u>1,847,991</u>
<i>Total deferred inflows of resources</i>	<u>2,445,912</u>
Net position	
Net investment in capital assets	297,144,231
Restricted for:	
Debt service	13,389,106
Capital projects	4,466,936
Special revenue	20,482,851
Unrestricted	<u>(142,306,009)</u>
<i>Total net position</i>	<u>193,177,115</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 444,197,353</u>

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
Instruction	\$ 84,195,079	\$ 739,268	\$ 12,647,410
Support services - students	13,439,913	118,008	2,018,884
Support services - instruction	5,935,394	52,115	891,588
Support services - general administration	1,088,760	9,560	163,549
Support services - school administration	6,930,995	60,857	1,041,143
Central services	2,820,700	24,767	423,713
Operation and maintenance of plant	28,482,967	250,092	4,278,584
Student transportation	5,973,265	-	4,711,800
Food services operations	10,750,403	-	10,213,104
Community services operations	51,623	453	7,755
Depreciation - unallocated	1,233,447	-	-
Interest and other charges	858,217	-	-
<i>Total governmental activities</i>	<u>\$ 161,760,763</u>	<u>\$ 1,255,120</u>	<u>\$ 36,397,530</u>

General Revenues:

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Gain on disposition of assets

Total general revenues

Change in net position

Net position, beginning

Net position, ending

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

	Net (Expense) Revenue and Changes in Net Position
Program Revenues Capital Grants and Contributions	Primary Government Governmental Activities
\$ 13,205,454	\$ (57,602,947)
2,107,963	(9,195,058)
930,928	(4,060,763)
170,765	(744,886)
1,087,082	(4,741,913)
442,409	(1,929,811)
4,467,369	(19,486,922)
-	(1,261,465)
-	(537,299)
8,097	(35,318)
-	(1,233,447)
-	(858,217)
\$ 22,420,067	(101,688,046)
	367,323
	13,227,914
	1,808,312
	97,343,362
	31,302
	7,663
	14,832
	112,800,708
	11,112,662
	182,064,453
	\$ 193,177,115

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund 11000, 13000, 14000	Student Nutrition Program 21000	Title I 24101
<i>Assets</i>			
Cash and cash equivalents	\$ 27,514,631	\$ 14,240,159	\$ -
Receivables:			
Property taxes	57,536	-	-
Due from other governments	-	108,821	1,384,367
Inventory	721,117	262,626	-
Due from other funds	3,413,647	-	-
Total assets	\$ 31,706,931	\$ 14,611,606	\$ 1,384,367
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 363,858	\$ 93,501	\$ 6,919
Accrued payroll	4,777,294	176,971	256,118
Due to other funds	-	-	1,123,326
Total liabilities	5,141,152	270,472	1,386,363
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	38,351	-	-
Total deferred inflows of resources	38,351	-	-
<i>Fund balances</i>			
<i>Nonspendable:</i>			
Inventory	721,117	262,626	-
<i>Spendable:</i>			
<i>Restricted for:</i>			
Transportation	297	-	-
Instructional materials	1,282,557	-	-
Food services	-	14,078,508	-
Extracurricular activities	-	-	-
Education	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
<i>Committed for:</i>			
Subsequent year's expenditures	18,778,907	-	-
Unassigned	5,744,550	-	(1,996)
Total fund balances	26,527,428	14,341,134	(1,996)
Total liabilities, deferred inflows of resources, and fund balances	\$ 31,706,931	\$ 14,611,606	\$ 1,384,367

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

Bond Building Capital Projects Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total
\$ 20,492,076	\$ 8,926,971	\$ 11,946,875	\$ 83,120,712
-	1,760,087	730,426	2,548,049
-	-	3,459,664	4,952,852
-	-	-	983,743
-	-	-	3,413,647
<u>\$ 20,492,076</u>	<u>\$ 10,687,058</u>	<u>\$ 16,136,965</u>	<u>\$ 95,019,003</u>
\$ 398,559	-	\$ 178,471	\$ 1,041,308
-	-	393,080	5,603,463
-	-	2,290,321	3,413,647
<u>398,559</u>	<u>-</u>	<u>2,861,872</u>	<u>10,058,418</u>
-	1,244,401	539,319	1,822,071
-	1,244,401	539,319	1,822,071
-	-	-	983,743
-	-	-	297
-	-	-	1,282,557
-	-	-	14,078,508
-	-	1,282,130	1,282,130
-	-	4,861,795	4,861,795
20,093,517	-	4,250,385	24,343,902
-	9,442,657	2,341,676	11,784,333
-	-	-	18,778,907
-	-	(212)	5,742,342
<u>20,093,517</u>	<u>9,442,657</u>	<u>12,735,774</u>	<u>83,138,514</u>
<u>\$ 20,492,076</u>	<u>\$ 10,687,058</u>	<u>\$ 16,136,965</u>	<u>\$ 95,019,003</u>

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

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - total governmental funds	\$ 83,138,514
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	322,793,229
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	1,822,071
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:	
Deferred outflows related to changes in proportion	2,568,994
Deferred outflows related to changes in assumption	3,955,069
Deferred outflows related to investment experience	12,440,722
Deferred outflows related to employer contributions subsequent to measurement date	10,698,016
Deferred inflows related to changes in proportion	(597,921)
Deferred inflows related to actuarial experience	(1,847,991)
Liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(1,378,485)
Accrued interest payable	(377,518)
Bonds payable	(44,650,000)
Bond discounts (net of amortization)	135,967
Bond premiums (net of amortization)	(1,228,482)
Net pension liability	<u>(194,295,070)</u>
<i>Total net position - governmental activities</i>	<u><u>\$ 193,177,115</u></u>

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund 11000, 13000, 14000	Student Nutrition Program 21000	Title I 24101
<i>Revenues</i>			
Property taxes	\$ 370,589	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	220,139	10,003,644	7,807,589
Federal direct	14,166	-	-
Local sources	-	-	-
State flowthrough	1,389,552	-	-
State direct	97,343,362	209,460	-
Transportation distribution	4,711,800	-	-
Charges for services	351,315	192,378	-
Investment income	10,248	4,087	-
Miscellaneous	365	-	-
Total revenues	104,411,536	10,409,569	7,807,589
<i>Expenditures</i>			
Current:			
Instruction	64,874,733	-	6,279,730
Support services - students	9,992,310	-	786,129
Support services - instruction	3,967,019	-	352,162
Support services - general administration	613,752	-	132,702
Support services - school administration	6,343,215	-	-
Central services	2,377,338	-	244,975
Operation and maintenance of plant	12,602,679	-	9,732
Student transportation	5,194,139	-	-
Food services operations	-	9,600,968	-
Community services operations	47,984	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	106,013,169	9,600,968	7,805,430
Excess (deficiency) of revenues over expenditures	(1,601,633)	808,601	2,159
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	14,472	-	-
Bond premium	-	-	-
Bond proceeds	-	-	-
Total other financing sources (uses)	14,472	-	-
Net change in fund balances	(1,587,161)	808,601	2,159
Fund balances - beginning	28,114,589	13,532,533	(4,155)
Fund balances - end of year	\$ 26,527,428	\$ 14,341,134	\$ (1,996)

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

Bond Building Capital Projects Fund 31100	Debt Service Fund 41000	Other Governmental Funds	Total
\$ -	\$ 11,142,022	\$ 3,973,657	\$ 15,486,268
-	-	4,914,608	22,945,980
-	-	2,543,903	2,558,069
-	-	849,742	849,742
-	-	5,382,962	6,772,514
20,482,881	-	320,721	118,356,424
-	-	-	4,711,800
-	-	711,427	1,255,120
15,195	-	1,772	31,302
-	-	7,805	8,170
<u>20,498,076</u>	<u>11,142,022</u>	<u>18,706,597</u>	<u>172,975,389</u>
-	-	7,019,679	78,174,142
-	-	1,713,843	12,492,282
-	-	1,163,393	5,482,574
-	109,001	158,224	1,013,679
-	-	99,022	6,442,237
-	-	-	2,622,313
416,357	-	5,553,817	18,582,585
-	-	358,815	5,552,954
-	-	442,614	10,043,582
-	-	-	47,984
29,149,229	-	264,956	29,414,185
-	9,600,000	4,000,000	13,600,000
-	1,146,460	6,032	1,152,492
-	51,323	-	51,323
<u>29,565,586</u>	<u>10,906,784</u>	<u>20,780,395</u>	<u>184,672,332</u>
<u>(9,067,510)</u>	<u>235,238</u>	<u>(2,073,798)</u>	<u>(11,696,943)</u>
-	-	360	14,832
-	237,991	-	237,991
9,500,000	-	2,000,000	11,500,000
<u>9,500,000</u>	<u>237,991</u>	<u>2,000,360</u>	<u>11,752,823</u>
432,490	473,229	(73,438)	55,880
<u>19,661,027</u>	<u>8,969,428</u>	<u>12,809,212</u>	<u>83,082,634</u>
<u>\$ 20,093,517</u>	<u>\$ 9,442,657</u>	<u>\$ 12,735,774</u>	<u>\$ 83,138,514</u>

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

STATE OF NEW MEXICO
 Gadsden Independent School District No. 16
 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	\$	55,880
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures		29,514,712
Depreciation expense		(12,518,382)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable		(82,719)
Change in unavailable revenue related to grants receivable		(34,077)

Expenses in the Statement of Activities that are not paid from current financial resources are not reported as expenditures in the funds:

Change in payable related to claims payable

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:

District pension contributions subsequent to measurement date		10,698,016
Pension expense		(18,807,302)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Original issue bond premiums		(237,991)
Current year amortization of bond premiums and discounts		307,994
Bond proceeds		(11,500,000)
Decrease in accrued compensated absences not due and payable		78,927
Decrease in accrued interest payable		37,604
Principal payments on bonds		13,600,000

<i>Change in net position of governmental activities</i>	\$	<u>11,112,662</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
General Fund - 11000, 13000, 14000
Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 368,616	\$ 368,616	\$ 448,045	\$ 79,429
Intergovernmental revenue:				
Federal flowthrough	131,000	131,000	220,139	89,139
Federal direct	10,000	10,000	14,166	4,166
Local sources	-	-	-	-
State flowthrough	749,197	627,163	1,389,552	762,389
State direct	100,858,612	97,347,278	97,343,362	(3,916)
Transportation distribution	5,052,871	4,711,800	4,711,800	-
Charges for services	105,000	105,000	351,315	246,315
Investment income	4,000	4,000	10,248	6,248
Miscellaneous	-	-	365	365
Total revenues	107,279,296	103,304,857	104,488,992	1,184,135
<i>Expenditures</i>				
Current:				
Instruction	72,476,228	72,867,132	65,085,023	7,782,109
Support services - students	10,962,744	11,011,744	9,992,852	1,018,892
Support services - instruction	4,430,255	4,550,255	3,959,902	590,353
Support services - general administration	895,426	895,554	590,014	305,540
Support services - school administration	6,572,967	6,651,756	6,345,230	306,526
Central services	2,691,001	2,691,001	2,370,749	320,252
Operation and maintenance of plant	14,199,707	15,454,707	12,618,518	2,836,189
Student transportation	5,052,871	5,196,290	5,194,073	2,217
Other support services	7,728,708	7,204,430	-	7,204,430
Food services operations	32,898	32,898	-	32,898
Community services operations	65,000	127,750	47,984	79,766
Capital Outlay	150,000	150,000	-	150,000
Total expenditures	125,257,805	126,833,517	106,204,345	20,629,172
<i>Excess (deficiency) of revenues over expenditures</i>	(17,978,509)	(23,528,660)	(1,715,353)	21,813,307
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	17,978,509	23,528,660	-	(23,528,660)
Proceeds from sale of capital assets	-	-	14,472	14,472
Total other financing sources (uses)	17,978,509	23,528,660	14,472	(23,514,188)
<i>Net change in fund balance</i>	-	-	(1,700,881)	(1,700,881)
<i>Fund balance - beginning of year</i>	-	-	32,629,159	32,629,159
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 30,928,278	\$ 30,928,278
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (1,700,881)
Adjustments to revenues for taxes and intergovernmental revenue				(77,456)
Adjustments to expenditures for supplies and payroll expenditures				191,176
Net change in fund balance (GAAP Basis)				\$ (1,587,161)

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

STATE OF NEW MEXICO

Exhibit C-2

Gadsden Independent School District No. 16
 Food Service Special Revenue Fund - 21000
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	8,000,000	8,000,000	9,395,872	1,395,872
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	150,000	150,000	209,460	59,460
Charges for services	140,000	140,000	192,378	52,378
Investment income	1,000	1,000	4,087	3,087
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,291,000</u>	<u>8,291,000</u>	<u>9,801,797</u>	<u>1,510,797</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	18,872,267	21,429,182	8,876,792	12,552,390
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,872,267</u>	<u>21,429,182</u>	<u>8,876,792</u>	<u>12,552,390</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,581,267)</u>	<u>(13,138,182)</u>	<u>925,005</u>	<u>14,063,187</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>10,581,267</u>	<u>13,138,182</u>	<u>-</u>	<u>(13,138,182)</u>
<i>Total other financing sources (uses)</i>	<u>10,581,267</u>	<u>13,138,182</u>	<u>-</u>	<u>(13,138,182)</u>
<i>Net change in fund balance</i>	-	-	925,005	925,005
<i>Fund balance - beginning of year</i>	-	-	13,315,154	13,315,154
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,240,159</u>	<u>\$ 14,240,159</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 925,005
Adjustments to revenues for federal grants				607,772
Adjustments for accounts payable and accrued payroll				(724,176)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 808,601</u>

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Title I Special Revenue Fund - 24101
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Exhibit C-3

	Budgeted Amounts			Actual	Variances
	Original	Final		Favorable (Unfavorable)	
				Final to Actual	
<i>Revenues</i>					
Property taxes	\$ -	\$ -	\$ -	\$ -	
Intergovernmental revenue:					
Federal flowthrough	7,807,127	8,812,929	8,650,875		(162,054)
Federal direct	-	-	-		-
State flowthrough	-	-	-		-
State direct	-	-	-		-
Charges for services	-	-	-		-
Investment income	-	-	-		-
Miscellaneous	-	-	-		-
Total revenues	7,807,127	8,812,929	8,650,875		(162,054)
<i>Expenditures</i>					
Current:					
Instruction	5,811,122	6,899,820	6,281,811		618,009
Support services	1,569,010	1,526,114	1,270,993		255,121
Central services	297,995	297,995	244,975		53,020
Operation and maintenance of plant	39,000	39,000	9,732		29,268
Student transportation	90,000	50,000	-		50,000
Food services operations	-	-	-		-
Capital outlay	-	-	-		-
Debt service:					
Principal	-	-	-		-
Interest	-	-	-		-
Total expenditures	7,807,127	8,812,929	7,807,511		1,005,418
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	843,364		843,364
<i>Other financing sources (uses)</i>					
Designated cash (budgeted increase in cash)	-	-	-		-
Total other financing sources (uses)	-	-	-		-
<i>Net change in fund balance</i>	-	-	843,364		843,364
<i>Fund balance - beginning of year</i>	-	-	(1,966,690)		(1,966,690)
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ (1,123,326)		\$ (1,123,326)
Net change in fund balance (Non-GAAP Budgetary Basis)					\$ 843,364
Adjustments to revenues for federal grants					(843,286)
Adjustments to expenditures for accounts payable and accrued payroll					2,081
<i>Net change in fund balance (GAAP Basis)</i>					\$ 2,159

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

Exhibit D-1

	Private Purpose Trust Funds	Agency Funds
<i>Current assets</i>		
Cash and cash equivalents	\$ 114,639	\$ 763,193
<i>Total assets</i>	\$ 114,639	\$ 763,193
<i>Current liabilities</i>		
Accrued payroll	\$ -	\$ 317
Due to student organizations	-	762,876
<i>Total liabilities</i>	-	763,193
<i>Net Position</i>		
Restricted net position	114,639	-
<i>Total net position</i>	\$ 114,639	\$ -

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

STATE OF NEW MEXICO
 Gadsden Independent School District No. 16
 Statement of Changes in Fiduciary Net Position
 Agency Funds
 June 30, 2017

	Private Purpose Trust Funds
<i>Additions:</i>	
Investment earnings	\$ 131
Contributions and donations from private sources	9,429
	9,560
 <i>Deductions:</i>	
Operating expenditures	-
Scholarships	9,611
	9,611
<i>Total deductions</i>	9,611
Change in net position	(51)
Beginning net position	114,690
Ending net position	\$ 114,639

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

The Gadsden Independent School District No. 16 No. 16 was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the NM Public Education Department and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates twenty-five schools within the District. In conjunction with the regular education programs, all of these schools offer special education. In addition, the School Board provides transportation for the students.

The 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 Gadsden Independent School District No. 16's management, who is responsible for their integrity and objectivity. The financial statements of the Gadsden Independent School District No. 16 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

During the year ended June 30, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 79, *Certain External Investment Pools and Pool Participants*, No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, are required to be implemented for the fiscal year ending June 30, 2017.

The pronouncement adopted that materially affects the financial statements and disclosures of the District for the year ended June 30, 2017 is GASB Statement No. 77 *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

In addition, effective for June 30, 2017 year ends, the requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that, for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets.

It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

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

The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the District has one component unit as described in the following paragraphs, and is not a component unit of another governmental agency.

The Gadsden Foundation Inc. is a blended component unit of the District, as defined by GASB Statements No. 14, as amended by GASB Statement No. 39, and has a separate governing board. The Foundation does not issue separate financial statements. The Foundation is governed by a fifteen-member board composed of the Superintendent of the District, eleven appointed members, and four officers.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the 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. Gadsden Independent Schools does not have business-type activities as of June 30, 2017.

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 District's net position is reported in three parts – Net investment in capital assets, restricted net position and unrestricted net position.

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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

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 and major individual enterprise fund are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Property taxes are recognized as revenues in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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:

The *Operational Fund* is used to account for the State Equalization Guarantee from the NM State Legislature and is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Transportation Fund* is used to account for the costs associated with transporting school age children. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Instructional Materials Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students. Authority for the creation of this fund is the New Mexico Public Education Department.

Special Revenue Funds:

The *Food Service Fund* is used to account for income from meal sales, State and Federal reimbursements and to make cash disbursements for activities dealing with preparation and serving of meals. Authority for the creation of this fund is the New Mexico Public Education Department.

Title I (24101) – The major objectives of the Title I program are to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. Campuses are identified for program participation by the percentage of students on free or reduced-price lunches. Any school with a free and reduced-price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criterion that identifies a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Education. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part A (Public Law 107-110).

Capital Projects Funds:

The *Bond Building Capital Projects Fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Debt Service Funds:

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of General Long-Term Debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following fund types:

Fiduciary Funds:

The fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. These funds account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

The *Private Purpose Trust Fund* is used to account for monies bequeathed by a former teacher, Machree Causey, to provide for a scholarship each year to a graduating senior from Gadsden High School who has shown an interest in business subjects. This fund also accounts for monies bequeathed by Jim O'Toole to provide scholarships to students from Santa Teresa High School and Gadsden High School to be given based on recommendations by School Administrators. The principal amounts are to be maintained intact and invested. Investment earnings are to be used for the scholarships. Funds related to the private purpose trust fund are held in one account in conjunction with the Gadsden Foundation, Inc. However, for reporting purposes the amounts are reported separately.

The *Gadsden Foundation, Inc.* is a blended component unit used to account for donations and charitable contributions received for the purpose of providing scholarships to eligible graduates of the District and for the general support of the Gadsden Independent School District No. 16.

As a general rule, 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, as a whole; 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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents: The District's cash and cash equivalents are considered to be 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.

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the pool shares. As of June 30, 2017, the District did not hold any pool shares in the State Treasurer's Investment Pool.

Fair Value Measurements: The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of June 30, 2017, there are no items are required to be valued using valuation techniques.

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

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 governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Dona Ana and Otero Counties. The funds are collected by the County Treasurer and are remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the Dona Ana and Otero 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 subsequent to year end for property taxes and ninety days subsequent to year end for other nonexchange revenues.

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.

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 actually 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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 in excess of 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 II 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:

Land improvements	20 years
Buildings/building improvements	10-50 years
Furniture and equipment	5-20 years
Vehicles	10-20 years

Accrued Payroll Liabilities: In the fund financial statements, governmental fund types recognize the accrual of unpaid salaries, wages, and benefits that employees earned prior to the end of the fiscal year. The amount recognized in the fund financial statements represents the amounts due to employees or due to third parties for the employee benefits.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has four types of items that qualify for reporting in this category.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Accordingly, the items, change in proportion of \$2,568,994, change in assumption of \$3,955,069, net difference between projected and actual investment earnings on pension plan investments of \$12,440,722 and employer contributions subsequent to measurement date of \$10,698,016 are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes, are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$1,822,071 related to property taxes that are considered “unavailable”.

In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes in proportion, \$597,921; and difference between expected and actual experience, \$1,847,991 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences: Qualified employees are entitled to earn and accumulate annual leave according to a graduated leave schedule of up to 40 days per year, depending on length of service, the employee’s hire date, and employment status. Employees may accumulate and carry forward, from one fiscal year to the next, up to 40 days of annual leave. Upon termination, employees will be paid for up to 40 days of accrued annual leave depending on employment status.

Qualified employees are entitled to accumulate general leave according to a graduated leave schedule of up to 15 days per year with no limit on the amount to be carried forward, depending on length of service, the employee’s hire date, and employment status. Effective May 2013, employees will be paid for unused general leave upon retirement, on a graduated scale for accumulated days over 30, provided they meet specific criteria based on years of service.

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

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 premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is inconsequential.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

Net Position and Fund Equity: 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 detail of the District's fund balances is presented on the face of the fund financial statements.

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

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

Restricted Net Position: Consist of net position with "legally enforceable" constraints placed on the use, either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment.

If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position: All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

The government-wide Statement of Net Position reports \$38,338,893 of restricted net position related to grants, capital projects and debt service.

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. For committed and assigned fund balance, the District's highest level of decision-making authority is the Board of Education. Formal action by the Board of Education is required to establish a fund balance commitment or assignment.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, fund balance is classified and displayed in five components, as displayed below:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. At June 30, 2017, the nonspendable fund balance of the District is comprised of inventory in the General and Food Services funds, \$721,117 and \$262,626, respectively, which are not in spendable form.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Education. Those committed amounts cannot be used for any other purpose unless the District's Board of Education removes or changes the specified use by taking formal action.

Assigned: Consist of amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed. Formal action by the District's Board of Education is required to assign amounts to be used for specific purposes.

Unassigned: 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 except for those other governmental funds reflecting a deficit.

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

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

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 and the net pension liability (including the related components).

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to 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 through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Secretary of the Public Education Department. The District received \$97,343,362 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. Tax revenues are recognized when they are in the hands of the collecting agency. The District records only the portion of the taxes considered to be 'measurable' and 'available' on a modified accrual basis. The District recognized \$15,486,268 in tax revenues 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.

Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. Dona Ana and Otero Counties collect County, City, and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

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 the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$4,712,164 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 \$823,729.

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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (Continued)

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 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.

During fiscal year 2017, the District did not receive any special capital outlay funds. The District did, however, receive \$20,439,121 from PSFA which flows through the Bond Building Capital Project Fund.

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

The district received \$2,002,414 in state SB-9 matching during the year end June 30, 2017.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported 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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

F. 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.

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.
3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

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 Gadsden Independent Schools 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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information - (Continued)

The appropriated budget for the year ended June 30, 2017, was properly amended by the Board of Education throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
Operational Fund	\$ (17,178,873)	\$ (22,718,800)
Transportation Fund	\$ -	\$ (170)
Instructional Materials Fund	\$ (799,636)	\$ (809,690)
Food Services Fund	\$ (10,581,267)	\$ (13,138,182)
Title I Fund	\$ -	\$ -

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. The District budgets on a modified cash basis with respect to payroll or held checks being accrued and expensed, therefore, fund balances on the budget statements do not reconcile to cash due to the District's accrued payroll which is presented on the accrual basis.

NOTE 3. Deposits and 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 collateral pledged is listed on Schedule II of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

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

Deposits:

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) At June 30, 2017, \$28,483,884 of the District's deposits of \$29,193,877 was exposed to custodial credit risk. \$15,052,533 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. As of June 30, 2017, \$13,431,351 is uninsured and uncollateralized. As of June 30, 2017, the carrying amount of these deposits was \$27,845,484; total amount of deposits of \$29,193,877 less outstanding items of \$1,348,393. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for 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.

	<u>Wells Fargo Bank</u>	<u>First American Bank</u>	<u>Bank of the West</u>	<u>Total</u>
Amount of deposits	\$ 17,820,593	\$ 209,993	\$ 11,163,291	\$ 29,193,877
FDIC Coverage	(500,000)	(209,993)	(250,000)	(959,993)
Total uninsured public funds	<u>17,320,593</u>	<u>-</u>	<u>10,913,291</u>	<u>28,233,884</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>9,526,383</u>	<u>-</u>	<u>5,526,150</u>	<u>15,052,533</u>
Uninsured and uncollateralized	<u>\$ 7,794,210</u>	<u>\$ -</u>	<u>\$ 5,387,141</u>	<u>\$ 13,181,351</u>
Collateral requirement (50% of uninsured funds)	\$ 8,660,297	\$ -	\$ 5,456,646	\$ 14,116,943
Pledged Collateral	<u>9,526,383</u>	<u>409,476</u>	<u>5,526,150</u>	<u>15,462,009</u>
Over (Under) collateralized	<u>\$ 866,086</u>	<u>\$ 409,476</u>	<u>\$ 69,504</u>	<u>\$ 1,345,066</u>

Certificates of deposits with maturity dates of three months or less were included in the total amount of deposits.

Investments:

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

<u>Short-term Investment Types</u>	<u>Fair Value</u>	<u>Short-term Investments Maturities Less than 1 year</u>
Repurchase Agreements	\$ 56,038,036	\$ 56,038,036

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

Statutes require collateral pledged for repurchase agreements in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the District for at least one hundred and two percent of the amount on deposit with the institution. The schedule listed below discloses requirements on reporting the insured portion of the District's repurchase agreements.

	Wells Fargo Bank	First American Bank	Bank of the West	Total
Amount of repurchase agreements	\$ 53,728,144	\$ 2,309,892	\$ -	\$ 56,038,036
FDIC Coverage	-	-	-	-
Total uninsured public funds	<u>53,728,144</u>	<u>2,309,892</u>	<u>-</u>	<u>56,038,036</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>53,728,144</u>	<u>2,309,892</u>	<u>-</u>	<u>56,038,036</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (102% of uninsured funds)	\$ 54,802,707	\$ 2,356,090	\$ -	\$ 57,158,797
Pledged Collateral	<u>54,802,709</u>	<u>2,691,261</u>	<u>-</u>	<u>57,493,970</u>
Over (Under) collateralized	<u>\$ 2</u>	<u>\$ 335,171</u>	<u>\$ -</u>	<u>\$ 335,173</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 short-term investments or collateral securities that are in the possession of an outside party. Of the District's \$56,038,036 in repurchase agreements, the entire balance is uninsured and collateralized by collateral of underlying securities held by the investment's counterparty not in the name of the District. The District's policy related to short-term investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The carrying value of the District's repurchase agreements at June 30, 2017 was \$56,038,036.

Interest Rate Risk for Investments. The District does not have a written policy for limiting interest rate risk. However, the average maturity of certificates of deposit is twelve months or less, which is an effective limit of interest rate risk.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 71,957,421
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1	11,163,291
Fiduciary funds - Exhibit D-1	<u>763,193</u>
 Total cash and cash equivalents	 83,883,905
 Plus: reconciling items	 1,348,393
Less: petty cash	<u>(385)</u>
 Bank balance of deposits/ repurchase agreements	 <u><u>\$ 85,231,913</u></u>

NOTE 4. Receivables

Receivables as of June 30, 2017 are as follows:

	General Fund	Food Service Fund	Title I	Bond Building
Property taxes receivable	\$ 57,536	\$ -	\$ -	\$ -
Due from other governments:				
Federal sources	-	108,821	1,384,367	-
State sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 57,536</u></u>	<u><u>\$ 108,821</u></u>	<u><u>\$ 1,384,367</u></u>	<u><u>\$ -</u></u>
		Other		
	Debt Service Fund	Governmental Funds	Total	
Property taxes receivable	\$ 1,760,087	\$ 730,426	\$ 2,548,049	
Due from other governments:				
Federal sources	-	1,575,311	3,068,499	
State sources	<u>-</u>	<u>1,884,353</u>	<u>1,884,353</u>	
	<u><u>\$ 1,760,087</u></u>	<u><u>\$ 4,190,090</u></u>	<u><u>\$ 7,500,901</u></u>	

In accordance with GASB No. 33, property tax revenues in the amount of \$1,822,071, which were not collected within the period of availability have been reclassified as deferred inflows of resources-property taxes and grants in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 5. Interfund Receivables, Payables, and Transfers

The District did not have any net operating transfers for the year ended June 30, 2017. There was a new fund created to conform within the funding sources of the prior fund number 31700 (SB-9 State) and is now presented as 31701 (Capital Improvements SB-9 Local). Any state match will be presented in 31700 which is a reimbursement basis fund, therefore all the fund balance at the beginning of the year is presented in fund 31701 Capital Improvements SB-9 Local in Statement C-2 in the amount of \$3,781,717.

The District records temporary interfund receivable and payables to enable the funds to operate until grant monies are received. The composition of interfund balances as of June 30, 2017 is as follows:

<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
General Fund - 11000	Title I IASA - 24101	\$ 1,123,326
General Fund - 11000	Migrant Children Education - 24103	7,620
General Fund - 11000	IDEA-B Entitlement - 24106	834,654
General Fund - 11000	New Mexico Autism Project - 24108	1,765
General Fund - 11000	IDEA-B Preschool - 24109	17,927
General Fund - 11000	Education of Homeless - 24113	191
General Fund - 11000	English Language Acquisition - 24153	112,135
General Fund - 11000	Teacher/Principal Training/Recruiting - 24154	185,023
General Fund - 11000	Carl D Perkins - 24174	16,970
General Fund - 11000	Carl D Perkins - 24176	12,784
General Fund - 11000	2012 G.O. Bond Student Library Fund - 27107	3,366
General Fund - 11000	New Mexico Reads to Lead - 27114	113,682
General Fund - 11000	Pre-K Initiative - 27149	192,766
General Fund - 11000	Kindergarten - Three Plus - 27166	384,240
General Fund - 11000	CYFD Parents as Teachers Model - 28193	29,110
General Fund - 11000	Capital Improvements SB-9 31700	378,088
	Total	<u>\$ 3,413,647</u>

All Interfund balances are to be paid within one year.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2017</u>
Governmental activities:				
Capital assets not depreciated				
Land	\$ 2,559,939	\$ -	\$ -	\$ 2,559,939
Construction in process	<u>26,623,344</u>	<u>22,357,895</u>	<u>(20,873,067)</u>	<u>28,108,172</u>
Total assets not depreciated	<u>29,183,283</u>	<u>22,357,895</u>	<u>(20,873,067)</u>	<u>30,668,111</u>
Capital assets depreciated				
Land Improvements	14,298,984	129,688	-	14,428,672
Buildings	381,022,635	27,469,515	-	408,492,150
Equipment and furniture	<u>13,118,937</u>	<u>430,681</u>	<u>(233,855)</u>	<u>13,315,763</u>
Total assets depreciated	<u>408,440,556</u>	<u>28,029,884</u>	<u>(233,855)</u>	<u>436,236,585</u>
Total assets	437,623,839	50,387,779	(21,106,922)	466,904,696
Less accumulated depreciation for:				
Land Improvements	8,002,578	633,115		8,635,693
Buildings	113,630,577	11,405,242	-	125,035,819
Equipment and furniture	<u>10,193,785</u>	<u>480,025</u>	<u>(233,855)</u>	<u>10,439,955</u>
Total accumulated depreciation	<u>131,826,940</u>	<u>12,518,382</u>	<u>(233,855)</u>	<u>144,111,467</u>
Governmental activities capital assets, net	<u><u>\$ 305,796,899</u></u>	<u><u>\$ 37,869,397</u></u>	<u><u>\$ (20,873,067)</u></u>	<u><u>\$ 322,793,229</u></u>

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

Instruction	\$ 7,066,169
Support Services – Students	947,631
Support Services – Instruction	418,320
Support Services – General Administration	75,081
Support Services – School Administration	488,758
Central Services	198,387
Operations / Maintenance of Plant	959,818
Transportation Services	420,311
Food Services	706,821
Community Services Operations	3,639
Unallocated	<u>1,233,447</u>
Total	<u><u>\$ 12,518,382</u></u>

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 7. Long-Term Debt

General Obligation Bonds:

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of the outstanding general obligation bonds as of June 30, 2017 was \$94,055,000. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

General obligation bonds outstanding at June 30, 2017, are comprised of the following:

	Series <u>8/15/2008</u>	Series <u>11/24/2009</u>	Series <u>11/19/2010</u>	Series <u>10/26/2011</u>
Original Issue:	\$7,000,000	\$9,075,000	\$7,250,000	\$8,250,000
Principal Due:	August 15	June 1	August 15	August 15
Interest Due:	February 15 August 15	June 1 December 1	February 15 August 15	February 15 August 15
Interest Rates:	3.25% - 4.00%	3.00% - 4.50%	0.648% - 2.838%	2.00% - 3.00%
Maturity Date:	8/15/2018	06/01/2019	08/15/2020	8/15/2021
	Series <u>10/26/2011</u>	Series <u>12/12/2012</u>	Series <u>10/16/2013</u>	Series <u>10/29/2014</u>
Original Issue:	\$12,300,000	\$12,180,000	\$9,500,000	\$9,500,000
Principal Due:	August 15	August 15	August 15	August 15
Interest Due:	February 15 August 15	February 15 August 15	February 15 August 15	February 15 August 15
Interest Rates:	2.00% - 4.00%	2.00% - 3.00%	2.00% - 3.00%	2.00% - 4.00%
Maturity Date:	08/15/2017	08/15/2022	08/15/2023	08/15/2024
	Series <u>10/14/2015</u>	Series <u>10/18/2016</u>		
Original Issue:	\$9,500,000	\$9,500,000		
Principal Due:	August 15	August 15		
Interest Due:	February 15 August 15	February 15 August 15		
Interest Rates:	2.00% - 2.12%	1.00% - 2.00%		
Maturity Date:	08/15/2025	08/15/2026		

Lease Purchase Notes:

The District issues Education Technology General Obligation Lease Purchase Certificates of Participation (Lease Purchase Notes) under the terms of a lease-purchase agreement by and between the District and the New Mexico Public Schools Education Technology Assistance Foundation, LLC pursuant to the Education Technology Equipment Act, NMSA 1978, §§ 6-15A-1 to 6-15A-16 for the purchase of technology related equipment and improvements as allowed under this Act. The original amount of the outstanding lease purchase notes as of June 30, 2017 was \$2,000,000. All lease purchase notes are for governmental activities.

All lease purchase notes outstanding in the prior year were paid off during the year ended June 30, 2017.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 7. Long-Term Debt (continued)

During the year ended June 30, 2017 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
General Obligation Bonds	\$ 44,750,000	\$ 9,500,000	\$ 9,600,000	\$ 44,650,000	\$ 8,745,000
Lease Purchase Notes	2,000,000	2,000,000	4,000,000	-	-
Compensated Absences	1,457,412	378,412	457,339	1,378,485	464,126
Total long-term debt	\$ 48,207,412	\$ 11,878,412	\$ 14,057,339	\$ 46,028,485	\$ 9,209,126

The annual requirements to amortize the General Obligation Bonds as of June 30, 2017, including interest payments are as follows. The interest rates range from 2.00% to 4.00% with maturity dates until August 15, 2025.

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2018	\$ 8,745,000	\$ 984,290	\$ 9,729,290
2019	8,400,000	746,377	9,146,377
2020	4,975,000	555,765	5,530,765
2021	5,125,000	445,770	5,570,770
2022	4,575,000	333,350	4,908,350
2023-2027	12,830,000	516,422	13,346,422
	\$ 44,650,000	\$ 3,581,974	\$ 48,231,974

In prior years, the general fund was typically used to liquidate long-term liabilities other than general obligation bonds and lease purchase notes.

Compensated Absences – Administrative employees of the Schools are able to accrue a limited amount of annual leave and all employees are able to accrue an unlimited amount of general leave during the year. During fiscal year June 30, 2017, compensated absences decreased \$109,787 for annual leave and increased \$30,860 for general leave over the prior year accrual. See Note 1 for more details.

Operating Leases – The District leases office equipment under short-term cancelable operating leases. Rental cost for the year ended June 30, 2017 was \$644,941.

NOTE 8. Risk Management

The District is a member of the New Mexico Public Schools 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 and Machinery, Underground Storage Tanks and Catastrophic Student Accident Insurance.

STATE OF NEW MEXICO
 Gadsden Independent School District No. 16
 Notes to Financial Statements
 June 30, 2017

NOTE 8. Risk Management (continued)

The NMPSIA provides coverage for up to a maximum of \$750,000,000 for each property damage claim with a \$25,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$1,250,000 per occurrence for Faithful Performance. A limit of \$1,250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, with all crime coverage subject to 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 of individual funds: The District reported a deficit fund balance at June 30, 2017 in the following funds:

Title I - 24101	\$1,996
Pre-K Initiative - 27149	<u>212</u>
Total Governmental Funds	<u>\$ 2,208</u>

The deficit is expected to be funded by reimbursement from the granting agency, New Mexico Public Education Department.

- B. Excess of expenditures over appropriations: No funds of the District exceeded approved budgetary authority at the fund level for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balance: No funds of the District exceeded the budgeted cash appropriations for the year ended June 30, 2017.

NOTE 10. Pension Plan - Educational Retirement Board

General Information about the Pension Plan

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

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

Benefits benefit – A member's retirement benefit is determined by a formula which includes three component parts: 1) the member's final average salary (FAS), 2) the number of years of service credit, and 3) a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. 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 and then becomes re-employed after July 1, 2010 is as follows:

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

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

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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

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

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

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

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 Year
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 6-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 6-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$8,000,692 and \$10,698,924, 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 \$194,295,070 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was 2.69988%, which was an increase of .0315% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,109,274. At June 30, 2017, District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 842,924	\$ 1,847,991
Net difference between expected and actual investments on pension plan investments	11,597,798	-
Change in assumptions	3,955,069	-
Change in proportion	2,568,994	597,921
District's contributions subsequent to the measurement date	10,698,016	-
Total	\$ 29,662,801	\$ 2,445,912

\$10,698,016 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a 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	\$	3,324,895
2019		4,461,778
2020		5,903,964
2021		2,828,237
2022		-
Thereafter		-

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	3.0%
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.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>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.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p>Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
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 Payroll growth	2% per year, compounded annually. 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 service.	Approved rates applied to eligible members with at least 10 years of

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:

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 10. Pension Plan – Educational Retirement Board (continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return
Equities	35%	
Fixed Income	28%	
Alternatives	36%	
Cash	1%	
Total	100%	7.75%

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

The projections of cash flows used to determine 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	<u>\$ 257,339,309</u>	<u>\$ 194,295,070</u>	<u>\$ 141,986,164</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued 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. The Gadsden Independent School District No. 16 remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the District owed the ERB \$2,801,080 for the contributions withheld in the month of June 2017.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

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

Plan Description. Gadsden Independent School District No. 16 No. 16 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents.

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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

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

The Gadsden Independent School District No. 16 contributions to the RHCA for the year ended June 30, 2017, 2016 and 2015 were \$1,539,334, \$1,542,188 and \$1,517,037, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 12. Tax Sheltered Annuity Plan

The District offers its employees a tax-sheltered annuity plan created in accordance with Internal Revenue Code Section 403(b). The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amount of compensation deferred under the plan are remitted by the District to the various plan administrators and the District has no further claim to these funds. Investments are managed by respective plan trustees. All contributions withheld from employees have been transferred to the annuity companies with which the employee has selected to invest their funds.

NOTE 13. Construction and Other Significant Commitments

The District has committed to pay for several construction contracts that were not completed at June 30, 2017 in the amount of \$10,059,723 as follows:

<u>Contract</u>	<u>Year Ending</u>	<u>Amount</u>
Chaparral Addition & Remodel	2017	\$ 806,646
Gadsden High School Phase III Part 3	2017	126,835
DPA to AVECHS Student Parking Lot	2017	112,180
AVECHS Improvement Project	2017	373,707
New Gymnasium at CHS	2017	4,356,785
DW Minor Construction Control (Field Replacement at Gadsden High School & GMS SPED classroom Remodel)	2017	258,045
STHS HVAC Replacement II	2017	3,577,270
DW Roofing Allocation projects	2017	68,165
Security/Elec/HVAC Allocation Cont	2017	238,367
Asbestos Removal Various	2017	20,500
Desert Pride Academy	2017	14,237
GHS Old English Bldg	2017	41,533
Yucca Heights Elementary	2017	8,749
New Desert View Elementary	2017	19,072
District Warehouse		<u>37,632</u>
Total Outstanding Commitments		<u>\$ 10,059,723</u>

NOTE 14. 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 15. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is October 18, 2017 which is the date on which the financial statements were available to be issued.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 15. Subsequent Events (continued)

On July 27, 2017 the Gadsden Independent School District No. 16 Board of Education passed resolutions authorizing the issuance and sale of the following debt:

Series 2017 General Obligation School Building Bonds
Bond Amount: \$9,500,000
Closing Date: 10/20/2017
Maturity Date: 8/15/2027
Interest Rate: .92% to 2.20%

Gadsden Independent School District No. 16 authorized issuance of General Obligation School Building Bonds, Series 2017, in the amount of \$9,500,000 to provide funds for construction within the District.

On September 14, 2017 the Gadsden Independent School District No. 16 No. 16 Board of Education passed resolutions authorizing the issuance and sale of the following debt:

Series 2017 Lease Purchase Notes
Note Amount: \$2,000,000
Closing Date: 10/18/2017
Maturity Date: 10/19/2017
Interest Rate: 1.28%

NOTE 16. Contingent Liabilities

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

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

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 17. Tax Abatements

In accordance with GASB Statement No. 77, the District provides the following disclosures regarding foregone tax revenue due to various agreements.

Agency number for Agency making the disclosure (Abating Agency)	5007
Abating Agency Name	Doña Ana County
Abating Agency Type	Local Government
Tax Abatement Agreement Name	Industrial Revenue Bond
Name of agency affected by abatement agreement (Affected Agency)	Gadsden Independent School District
Agency number of Affected Agency	
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	Monarch Litho Inc.
Tax abatement program (name and brief description)	Industrial Revenue Bonds. Based on the "County Industrial Revenue Bond Act", Sections 4-59-1 to 4-59-16 inclusive, NMSA 1978, as amended, which authorizes Doña Ana County, New Mexico to issue industrial development bonds and to acquire projects as defined in the Act.
Specific Tax(es) Being Abated	100% of real and personal property taxes to be abated during bond term.
Authority under which abated tax would have been paid to Affected Agency	Board of County Commissioners of Doña Ana County.
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Based on the Doña Ana County tax rate table for 2016 the amount of tax abatement is \$64,712.21.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$37,508.26.
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	None

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 17. Tax Abatements (continued)

Agency number for Agency making the disclosure (Abating Agency)	5007
Abating Agency Name	Doña Ana County
Abating Agency Type	Local Government
Tax Abatement Agreement Name	Industrial Revenue Bond
Name of agency affected by abatement agreement (Affected Agency)	Gadsden Independent School District
Agency number of Affected Agency	
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	NRG Solar Roadrunner Holdings, LLC.
Tax abatement program (name and brief description)	Industrial Revenue Bonds. Based on the "County Industrial Revenue Bond Act", Sections 4-59-1 to 4-59-16 inclusive, NMSA 1978, as amended, which authorizes Doña Ana County, New Mexico to issue industrial development bonds and to acquire projects as defined in the Act.
Specific Tax(es) Being Abated	100% of real and personal property taxes to be abated during bond term.
Authority under which abated tax would have been paid to Affected Agency	Board of County Commissioners of Doña Ana County.
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	Based on the Doña Ana County tax rate table for 2016 the amount of tax abatement is \$4,101.37
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	The IRB was authorized by the Doña Ana County Board of County Commissioners. PILOT payments in the amount of \$47,000 are to be paid to Doña Ana County and \$67,000 to Gadsden Independent School District.
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	None

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 17. Tax Abatements (continued)

Agency number for Agency making the disclosure (Abating Agency)	5007
Abating Agency Name	Doña Ana County
Abating Agency Type	Local Government
Tax Abatement Agreement Name	Industrial Revenue Bond
Name of agency affected by abatement agreement (Affected Agency)	Gadsden Independent School District
Agency number of Affected Agency	
Agency type of Affected Agency	School District
Recipient(s) of tax abatement	MCS Realty Partners, LLC.
Tax abatement program (name and brief description)	Industrial Revenue Bonds. Based on the "County Industrial Revenue Bond Act", Sections 4-59-1 to 4-59-16 inclusive, NMSA 1978, as amended, which authorizes Doña Ana County, New Mexico to issue industrial development bonds and to acquire projects as defined in the Act.
Specific Tax(es) Being Abated	100% of real and personal property taxes to be abated during bond term.
Authority under which abated tax would have been paid to Affected Agency	Board of County Commissioners of Doña Ana County.
Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement	At the time of the assessment the land was classified as farm land without a building. Based on the Doña Ana County tax rate table for 2016 the amount of tax abatement is \$0.21.
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	None
If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission	None

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Financial Statements
June 30, 2017

NOTE 18. Subsequent Accounting Standard Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The standard will be implemented during the fiscal year ended June 30, 2020. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The provisions of this Statement are effective for periods beginning after June 15, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District does not expect this pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: For reporting periods beginning after December 15, 2019. The District does not expect this pronouncement to have a material effect on the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule A-1

Gadsden Independent School District No. 16
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

	2017 Measurement Date (As of and for the Year Ended June 30, 2016)	2016 Measurement Date (As of and for the Year Ended June 30, 2015)	2015 Measurement Date (As of and for the Year Ended June 30, 2014)
Gadsden Independent School District No. 16 proportion of the net pension liability (asset)	2.69988%	2.6683%	2.6332%
Gadsden Independent School District No. 16 proportionate share of the net pension liability (asset)	\$ 194,295,070	\$ 172,835,476	\$ 150,245,048
Gadsden Independent School District No. 16 covered-employee payroll	77,109,981	75,848,460	72,581,397
Gadsden Independent School District No. 16 proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252%	228%	207%
Plan fiduciary net position as a percentage of the total pension liability	61.58%	63.97%	66.54%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Gadsden Independent School District No. 16 will present information for those years for which information is available.

See independent auditors' report.
 See notes to required supplementary information.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

Schedule A-2

	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contribution	\$ 10,698,016	\$ 10,718,204	\$ 10,542,936
Contributions in relation to the contractually required contribution	10,698,016	10,718,204	10,542,936
Contribution deficiency (excess)	\$ -	\$ -	\$ -
 Gadsden Independent School District No. 16's covered-employee payroll	 76,970,678	 77,109,981	 75,848,460
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Gadsden Independent School District No. 16 will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Notes to Required Supplementary Information
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 independent auditors' report.
See notes to required supplementary information.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds

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

Non-Instructional Support (23000) – To account for budgeted revenues and expenditures which relate to student activities other than athletics. Authority for the creation of this fund is the New Mexico Public Education Department.

Migrant Children Education (24103) – To account for federal resources administered by the State Public Education Department to provide for special educational needs of migratory agricultural workers. Authorized by the Elementary and Secondary Education Act (ESEA) of 1965, as amended by the No Child Left Behind Act of 2001, Title I, Part C (Public Law 107-110).

Entitlement IDEA-B (Entitlement IDEA-B – 24106, Discretionary IDEA-B – 24107, IDEA-B “Risk Pool” – 24120) - To account for a program funded by a Federal grant to assist the schools in providing free appropriate public education to all handicapped children. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

New Mexico Autism Project (24108) – To account for a sub-grant to be used to support the District’s implementation of the New Mexico Autism Project and improve the outcomes for students with Autism Spectrum Disorders. Authority for creation of this fund is the New Mexico Public Education Department.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Authorized by the Individuals with Disabilities Education Act of 2004, Title I, Part B (Public Law 108-446).

Education of Homeless (24113) – To ensure that homeless children and youth have equal access to the same free, appropriate public education as other children; to provide activities for and services to ensure that these children enroll in, attend, and achieve success in school; to establish or designate an office in each State educational agency (SEA) for the coordination of education for homeless children and youth; to develop and implement programs for school personnel to heighten awareness of specific problems of homeless children and youth; and to provide grants to local educational agencies (LEAs). Authorized by McKinney-Vento Homeless Assistance Act, Title VII-B, as reauthorized by the No Child Left Behind Act of 2001 (Public Law 107-110).

Fresh Fruit & Vegetables USDA (24118) – To assist States, through cash grants, in providing free fresh fruits and vegetables to school children in designated participating schools. Authorized by National School Lunch Act, as amended, 42 U.S.C. 1769.

21st Century Community Learning Centers (24119) – To account for federal funds utilized to expand an after school, weekend and summer program. The program is designed to integrate the visual and performing arts with literacy, life skills and physical activity for kindergarten to 12th grade focusing on the neighborhood and the community as a classroom. Authorized by the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, Title IV, Part B (Public Law 107-110).

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authorized by the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, Title III (Public Law 107-110).

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (continued)

Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science, and also to increase the accessibility of such instruction to all students. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title II, Part A, Sec. 2101-2151 (Public Law 107-110).

Immigrant Funding - Title III (24163) – Funds allocated to the District to support additional programs to improve the education performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authorized by the Elementary and Secondary Education Act of 1965, as amended by the No Child Left Behind Act of 2001, Title III, Part B (Public Law 107-110).

Carl D. Perkins (Secondary – Current - 24174) (Secondary PY Obligation - 24175) (Secondary Redistribution - 24176) - The objective of this grant is to provide secondary and post-secondary educational institutions the opportunity to develop, implement, and operate programs using different models of curricula that integrate vocational and academic learning. Authorized by the Carl D. Perkins Vocational and Technical Education Act of 1998 (Public Law 105-332).

Title XIX Medicaid 3/21 Years (25153) – To account for funds to provide school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for creation of this fund is the New Mexico Public Education Department.

Save The Children (26143) – Grant funds used to provide children, who are struggling readers from Berino Elementary and Mesquite Elementary, a safe place with daily literacy activities, guided physical activities, and healthy snacks. Authority for creation of this fund is the New Mexico Public Education Department.

Spaceport GRT Grant – Dona Ana County (26204) – To account for funds received from Dona Ana County to be used to supplement science, technology, engineering, and math programs for Grades 6 through 12. Authority for creation of this fund is the New Mexico Public Education Department.

The Bridge of Southern New Mexico (26215) – Grant funds awarded from The Bridge of Southern New Mexico Daniels Fund Grant to expand Early College High Schools throughout New Mexico. Authority for creation of this fund is the New Mexico Public Education Department.

Dual Credit Instructional Materials (27103) – To account for legislative appropriations for dual credit instructional materials. Instructional materials are for courses approved by the NM Higher Education Department and through an approved agreement between the District and a college/university. Authority for the creation of this fund is the New Mexico Public Education Department.

2012 GO Bond Student Library (27107) – To account for funds provided to be used for library resource acquisitions, including library books for public school libraries. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Reads to Lead K-3 Initiative (27114) – Funds appropriated by the NM Legislature to support the implementation of the New Mexico Reads to Lead initiative for grades K-3. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (continued)

Pre-K Initiative (27149) – To account for legislative appropriations for the purpose of providing high quality Pre-K services that align to NM Pre-K standards to underserved 4-year-olds in the District. To expand early childhood educational capacity so that all families of 4-year-olds in the district who want to enroll their child in a high quality Pre-K program can do so, regardless of income or ethnicity. Authority for the creation of this fund is the New Mexico Public Education Department.

Breakfast for Elementary Students (27155) – To account for legislative appropriations to implement Breakfast in the Classroom for elementary schools in need of improvement based on AYP designation. Authority for the creation of this fund is the New Mexico Public Education Department.

Kindergarten - Three Plus (27166) – To account for legislative appropriations to provide an extended school year for kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional instructional time to prepare students for the next grade level. Authority for the creation of this fund is the New Mexico Public Education Department.

ALD4ALL Kellogg Foundation (27401) – To account for funding awarded through the NM PED Bilingual Multicultural Education Bureau and the W.K. Kellogg Foundation to support the participation of the District's bilingual multicultural education program teams in the ALD4ALL professional learning training. Authority for the creation of this fund is the New Mexico Public Education Department.

CYFD Parents As Teachers Model (28193) – To account for funding provided from a collaborative with the NM Children, Youth and Families Department (CYFD) to support the Parents As Teachers Model in the District. The Parents As Teachers Model supports families of children, prenatal through age five, who request support in the areas of parent-child interaction, development centered parenting, and family well-being. Authority for creation of this fund is the New Mexico Public Education Department.

Industrial Revenue Bonds Payments in Lieu of Taxes (29135) – Funds received from a Solar Facility located in the District. Funds are for student creation of this fund is the New Mexico Public Education Department.

Capital Projects Funds

Special Capital Outlay – State (31400) – To account for special appropriations monies received from the State of New Mexico. Authority for the creation of this fund is the New Mexico Public Education Department.

Capital Improvement SB-9 (31700) – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico's State Equalization Matching as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Capital Improvement SB-9 Local (31701) – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Nonmajor Governmental Fund Descriptions
June 30, 2017

Capital Projects Funds (continued)

Educational Technology Equipment Act (31900) – To account for funding which is to be used by the District to promote the comprehensive integration of advances technologies in education setting, through the conduct of technical assistance, professional development, information and resource dissemination and collaboration activities. Authorization is NMSA 22-15A-1.

Debt Service Funds

Ed Tech Debt Service (43000) – To account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest. Authority for the creation of this fund is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

Statement A-1

	Special Revenue	Capital Projects	Debt Service	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 6,080,927	\$ 3,629,628	\$ 2,236,320	\$ 11,946,875
Receivables:				
Property taxes	-	302,302	428,124	730,426
Due from other governments	2,461,314	998,350	-	3,459,664
Due from other funds	-	-	-	-
<i>Total assets</i>	\$ 8,542,241	\$ 4,930,280	\$ 2,664,444	\$ 16,136,965
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 93,215	\$ 85,256	\$ -	\$ 178,471
Accrued payroll	393,080	-	-	393,080
Due to other funds	1,912,233	378,088	-	2,290,321
<i>Total liabilities</i>	2,398,528	463,344	-	2,861,872
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	216,551	322,768	539,319
<i>Total deferred inflows of resources</i>	-	216,551	322,768	539,319
 <i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	1,282,130	-	-	1,282,130
Education	4,861,795	-	-	4,861,795
Capital acquisitions and improvements	-	4,250,385	-	4,250,385
Debt service	-	-	2,341,676	2,341,676
Unassigned	(212)	-	-	(212)
<i>Total fund balances</i>	6,143,713	4,250,385	2,341,676	12,735,774
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 8,542,241	\$ 4,930,280	\$ 2,664,444	\$ 16,136,965

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

Statement A-2

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ 1,819,396	\$ 2,154,261	\$ 3,973,657
Intergovernmental revenue:				
Federal flowthrough	4,914,608	-	-	4,914,608
Federal direct	2,543,903	-	-	2,543,903
Local sources	849,742	-	-	849,742
State flowthrough	3,381,055	2,001,907	-	5,382,962
State direct	320,721	-	-	320,721
Charges for services	711,427	-	-	711,427
Investment income	694	1,078	-	1,772
Miscellaneous income	7,298	507	-	7,805
<i>Total revenues</i>	<u>12,729,448</u>	<u>3,822,888</u>	<u>2,154,261</u>	<u>18,706,597</u>
<i>Expenditures</i>				
Current:				
Instruction	7,019,679	-	-	7,019,679
Support services - students	1,713,843	-	-	1,713,843
Support services - instruction	1,163,393	-	-	1,163,393
Support services - general administrati	118,859	17,856	21,509	158,224
Support services - school administratic	99,022	-	-	99,022
Central services	-	-	-	-
Operation and maintenance of plant	27,308	5,526,509	-	5,553,817
Student transportation	358,815	-	-	358,815
Food services operations	442,614	-	-	442,614
Community service operations	-	-	-	-
Capital outlay	34,500	230,456	-	264,956
Debt Service:				
Principal	-	-	4,000,000	4,000,000
Interest	-	-	6,032	6,032
<i>Total expenditures</i>	<u>10,978,033</u>	<u>5,774,821</u>	<u>4,027,541</u>	<u>20,780,395</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,751,415</u>	<u>(1,951,933)</u>	<u>(1,873,280)</u>	<u>(2,073,798)</u>
<i>Other financing sources (uses)</i>				
Bond proceeds	-	2,000,000	-	2,000,000
Proceeds from the sale of assets	360	-	-	360
<i>Total other financing sources (uses)</i>	<u>360</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,360</u>
<i>Net change in fund balances</i>	1,751,775	48,067	(1,873,280)	(73,438)
<i>Fund balances - beginning</i>	<u>4,391,938</u>	<u>4,202,318</u>	<u>4,214,956</u>	<u>12,809,212</u>
<i>Fund balances - end of year</i>	<u>\$ 6,143,713</u>	<u>\$ 4,250,385</u>	<u>\$ 2,341,676</u>	<u>\$ 12,735,774</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Athletics 22000	Non Instructional Support 23000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Assets</i>				
Cash and cash equivalents	\$ 705,697	\$ 583,075	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	-	9,798	993,349
Due from other funds	-	-	-	-
Total assets	\$ 705,697	\$ 583,075	\$ 9,798	\$ 993,349
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 6,642	\$ -	\$ 11,360
Accrued payroll	-	-	2,178	147,317
Due to other funds	-	-	7,620	834,654
Total liabilities	-	6,642	9,798	993,331
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	705,697	576,433	-	-
Education	-	-	-	18
Unassigned	-	-	-	-
Total fund balances	705,697	576,433	-	18
Total liabilities, deferred inflows of resources, and fund balances	\$ 705,697	\$ 583,075	\$ 9,798	\$ 993,349

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	Education of Homeless 24113	Fresh Fruit & Vegetables 24118	21st Century Community Learning Centers 24119
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
1,765	26,988	191	-	-
-	-	-	-	-
<u>\$ 1,765</u>	<u>\$ 26,988</u>	<u>\$ 191</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 7,671	\$ -	\$ -	\$ -
-	1,390	-	-	-
1,765	17,927	191	-	-
-	-	-	-	-
<u>1,765</u>	<u>26,988</u>	<u>191</u>	<u>-</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,765</u>	<u>\$ 26,988</u>	<u>\$ 191</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	English Language Acquisition 24153	Teacher/Princi pal Training & Recruitment 24154	Immigrant Funding - Title III 24163	Carl D Perkins Secondary - Current 24174
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Due from other governments	113,536	237,696	-	16,970
Due from other funds	-	-	-	-
Total assets	\$ 113,536	\$ 237,696	\$ -	\$ 16,970
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 5	\$ -	\$ -
Accrued payroll	1,401	52,668	-	-
Due to other funds	112,135	185,023	-	16,970
Total liabilities	113,536	237,696	-	16,970
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 113,536	\$ 237,696	\$ -	\$ 16,970

See independent auditors' report.

Carl D Perkins Secondary Redistribution 24176	Title XIX Medicaid 3/21 Years 25153	Save the Children 26143	Spaceport GRT Grant - Dona Ana County 26204	The Bridge of Southern New Mexico 26215
\$ -	\$ 2,287,123	\$ 2,157	\$ 2,016,780	\$ 2,499
-	-	-	-	-
15,933	159,085	-	-	-
-	-	-	-	-
<u>\$ 15,933</u>	<u>\$ 2,446,208</u>	<u>\$ 2,157</u>	<u>\$ 2,016,780</u>	<u>\$ 2,499</u>
\$ 3,149	\$ 389	\$ -	\$ 52,486	\$ -
-	34,279	-	2,309	-
12,784	-	-	-	-
<u>15,933</u>	<u>34,668</u>	<u>-</u>	<u>54,795</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,411,540	2,157	1,961,985	2,499
-	-	-	-	-
<u>-</u>	<u>2,411,540</u>	<u>2,157</u>	<u>1,961,985</u>	<u>2,499</u>
<u>\$ 15,933</u>	<u>\$ 2,446,208</u>	<u>\$ 2,157</u>	<u>\$ 2,016,780</u>	<u>\$ 2,499</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107	NM Reads to Lead K-3 Initiative 27114	Pre-K Initiative 27149
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	3,366	113,682	254,582
Due from other funds	-	-	-	-
Total assets	\$ -	\$ 3,366	\$ 113,682	\$ 254,582
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ 328
Accrued payroll	-	-	-	61,700
Due to other funds	-	3,366	113,682	192,766
Total liabilities	-	3,366	113,682	254,794
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
<i>Fund balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Unassigned	-	-	-	(212)
Total fund balances	-	-	-	(212)
Total liabilities, deferred inflows of resources, and fund balances	\$ -	\$ 3,366	\$ 113,682	\$ 254,582

See independent auditors' report.

Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	ALD4ALL Kellogg Foundation 27401	CYFD Parents as Teachers Model 28193
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	477,312	-	37,061
-	-	-	-
<u>\$ -</u>	<u>\$ 477,312</u>	<u>\$ -</u>	<u>\$ 37,061</u>
\$ -	\$ 11,104	\$ -	\$ 81
-	81,968	-	7,870
-	384,240	-	29,110
-	477,312	-	37,061
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ 477,312</u>	<u>\$ -</u>	<u>\$ 37,061</u>

See independent auditors' report.

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

Statement B-1
Page 4 of 4

	Industrial Revenue Bonds Payments in Lieu of Taxes 29135	Total
<i>Assets</i>		
Cash and cash equivalents	\$ 483,596	\$ 6,080,927
Receivables:		
Property taxes	-	-
Due from other governments	-	2,461,314
Due from other funds	-	-
	\$ 483,596	\$ 8,542,241
 <i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ -	\$ 93,215
Accrued payroll	-	393,080
Due to other funds	-	1,912,233
	-	2,398,528
<i>Total liabilities</i>	-	2,398,528
 <i>Deferred inflows of resources</i>		
Unavailable revenue - property taxes	-	-
	-	-
<i>Total deferred inflows of resources</i>	-	-
 <i>Fund balances</i>		
<i>Spendable:</i>		
<i>Restricted for:</i>		
Extracurricular activities	-	1,282,130
Education	483,596	4,861,795
Unassigned	-	(212)
	483,596	6,143,713
<i>Total fund balances</i>	483,596	6,143,713
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 483,596	\$ 8,542,241

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Athletics 22000	Non Instructional Support 23000	Migrant Children Education 24103	IDEA-B Entitlement 24106
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	58,040	3,378,429
Federal direct	-	-	-	-
Local sources	-	67,142	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	137,249	574,178	-	-
Investment income	322	372	-	-
Miscellaneous income	-	7,298	-	-
Total revenues	137,571	648,990	58,040	3,378,429
<i>Expenditures</i>				
Current:				
Instruction	29,482	616,841	4,983	2,051,121
Support services - students	-	-	48,944	715,056
Support services - instruction	-	-	-	531,365
Support services - general administration	-	-	933	57,162
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	21,386
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	29,482	616,841	54,860	3,376,090
<i>Excess (deficiency) of revenues over expenditures</i>	108,089	32,149	3,180	2,339
<i>Other financing sources (uses)</i>				
Proceeds from the sale of assets	-	-	-	360
Total other financing sources (uses)	-	-	-	360
Net change in fund balances	108,089	32,149	3,180	2,699
<i>Fund balances - beginning</i>	597,608	544,284	(3,180)	(2,681)
Fund balances - end of year	\$ 705,697	\$ 576,433	\$ -	\$ 18

See independent auditors' report.

New Mexico Autism Project 24108	IDEA-B Preschool 24109	Education of Homeless 24113	Fresh Fruit & Vegetables 24118	21st Century Community Learning Centers 24119
\$ -	\$ -	\$ -	\$ -	\$ -
5,441	80,219	19,615	363,163	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>5,441</u>	<u>80,219</u>	<u>19,615</u>	<u>363,163</u>	<u>-</u>
3,701	28,110	-	-	-
1,740	39,666	18,672	-	-
-	11,079	-	-	-
-	1,364	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	363,163	-
-	-	-	-	-
<u>5,441</u>	<u>80,219</u>	<u>18,672</u>	<u>363,163</u>	<u>-</u>
-	-	943	-	-
-	-	-	-	-
-	-	-	-	-
-	-	943	-	-
-	-	(943)	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	English Language Acquisition 24153	Teacher/Princi pal Training & Recruitment 24154	Immigrant Funding - Title III 24163	Carl D Perkins Secondary - Current 24174
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	812,793	-	169,651
Federal direct	484,615	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	484,615	812,793	-	169,651
<i>Expenditures</i>				
Current:				
Instruction	477,805	716,335	-	167,265
Support services - students	-	-	-	-
Support services - instruction	828	82,636	-	-
Support services - general administration	-	13,822	-	2,386
Support services - school administration	5,982	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	484,615	812,793	-	169,651
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Proceeds from the sale of assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	-	-	-	-
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

Carl D Perkins Secondary Redistribution 24176	Title XIX Medicaid 3/21 Years 25153	Save the Children 26143	Spaceport GRT Grant - Dona Ana County 26204	The Bridge of Southern New Mexico 26215
\$ -	\$ -	\$ -	\$ -	\$ -
27,257	-	-	-	-
-	2,059,288	-	-	-
-	-	2,157	675,935	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>27,257</u>	<u>2,059,288</u>	<u>2,157</u>	<u>675,935</u>	<u>-</u>
26,847	-	-	348,837	195
-	551,306	-	-	-
-	262,180	-	-	-
410	14,166	-	5,879	-
-	-	-	-	-
-	-	-	-	-
-	3,788	-	-	-
-	-	-	-	-
-	-	-	-	-
-	34,500	-	-	-
<u>27,257</u>	<u>865,940</u>	<u>-</u>	<u>354,716</u>	<u>195</u>
<u>-</u>	<u>1,193,348</u>	<u>2,157</u>	<u>321,219</u>	<u>(195)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>1,193,348</u>	<u>2,157</u>	<u>321,219</u>	<u>(195)</u>
<u>-</u>	<u>1,218,192</u>	<u>-</u>	<u>1,640,766</u>	<u>2,694</u>
<u>\$ -</u>	<u>\$ 2,411,540</u>	<u>\$ 2,157</u>	<u>\$ 1,961,985</u>	<u>\$ 2,499</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107	NM Reads to Lead K-3 Initiative 27114	Pre-K Initiative 27149
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	32,402	98,167	153,591	1,754,980
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total revenues</i>	<u>32,402</u>	<u>98,167</u>	<u>153,591</u>	<u>1,754,980</u>
<i>Expenditures</i>				
Current:				
Instruction	32,402	-	153,591	1,397,023
Support services - students	-	-	-	-
Support services - instruction	-	98,167	-	149,755
Support services - general administration	-	-	-	17,256
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	191,158
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>32,402</u>	<u>98,167</u>	<u>153,591</u>	<u>1,755,192</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212)</u>
<i>Other financing sources (uses)</i>				
Proceeds from the sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(212)</u>
<i>Fund balances - beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (212)</u>

See independent auditors' report.

Breakfast for Elementary Students 27155	Kindergarten - Three Plus 27166	ALD4ALL Kellogg Foundation 27401	CYFD Parents as Teachers Model 28193
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
79,451	1,262,464	-	-
-	-	-	320,721
-	-	-	-
-	-	-	-
-	-	-	-
<u>79,451</u>	<u>1,262,464</u>	<u>-</u>	<u>320,721</u>
-	949,031	-	-
-	25,353	-	313,106
-	27,383	-	-
-	-	-	5,481
-	93,040	-	-
-	-	-	-
-	-	-	2,134
-	167,657	-	-
79,451	-	-	-
-	-	-	-
<u>79,451</u>	<u>1,262,464</u>	<u>-</u>	<u>320,721</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

Statement B-2
Page 4 of 4

	Industrial Revenue Bonds Payments in Lieu of Taxes 29135	Total
<i>Revenues</i>		
Property taxes	\$ -	\$ -
Intergovernmental revenue:		
Federal flowthrough	-	4,914,608
Federal direct	-	2,543,903
Local sources	104,508	849,742
State flowthrough	-	3,381,055
State direct	-	320,721
Charges for services	-	711,427
Investment income	-	694
Miscellaneous income	-	7,298
<i>Total revenues</i>	104,508	12,729,448
<i>Expenditures</i>		
Current:		
Instruction	16,110	7,019,679
Support services - students	-	1,713,843
Support services - instruction	-	1,163,393
Support services - general administration	-	118,859
Support services - school administration	-	99,022
Central services	-	-
Operation and maintenance of plant	-	27,308
Student transportation	-	358,815
Food services operations	-	442,614
Capital outlay	-	34,500
<i>Total expenditures</i>	16,110	10,978,033
<i>Excess (deficiency) of revenues over expenditures</i>	88,398	1,751,415
<i>Other financing sources (uses)</i>		
Proceeds from the sale of assets	-	360
<i>Total other financing sources (uses)</i>	-	360
<i>Net change in fund balances</i>	88,398	1,751,775
<i>Fund balances - beginning</i>	395,198	4,391,938
<i>Fund balances - end of year</i>	\$ 483,596	\$ 6,143,713

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2017

	Special Capital Outlay - State 31400	Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701
	<u> </u>	<u> </u>	<u> </u>
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ 3,470,492
Receivables:			
Property taxes	-	-	302,302
Due from other governments	-	998,350	-
Due from other funds	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 998,350</u>	<u>\$ 3,772,794</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 66,059	\$ 8,998
Due to other funds	-	378,088	-
<i>Total liabilities</i>	<u>-</u>	<u>444,147</u>	<u>8,998</u>
 <i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	-	-	216,551
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>216,551</u>
 <i>Fund balances</i>			
<i>Spendable:</i>			
<i>Restricted for:</i>			
Capital acquisitions and improvements	-	554,203	3,547,245
<i>Total fund balances</i>	<u>-</u>	<u>554,203</u>	<u>3,547,245</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>\$ 998,350</u>	<u>\$ 3,772,794</u>

See independent auditors' report.

Education Technology Equipment Act 31900	Total
\$ 159,136	\$ 3,629,628
-	302,302
-	998,350
-	-
<u>\$ 159,136</u>	<u>\$ 4,930,280</u>
\$ 10,199	\$ 85,256
-	378,088
<u>10,199</u>	<u>463,344</u>
-	216,551
-	216,551
<u>148,937</u>	<u>4,250,385</u>
<u>148,937</u>	<u>4,250,385</u>
<u>\$ 159,136</u>	<u>\$ 4,930,280</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Project Funds
For the Year Ended June 30, 2017

	Special Capital Outlay - State 31400	Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701
<i>Revenues</i>			
Property taxes	\$ -	\$ -	\$ 1,819,396
Intergovernmental revenue:			
Federal flowthrough	-	-	-
Federal direct	-	-	-
Local sources	-	-	-
State flowthrough	-	2,001,907	-
State direct	-	-	-
Charges for services	-	-	-
Investment income	-	-	1,078
Miscellaneous income	-	507	-
<i>Total revenues</i>	<u>-</u>	<u>2,002,414</u>	<u>1,820,474</u>
<i>Expenditures</i>			
Current:			
Instruction	-	-	-
Support services - students	-	-	-
Support services - instruction	-	-	-
Support services - general administration	-	-	17,856
Support services - school administration	-	-	-
Central services	-	-	-
Operation and maintenance of plant	-	1,714,970	1,986,845
Student transportation	-	-	-
Food services operations	-	-	-
Capital outlay	-	56,223	50,245
<i>Total expenditures</i>	<u>-</u>	<u>1,771,193</u>	<u>2,054,946</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>231,221</u>	<u>(234,472)</u>
<i>Other financing sources (uses)</i>			
Bond proceeds	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	231,221	(234,472)
<i>Fund balances - beginning</i>	<u>-</u>	<u>322,982</u>	<u>3,781,717</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 554,203</u>	<u>\$ 3,547,245</u>

See independent auditors' report.

Education Technology Equipment Act 31900	Total
\$ -	\$ 1,819,396
-	-
-	-
-	-
-	2,001,907
-	-
-	-
-	1,078
-	507
<u>-</u>	<u>3,822,888</u>
-	-
-	-
-	-
-	17,856
-	-
-	-
1,824,694	5,526,509
-	-
-	-
<u>123,988</u>	<u>230,456</u>
<u>1,948,682</u>	<u>5,774,821</u>
<u>(1,948,682)</u>	<u>(1,951,933)</u>
<u>2,000,000</u>	<u>2,000,000</u>
<u>2,000,000</u>	<u>2,000,000</u>
51,318	48,067
<u>97,619</u>	<u>4,202,318</u>
<u>\$ 148,937</u>	<u>\$ 4,250,385</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2017

	Educational Technology Debt Service 43000
<i>Assets</i>	
Cash and cash equivalents	\$ 2,236,320
Investments	-
Receivables:	
Property taxes	428,124
Due from other governments	-
Inventory	-
Due from other funds	-
	-
<i>Total assets</i>	\$ 2,664,444
<i>Liabilities, deferred inflows of resources, and fund balances</i>	
<i>Liabilities</i>	
Accounts payable	\$ -
Due to PED	-
Accrued payroll	-
Accrued compensated absences	-
Due to other funds	-
	-
<i>Total liabilities</i>	-
<i>Deferred inflows of resources</i>	
Unavailable revenue - property taxes	322,768
	322,768
<i>Total deferred inflows of resources</i>	322,768
<i>Fund balances</i>	
<i>Spendable:</i>	
<i>Restricted for:</i>	
Food services	-
Extracurricular activities	-
Education	-
Capital acquisitions and improvements	-
Debt service	2,341,676
	2,341,676
<i>Total fund balances</i>	2,341,676
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 2,664,444

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended June 30, 2017

	Educational Technology Debt Service 43000
<i>Revenues</i>	
Property taxes	\$ 2,154,261
Intergovernmental revenue:	
Federal flowthrough	-
Federal direct	-
Local sources	-
State flowthrough	-
State direct	-
Charges for services	-
Investment income	-
Miscellaneous income	-
<i>Total revenues</i>	2,154,261
<i>Expenditures</i>	
Current:	
Instruction	-
Support services - students	-
Support services - instruction	-
Support services - general administration	21,509
Support services - school administration	-
Central services	-
Operation and maintenance of plant	-
Student transportation	-
Other support services	-
Food services operations	-
Community service operations	-
Capital outlay	-
Debt Service:	
Principal	4,000,000
Interest	6,032
<i>Total expenditures</i>	4,027,541
<i>Net change in fund balances</i>	(1,873,280)
<i>Fund balances - beginning</i>	4,214,956
<i>Fund balances - end of year</i>	\$ 2,341,676

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Balance Sheet
General Fund
June 30, 2017

Statement E-1

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 26,228,171	\$ 2,895	\$ 1,283,565	\$ 27,514,631
Investments	-	-	-	-
Receivables:				
Property taxes	57,536	-	-	57,536
Inventory	721,117	-	-	721,117
Due from other funds	3,413,647	-	-	3,413,647
<i>Total assets</i>	<u>\$ 30,420,471</u>	<u>\$ 2,895</u>	<u>\$ 1,283,565</u>	<u>\$ 31,706,931</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 362,784	\$ 66	\$ 1,008	\$ 363,858
Accrued payroll	4,774,762	2,532	-	4,777,294
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>5,137,546</u>	<u>2,598</u>	<u>1,008</u>	<u>5,141,152</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	38,351	-	-	38,351
<i>Total deferred inflows of resources</i>	<u>38,351</u>	<u>-</u>	<u>-</u>	<u>38,351</u>
 <i>Fund Balances</i>				
Nonspendable:				
Inventory	721,117	-	-	721,117
Spendable:				
Restricted for:				
Transportation	-	297	-	297
Instructional materials	-	-	1,282,557	1,282,557
Committed for:				
Subsequent year's expenditures	18,778,907	-	-	18,778,907
Unassigned	5,744,550	-	-	5,744,550
<i>Total fund balances</i>	<u>25,244,574</u>	<u>297</u>	<u>1,282,557</u>	<u>26,527,428</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 30,420,471</u>	 <u>\$ 2,895</u>	 <u>\$ 1,283,565</u>	 <u>\$ 31,706,931</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2017

Statement E-2

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Revenues</i>				
Property taxes	\$ 370,589	\$ -	\$ -	\$ 370,589
Intergovernmental revenue:				
Federal flowthrough	220,139	-	-	220,139
Federal direct	14,166	-	-	14,166
Local sources	-	-	-	-
State flowthrough	565,823	-	823,729	1,389,552
State direct	97,343,362	-	-	97,343,362
Transportation distribution	-	4,711,800	-	4,711,800
Charges for services	351,315	-	-	351,315
Investment income	10,248	-	-	10,248
Miscellaneous	1	364	-	365
<i>Total revenues</i>	<u>98,875,643</u>	<u>4,712,164</u>	<u>823,729</u>	<u>104,411,536</u>
<i>Expenditures</i>				
Current:				
Instruction	64,524,734	-	349,999	64,874,733
Support services - students	9,992,310	-	-	9,992,310
Support services - instruction	3,967,019	-	-	3,967,019
Support services - general administration	613,752	-	-	613,752
Support services - school administration	6,343,215	-	-	6,343,215
Central services	2,377,338	-	-	2,377,338
Operation and maintenance plant	12,602,679	-	-	12,602,679
Student transportation	482,103	4,712,036	-	5,194,139
Food services operations	-	-	-	-
Community services operations	47,984	-	-	47,984
Capital Outlay	-	-	-	-
<i>Total expenditures</i>	<u>100,951,134</u>	<u>4,712,036</u>	<u>349,999</u>	<u>106,013,169</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,075,491)</u>	<u>128</u>	<u>473,730</u>	<u>(1,601,633)</u>
<i>Other financing sources (uses):</i>				
Proceeds from sale of capital assets	14,472	-	-	14,472
<i>Total other financing sources (uses)</i>	<u>14,472</u>	<u>-</u>	<u>-</u>	<u>14,472</u>
<i>Net change in fund balances</i>	(2,061,019)	128	473,730	(1,587,161)
<i>Fund balances - beginning</i>	<u>27,305,593</u>	<u>169</u>	<u>808,827</u>	<u>28,114,589</u>
<i>Fund balances - end of year</i>	<u>\$ 25,244,574</u>	<u>\$ 297</u>	<u>\$ 1,282,557</u>	<u>\$ 26,527,428</u>

See independent auditors' report.

STATE OF NEW MEXICO

Statement E-3

Gadsden Independent School District No. 16

Operating Fund - 11000

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 368,616	\$ 368,616	\$ 448,045	\$ 79,429
Intergovernmental revenue:				
Federal flowthrough	131,000	131,000	220,139	89,139
Federal direct	10,000	10,000	14,166	4,166
Local sources	-	-	-	-
State flowthrough	9,000	9,000	565,823	556,823
State direct	100,858,612	97,347,278	97,343,362	(3,916)
Transportation distribution	-	-	-	-
Charges for services	105,000	105,000	351,315	246,315
Investment income	4,000	4,000	10,248	6,248
Miscellaneous	-	-	1	1
Total revenues	101,486,228	97,974,894	98,953,099	978,205
<i>Expenditures</i>				
Current:				
Instruction	70,936,395	71,439,279	64,735,169	6,704,110
Support services - students	10,962,744	11,011,744	9,992,852	1,018,892
Support services - instruction	4,430,255	4,550,255	3,959,902	590,353
Support services - general administration	895,426	895,554	590,014	305,540
Support services - school administration	6,572,967	6,651,756	6,345,230	306,526
Central services	2,691,001	2,691,001	2,370,749	320,252
Operation and maintenance of plant	14,199,707	15,454,707	12,618,518	2,836,189
Student transportation	-	484,320	482,103	2,217
Other support services	7,728,708	7,204,430	-	7,204,430
Food services operations	32,898	32,898	-	32,898
Community services operations	65,000	127,750	47,984	79,766
Capital Outlay	150,000	150,000	-	150,000
Total expenditures	118,665,101	120,693,694	101,142,521	19,551,173
<i>Excess (deficiency) of revenues over expenditures</i>	(17,178,873)	(22,718,800)	(2,189,422)	20,529,378
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	17,178,873	22,718,800	-	(22,718,800)
Proceeds from sale of capital assets	-	-	14,472	14,472
Total other financing sources (uses)	17,178,873	22,718,800	14,472	(22,704,328)
<i>Net change in fund balance</i>	-	-	(2,174,950)	(2,174,950)
<i>Fund balance - beginning of year</i>	-	-	31,816,768	31,816,768
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 29,641,818	\$ 29,641,818
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (2,174,950)
Adjustments to revenues for taxes and intergovernmental revenue				(77,456)
Adjustments to expenditures for supplies and payroll expenditures				191,387
Net change in fund balance (GAAP Basis)				\$ (2,061,019)

See independent auditors' report.

STATE OF NEW MEXICO

Statement E-4

Gadsden Independent School District No. 16

Pupil Transportation Fund - 13000

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	5,052,871	4,711,800	4,711,800	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	364	364
Total revenues	5,052,871	4,711,800	4,712,164	364
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	5,052,871	4,711,970	4,711,970	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	5,052,871	4,711,970	4,711,970	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(170)	194	364
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	-	170	-	(170)
Total other financing sources (uses)	-	170	-	(170)
<i>Net change in fund balance</i>	-	-	194	194
<i>Fund balance - beginning of year</i>	-	-	2,701	2,701
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 2,895	\$ 2,895
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 194
No adjustments to revenues				-
Adjustments to expenditures for student transportation				(66)
Net change in fund balance (GAAP Basis)				\$ 128

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STATE OF NEW MEXICO

Statement E-5

Gadsden Independent School District No. 16

Instructional Materials Fund - 14000

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	740,197	618,163	823,729	205,566
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	740,197	618,163	823,729	205,566
<i>Expenditures</i>				
Current:				
Instruction	1,539,833	1,427,853	349,854	1,077,999
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Community services operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	1,539,833	1,427,853	349,854	1,077,999
<i>Excess (deficiency) of revenues over expenditures</i>	(799,636)	(809,690)	473,875	1,283,565
<i>Other financing sources (uses):</i>				
Designated cash (budgeted increase in cash)	799,636	809,690	-	(809,690)
Total other financing sources (uses)	799,636	809,690	-	(809,690)
<i>Net change in fund balance</i>	-	-	473,875	473,875
<i>Fund balance - beginning of year</i>	-	-	809,690	809,690
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,283,565	\$ 1,283,565
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 473,875
No adjustments to revenues				-
Adjustments to expenditures for instructional expenditures				(145)
<i>Net change in fund balance (GAAP Basis)</i>				\$ 473,730

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Anthony Elementary	\$ -	\$ 2,191	\$ 649	\$ 1,542
Berino Elementary	-	706	567	139
Chaparral Middle School	17,914	59,127	51,035	26,006
Chaparral High School	73,878	114,428	115,386	72,920
Gadsden Elementary	-	8,155	3,058	5,097
Gadsden Middle School	22,544	40,466	37,717	25,293
Gadsden High School	142,145	270,767	260,165	152,747
Santa Teresa Middle School	12,066	28,222	25,915	14,373
Santa Teresa High School	115,797	238,150	220,255	133,692
Desert Pride Academy	1,379	660	186	1,853
Alta Vista Early College High School	3,730	4,076	3,056	4,750
Loma Linda Elementary	-	7,510	6,029	1,481
Mesquite Environmental	811	1,568	919	1,460
North Valley Elementary	-	4,598	1,964	2,634
Riverside Elementary	-	3,782	3,630	152
Vado Elementary	-	8,148	4,895	3,253
Sunland Park Elementary	-	432	106	326
Yucca Heights Elementary	-	3,887	3,550	337
Construction Surplus	3,975	546	4,593	(72)
Holiday Food Baskets	-	703	614	89
La Union JTP	533	-	-	533
Fiesta Educativa	16,525	-	-	16,525
PAWS - Gadsden High School	683	-	-	683

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	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Feds. Christmas Food Baskets	95	-	-	95
Literacy Fest	700	-	-	700
Service Learning Project	11,531	-	-	11,531
Teacher of the Year	11,270	-	2,175	9,095
Trucha - Drug Free Program	54	-	-	54
Nurse's Department	600	-	-	600
Spanish Spelling Bee	298	-	-	298
Unemployment Ins. Reserve Fund	254,696	75,815	55,504	275,007
Cancer Awareness	841	21,837	22,678	-
Total	<u>\$ 692,065</u>	<u>\$ 895,774</u>	<u>\$ 824,646</u>	<u>\$ 763,193</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2017

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market June 30, 2017
Wells Fargo	FNMA FNMS 3.000% Collateral for deposit accounts	2/1/2043	3138W4ZH7	\$ 9,526,383 <u>9,526,383</u>
	FHG-3G08641 3.5%	5/1/2045	3128MJWB2	11,081,706
	FHG-3G08641 3.5%	5/1/2045	3128MJWB2	5,450,974
	FHG-3G08641 3.5%	5/1/2045	3128MJWB2	14,532,366
	FHG-3G08641 3.5% Collateral for repurchase agreements	5/1/2045	3128MJWB2	<u>23,737,663</u> <u>54,802,709</u>
	Total Wells Fargo			<u>64,329,092</u>

Name and location of safekeeper for above pledged collateral:
Bank of New York Mellon and Wells Fargo Bank (Repurchase Agreement Securities)

Bank of the West	GNMA2 SINGLE FAMILY	9/20/2043	36179NM96	147,419
	FN 1339C MP PAC FIX	5/25/2028	3136AEEF0	1,985,510
	GNMA2 ARM MULTIPLE	3/20/2043	36179M6H8	48,105
	G2SF MA3309	12/20/1945	36179RVA4	163,297
	GNMA2 SINGLE FAMILY	9/20/2043	36179NM96	818,995
	GNMA2 ARM MULTIPLE	1/20/2043	36179MYQ7	499,226
	GNMA1 SINGLE FAMILY	1/15/2042	36176W7E5	29,310
	GNMA2 SINGLE FAMILY	9/20/2043	36179NM96	1,215,389
	MINOT N D RFDG-HWY-SER D	10/1/2017	60436PHY1	145,307
	GNSF AL9314	10/1/2017	36184HK37	<u>473,592</u>
	Total Bank of the West			<u>5,526,150</u>

Name and location of safekeeper for above pledged collateral:
Bank of the West

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Collateral Pledged by Depository for Public Funds
June 30, 2017

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2017</u>
First American Bank				
	BERNALILLO SD#1 - REF Collateral for deposit accounts	8/1/2020	085279QY6	409,476 <u>409,476</u>
	GNMA 15YR	6/15/2019	36241LWS1	264,299
	GNMA 15YR	1/15/2025	3620A9ZR5	195,451
	GNMA 15YR	4/15/2025	3620AQ5X7	280,281
	FNMA 15YR	4/1/2027	3138EH4H2	621,310
	SLVR-GNMA 15YR	8/15/2027	36178NB99	272,105
	FHLMC 15YR	11/1/2027	31306YKG5	401,963
	SLVR-GNMA II ARM	5/20/2035	36225DP24	92,764
	GNMA 30YR	1/15/2036	36292GLU7	93,662
	GNMA 30YR	3/15/2036	36241KKS6	74,575
	GNMA II 5x1 Collateral for repurchase agreements	8/20/2042	36179MLM0	394,851 <u>2,691,261</u>
Total First American Bank				<u>3,100,737</u>
Name and location of safekeeper for above pledged collateral: Federal Home Loan Bank				
<i>Total collateral pledged</i>				<u>\$ 72,955,979</u>

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STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Deposits and Investments
June 30, 2017

Schedule III

<u>Bank Account Type/ Name</u>	<u>Wells Fargo</u>	<u>Bank of the West</u>	<u>First American Bank</u>	<u>Total</u>
Cash Deposits:				
Checking - Operational	\$ 9,750,803	\$ -	\$ -	\$ 9,750,803
Checking - Activity	1,325,327	-	9,993	1,335,320
Checking - Athletics	579,152	-	-	579,152
Checking - Building	-	-	200,000	200,000
Checking - Food Services	-	-	-	-
Checking - Payroll Clearing	-	-	-	-
Checking - Accounts Payable Clearing	-	-	-	-
Checking - Debt Service	-	11,163,291	-	11,163,291
Savings - Building	5,025,213	-	-	5,025,213
Certificate of Deposit - Operational	1,013,553	-	-	1,013,553
Certificate of Deposit - Athletics	25,193	-	-	25,193
Certificate of Deposit - Athletics	101,352	-	-	101,352
Total Cash Deposits	<u>17,820,593</u>	<u>11,163,291</u>	<u>209,993</u>	<u>29,193,877</u>
Investments:				
Sweep Account Balance	53,728,144	-	2,309,892	56,038,036
Total Investments	<u>53,728,144</u>	<u>-</u>	<u>2,309,892</u>	<u>56,038,036</u>
Total Deposits and Investments	71,548,737	11,163,291	2,519,885	85,231,913
Reconciling items	<u>(1,348,400)</u>	<u>-</u>	<u>7</u>	<u>(1,348,393)</u>
Plus: Cash on hand				<u>385</u>
<i>Reconciled balance June 30, 2017</i>	<u><u>\$ 70,200,337</u></u>	<u><u>\$ 11,163,291</u></u>	<u><u>\$ 2,519,892</u></u>	<u><u>\$ 83,883,905</u></u>
Reconciliation to financial statements:				
Cash and cash equivalents:				
Government-wide statement of net position - Exhibit A-1				\$ 71,957,421
Restricted cash and cash equivalents:				
Government-wide statement of net position - Exhibit A-1				11,163,291
Statement of fiduciary net position agency funds - Exhibit D-1				<u>763,193</u>
<i>Cash and cash equivalents per Financial Statements</i>				<u><u>\$ 83,883,905</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Cash Reconciliation
For the Year Ended June 30, 2017

	Operational 11000	Teachorage 12000	Transportation 13000	Instructional Materials 14000	Food Services 21000
Audited Cash June 30, 2016	\$ 27,372,547	\$ -	\$ 3,345	\$ 809,690	\$ 13,302,009
Add:					
2016-2017 receipts	98,967,573	-	4,712,164	945,762	9,801,797
Total cash available	126,340,120	-	4,715,509	1,755,452	23,103,806
Less:					
2016-2017 expenditures	(101,135,274)	-	(4,711,970)	(349,854)	(8,876,792)
Permanent cash transfers	-	-	(169)	(122,033)	-
Adjustments	-	-	-	-	-
Cash per PED	25,204,846	-	3,370	1,283,565	14,227,014
Add / Less:					
Negative cash loans from (to)	964,110	-	-	-	-
Change in payroll accruals	59,215	-	(475)	-	13,145
<i>Cash per financial statement</i>	<u>\$ 26,228,171</u>	<u>\$ -</u>	<u>\$ 2,895</u>	<u>\$ 1,283,565</u>	<u>\$ 14,240,159</u>

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Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000	State Flowthrough 27000
\$ 597,608	\$ 552,180	\$ -	\$ 1,099,093	\$ 1,493,706	\$ -
<u>137,571</u>	<u>648,990</u>	<u>14,553,029</u>	<u>2,059,929</u>	<u>878,134</u>	<u>3,321,552</u>
<u>735,179</u>	<u>1,201,170</u>	<u>14,553,029</u>	<u>3,159,022</u>	<u>2,371,840</u>	<u>3,321,552</u>
(29,482)	(618,095)	(13,179,182)	(867,519)	(340,992)	(3,369,839)
-	-	(4,762)	-	-	-
-	-	-	-	-	-
<u>705,697</u>	<u>583,075</u>	<u>1,369,085</u>	<u>2,291,503</u>	<u>2,030,848</u>	<u>(48,287)</u>
-	-	(1,349,884)	-	-	81,180
-	-	(19,201)	(4,380)	(9,412)	(32,893)
<u>\$ 705,697</u>	<u>\$ 583,075</u>	<u>\$ -</u>	<u>\$ 2,287,123</u>	<u>\$ 2,021,436</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Cash Reconciliation
For the Year Ended June 30, 2017

	State Direct 28000	Local or state 29000	Bond Building 31100	Public School Capital Outlay 31200	Special Capital Outlay Federal 31500
Audited Cash June 30, 2016	\$ -	\$ 395,198	\$ 21,227,056	\$ -	\$ -
Add:					
2016-2017 receipts	394,945	104,508	9,558,955	-	-
Total cash available	394,945	499,706	30,786,011	-	-
Less:					
2016-2017 expenditures	(322,315)	(16,110)	(10,293,935)	-	-
Permanent cash transfers	-	-	-	-	-
Adjustments	-	-	-	-	-
Cash per PED	72,630	483,596	20,492,076	-	-
Add / Less:					
Negative cash loans from (to)	(73,496)	-	-	-	-
Change in payroll accruals	866	-	-	-	-
<i>Cash per financial statement</i>	<u>\$ -</u>	<u>\$ 483,596</u>	<u>\$ 20,492,076</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

Capital Improvements SB-9 31700	Capital Improvements SB-9 Local 31701	Education Technology Equipment Act 31900	Debt Service 41000	Ed Tech Debt Service 43000	Total
\$ 3,316,961	\$ -	\$ 98,144	\$ 6,657,325	\$ 3,165,933	\$ 80,090,795
1,604,892	2,199,479	2,000,000	13,176,430	3,097,928	168,163,638
4,921,853	2,199,479	2,098,144	19,833,755	6,263,861	248,254,433
(1,982,982)	(2,045,948)	(1,939,008)	(10,906,784)	(4,027,541)	(165,013,622)
(3,316,961)	3,316,961	-	-	-	(126,964)
-	-	-	-	-	-
(378,090)	3,470,492	159,136	8,926,971	2,236,320	83,113,847
378,090	-	-	-	-	-
-	-	-	-	-	6,865
\$ -	\$ 3,470,492	\$ 159,136	\$ 8,926,971	\$ 2,236,320	\$ 83,120,712

See independent auditors' report.

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds of the Gadsden Independent School District No. 16 (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 have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described on the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as finding FS 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMFA 1978 findings as items NM 2017-001, NM 2017-002, and NM 2017-003.

District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 18, 2017

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FEDERAL FINANCIAL ASSISTANCE

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Education and Management
Gadsden Independent School District No. 16
Timothy Keller
New Mexico State Auditor
U.S. Office of Management and Budget
Sunland Park, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Gadsden Independent School District No. 16's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cordova CPAs LLC
Albuquerque, New Mexico
October 18, 2017

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor or Pass-Through Grantor / Program Title	Pass Thru Numbe	Federal CFDA Number		Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
U.S. Department of Education						
<i>Passed through New Mexico Public Education Department</i>						
Title I - IASA	24101	84.010		\$ 7,805,430	\$ -	\$ -
Migrant Children Education	24103	84.011		54,860	-	-
IDEA-B Entitlement	24106	84.027	(1)	3,376,090	-	-
IDEA-B Competitive	24108	84.027	(1)	5,441	-	-
IDEA-B Preschool	24109	84.173	(1)	80,219	-	-
Education of Homeless	24113	84.196		18,672	-	-
Title III English Language Acquisition	24153	84.365		484,615	-	-
Teacher/ Principal Training /Recruiting	24154	84.367A		812,793	-	-
Carl Perkins	24174	84.048	(2)	169,651	-	-
Carl Perkins	24176	84.048	(2)	27,257	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>12,835,028</u>	<u>-</u>	<u>-</u>
<i>Total U.S. Department of Education</i>				<u>12,835,028</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture						
<i>Passed through New Mexico Public Education Department</i>						
Fresh Fruits and Vegetables	24118	10.582		363,163	-	-
Child Nutrition Cluster	21000	10.553	(3)*	2,942,757	-	-
Child Nutrition Cluster	21000	10.555	(3)*	668,427	-	668,427
Child Nutrition Cluster	21000	10.555	(3)*	5,989,784	-	-
<i>Subtotal - Passed through New Mexico Public Education Department</i>				<u>9,964,131</u>	<u>-</u>	<u>668,427</u>
<i>Total U.S. Department of Agriculture</i>				<u>9,964,131</u>	<u>-</u>	<u>668,427</u>
<i>Total Federal Financial Assistance</i>				<u>\$ 22,799,159</u>	<u>\$ -</u>	<u>\$ 668,427</u>

* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.
See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Gadsden Independent School District No. 16 and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2 Loans

The District did not expend federal awards related to loans or loan guarantees during the year.

3 10% de minimus Indirect Cost Rate

The District did not elect to use the allowed 10% indirect cost rate.

4 Federally Funded Insurance

The District has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 22,799,159
Total expenditures funded by other sources	<u>161,873,173</u>
<i>Total expenditures (Exh B-2)</i>	<u><u>\$ 184,672,332</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Gadsden Independent School District No. 16
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | | | | | |
|--|------------------------------|------------------------|-------------------|---------------------------|--|
| 1. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | None noted | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"> <u>CFDA</u>
 <u>Number</u> </td> <td style="width: 50%; text-align: center;"> <u>Federal Program</u> </td> </tr> <tr> <td style="text-align: center;">10.553 and 10.555</td> <td style="text-align: center;">Student Nutrition Cluster</td> </tr> </table> | <u>CFDA</u>
<u>Number</u> | <u>Federal Program</u> | 10.553 and 10.555 | Student Nutrition Cluster | |
| <u>CFDA</u>
<u>Number</u> | <u>Federal Program</u> | | | | |
| 10.553 and 10.555 | Student Nutrition Cluster | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | |

SECTION II - FINANCIAL STATEMENT FINDINGS

ES 2017-001 Deficiencies of IT Controls – User Access (Significant Deficiency)

Condition: During our audit, we noted that adequate controls for access to various modules in Visions (District's accounting system) were not implemented by management to include the following:

- Restrict access to properly authorized individuals. All requests or modifications for access to the network, application, and database environments are not set up in response to properly authorized requests from management.
- Periodic review of user access rights within the various modules was not performed.

Criteria: According to NMAC 1.12, provides guidance on an Enterprise Security Policy for the protection of information technology (IT) assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information. In addition, the Committee of Sponsoring Organizations (COSO) COSO Internal Control – Integrated Framework (2013), consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring, which includes the implementation of good internal controls over IT general computer controls within the organization.

Effect: Lack of policies, access restriction, and monitoring increases the risk of fraud or errors in the day to day operations of the accounting and human resources departments. Adequate protection has not been implemented to ensure proper user access, within Visions, which considers changes within the organization's structure.

Cause: The District was not made aware of these internal control deficiencies in prior years.

Auditors' Recommendations: The District should consider implementing the following recommendations:

- Establish written policies governing the periodic review of user access controls, specifically in Visions.
- Set permissions within Visions to restrict the access of computer users to only the modules required by job title and job function. The Payroll and Human Resources functions should not have equal permissions (access) within Visions and they should not all have full access rights to each respective department. They should be able to have full access only the modules necessary to perform their duties.
- A management level position in the accounting department should perform a review of the user access at a minimum on a semi-annual basis. This review should be documented and take into consideration any new positions filled, vacancies, and promotions within the District.

Agency Response: The Gadsden ISD (Associate Superintendent for Finance working with the Technology Director and other top management officials within the District) will establish written policies and procedures during FY 2018 for managing and monitoring access in Visions, the District's accounting software system. The written policy will ensure that user accounts in Visions are established based on an employee's job description and responsibilities. Furthermore, the District will review user access controls semiannually to ensure compliance with security measures that aim to deter, prevent and detect fraud. The review will include the timely approval of system access and review of relevant system access for current users. Idle or terminated employee user accounts will be disabled timely.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Schedule VI

SECTION III - FEDERAL AWARD FINDINGS

None noted

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

NM 2017-001 Capital Assets (Findings that do not rise to the level of significant deficiency)

Condition: During our audit over capital assets we noted the following:

- There were assets that were expensed to repair and maintenance accounts that should have been capitalized during the year. The amount of assets reclassified as capital assets was \$41,583.
- Assets that were properly placed in service during the year did not have accurate placed in-service dates.

Criteria: According to NMAC 6.20.2.22 and GASB Statement No. 34 (Generally Accepted Accounting Principles), capital assets shall be acquired and accounted for through the development and implementation of a complete property control system and be accounted for in accordance with generally accepted accounting principles.

Effect: Without proper accounting of capital assets balances year end, the financial statements of the District may be misstated. The users of the financial statement may not be provided with timely or accurate capital assets information.

Cause: There was a repeated finding in prior years in which the District worked very hard to resolve. They did accomplish this and adjusted for differences in the beginning balances, however there was an oversight in reviewing the repairs and maintenance accounts which usually do not have capital expenditures (not 4000 function).

Auditors' Recommendations: We recommend that the District 1) begin the reconciliation of capital assets earlier in the process of the financial close at year end and 2) ensure that a review of repair and maintenance accounts is conducted during the year-end capital asset inventory count.

Agency's Response: The District (Associate Superintendent for Finance and Director of Financial Operations during FY 2018) has identified opportunities to train personnel on the correct coding of purchases qualifying as capital assets. Training will be performed to ensure an understanding of the rules for capitalization of assets and to ensure that the capital expense codes are used when purchasing these assets. In addition, the Finance Department will implement a regular process for monitoring purchases to ensure capital assets have been identified, coded correctly and capitalized as required.

A Process Checklist has been adapted as part of the reconciliation of capital assets process to monitor key components and requirements. The checklist will be used to ensure that each step of the process is verified and complete. It was also serve as a reminder to change the Construction-In-Progress date of an asset to the In-Service date once an asset has been placed in service.

SECTION IV – SECTION 12-6-5 NMSA FINDINGS (continued)

NM 2017-002 Controls over Inventory (Findings that do not rise to the level of significant deficiency)

Condition: During our audit we noted the following:

- The year end inventory (supplies) was not accurate as asserted by management because some (5 out of a sample of 10 items) of the counts were inaccurate and pricing of certain inventory items was inaccurate for the items we tested in our sample. We were not able to calculate the potential misstatement or error in the original listing. A completely revised inventory listing was provided subsequent to the financial close to include corrections of items discovered.

Criteria: According to NMAC 6.20.2.16, each school district shall take a physical inventory of remaining goods and materials of an expendable nature (items that are consumed in the normal course of operating the district). School districts shall establish adequate internal accounting control procedures over supplies inventory in accordance with generally accepted accounting principles.

Effect: Without proper inventory controls, the District may not know the accurate quantity of items on hand at any given point and time, and the District's inventory balances at year end are misstated.

Cause: The inventory count at year end was not reviewed (control deficiency) and not enough focus was given to this process during the financial close.

Auditors' Recommendation: The District must implement more structure around the inventory process to ensure accurate counts are obtained and all pricing is at lower of cost or market. In addition, at year end the inventory summaries should be reviewed for accuracy, including test counts and pricing accuracy and, lastly, be reconciled to the general ledger.

Agency's Response: The District has a manual inventory system that is highly labor-intensive and requires continuous monitoring to ensure that each transaction is properly accounted for and that products are maintained at the appropriate stocking levels. The current system relies heavily on the actions of people, which increases the possibility of human error. The District (Associate Superintendent for Support Services and Physical Plant Director) is currently implementing a computerized inventory control system that will help the District track and analyze physical inventory more efficiently and accurately. The District will continue to focus on fortifying existing inventory control practices to ensure the accurate reporting of inventory pricing and counts. This is a collaborative effort between Finance and the Warehouse management.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Schedule VI

NM 2017-003 Controls and Compliance over Payroll and Human Resources (Findings that do not rise to the level of significant deficiency)

Condition: During testwork over payroll and the human resource functions we noted the following:

- 5 out of 10 employees that were tested either did not have Form I-9s reverified after documents expired or were incomplete
- We noted 1 out of 15 payroll disbursements from the Student Nutrition Cluster, where there was an error in calculating the timesheet (should be 5.25 hours, however, they calculated at 4.75) resulting in an underpayment of salaries for time worked
- Dual authorizations are not required to submit, and then approve processing of ACH transactions

Criteria: According NMAC 6.20.2.18, the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. School districts shall maintain and have available for inspection the following employee record documentation: employment contracts (including increments), personnel/payroll action forms, certification records, employment eligibility verification (federal form I-9 for citizenship certification), federal and state withholding allowance certificates, pay deduction authorizations, pay or position change notices, Educational Retirement Act plan application, and direct deposit authorizations.

Effect: The District underpaid an employee for time worked. The employee files of the District employees tested (potentially more) are not complete and in accordance with State and Federal regulations. Lastly, one person can submit and approve the processing of ACH transactions which exposes the District's assets to misappropriation.

Cause: These were a result of human error, oversights, and not being made aware of these deficiencies in prior years.

Auditors' Recommendations: We recommend that the District review the employee's files to ensure they all have the required documentation, including Form I-9, to comply with all state and federal regulations. In addition, we recommend that a review over hourly timesheet payroll processes be performed to ensure an accurate payroll.

Agency's Response:

Corrective action for I-9 Forms: We agree with the auditors' recommendation, and the following action will be taken to improve the situation. A report out of the HR Visions module will be run periodically to validate that all employees have a current and complete I-9 Form on file. The HR module will be used to track upcoming I-9 expirations and will flag employee's whose file is incomplete. The HR Coordinator will document the business processes for verifying I-9 by the end of the third quarter of 2017-18.

Corrective action for payroll disbursements: Guidance and training will be provided to payroll personnel to adopt a standard way to verify time calculated in timesheets to avoid overpayment or underpayment to employees.

Corrective action for ACH transactions: The District (Associate Superintendent for Finance) contacted Wells Fargo Bank to modify the current CEO portal security parameters in place to submit and approve ACH transactions. A request has been submitted to the CEO implementation team to modify the current parameters to include dual authorization. Once implemented the CEO Portal will require that one person submit the ACH file and another person approve. The same person submitting the ACH transaction file will not be able to approve the file.

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Schedule VI

SECTION V. PRIOR YEAR AUDIT FINDINGS

ES 2014-003 Capital Assets (Significant Deficiency) - Resolved

NM 2014-004 (FS 2014-004) Activity Funds (Finding that does not rise to the level of significant deficiency) - Resolved

NM 2016-001 Proceeds from Recycling of Scrap Metal (Findings that do not rise to the level of significant deficiency) - Resolved

NM 2016-002 - Evaluations over Schoolwide Programs (Findings that do not rise to the level of significant deficiency) - Resolved

STATE OF NEW MEXICO
Gadsden Independent School District No. 16
Other Disclosures
June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 19, 2017. In attendance were the following:

Representing Gadsden Independent School District No. 16:

Maria Saenz – Board of Education Member
Laura Salazar Flores – Board of Education Member
Susan Yturalde – Interim Superintendent
Travis L. Dempsey – Incoming Superintendent (telephonically)
Ludym Martinez – Associate Superintendent for Finance
Erica Villarreal – Executive Director for Finance
Yolanda Rivera – Director for Financial Operations

Representing Cordova CPAs LLC:

Robert Cordova, CPA – Partner

Auditor Prepared Financial Statements

Cordova CPAs LLC prepared the GAAP-basis financial statements and footnotes of Gadsden Independent School District No. 16 from the original books and records asserted by management. The responsibility for the financial statements remains with Gadsden Independent School District No. 16.