
STATE OF NEW MEXICO
Grady Municipal Schools
June 30, 2015

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2015
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Official Roster
For the year ended June 30, 2015

Board of Education

Wade Edwards	President
Phillip Borden	Vice-President
Jimmy Schell	Secretary
Quentin Wood	Member
Gerald Garland	Member

School Officials

Ted Trice	Superintendent
Karla Malone	Business Manager

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STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

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GRADY MUNICIPAL SCHOOLS

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Financial Section

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Independent Auditor's Report

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Body
Grady Municipal Schools
Grady, New Mexico

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Grady Municipal Schools (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the District's nonmajor governmental funds, fiduciary funds and the budgetary comparisons for the major capital project fund, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental funds and fiduciary fund of the District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the major capital project fund, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 53-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Supporting Schedules I and II 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.

Supporting Schedules I and II 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supporting Schedules I and II required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 19, 2015 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Sandra Rush CPA PC
Clovis, New Mexico
October 19, 2015

Basic Financial Statements

Government Wide Financial Statements

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets	
Cash	\$ 249,617
Receivables	
Taxes	2,002
Due from grantor	34,675
Other	307
Inventories	<u>20,943</u>
Total current assets	<u>307,544</u>
 Noncurrent assets	
Capital assets	8,207,691
(Less) accumulated depreciation	<u>(3,635,650)</u>
Total non current assets	<u>4,572,041</u>
Total assets	<u>4,879,585</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Employer contributions subsequent to the measurement date	<u>145,752</u>
Total deferred outflows of resources	<u>145,752</u>
Total assets and deferred outflows of resources	<u>\$ 5,025,337</u>

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

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	\$ 5,135
Accrued interest	527
Current portion of long term debt	<u>60,000</u>
Total current liabilities	<u>65,662</u>
Noncurrent liabilities	
Bonds and notes	15,000
Net pension plan	<u>2,112,823</u>
Total noncurrent liabilities	<u>2,127,823</u>
Total liabilities	<u>2,193,485</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Change in proportion	56,850
Actuarial experience	31,474
Investment experience	<u>192,068</u>
Total deferred inflows of resources	280,392
<u>NET POSITION</u>	
Net investment in capital assets	4,497,041
Restricted for:	
General fund	17,334
Special revenue funds	19,167
Capital project fund	68,565
Debt service fund	20,156
Unrestricted	<u>(2,070,803)</u>
Total net position	<u>2,551,460</u>
Total liabilities and net position	<u>\$ 5,025,337</u>

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

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Fund Financial Statements

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2015

General Fund

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
<u>ASSETS</u>				
Cash and cash equivalents	\$ 155,476	\$ 4,075	\$ -	\$ 13,634
Accounts receivable:				
Taxes	110	-	-	-
Due from grantor	-	-	-	-
Due from other funds	5,399	-	-	-
Other	-	-	-	-
Inventory	20,317	-	-	-
Total assets	<u>\$ 181,302</u>	<u>\$ 4,075</u>	<u>\$ -</u>	<u>\$ 13,634</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 4,741	\$ 375	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>4,741</u>	<u>375</u>	<u>-</u>	<u>-</u>
<u>DEFERRED INFLOWS</u>				
Unavailable revenue - state grants	-	-	-	-
<u>FUND BALANCE</u>				
Non-spendable	20,317	-	-	-
Restricted for:				
General fund	-	3,700	-	13,634
Special revenue funds	-	-	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	-
Unassigned:				
Special revenue funds				
General fund	156,244	-	-	-
Total fund balance	<u>176,561</u>	<u>3,700</u>	<u>-</u>	<u>13,634</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 181,302</u>	<u>\$ 4,075</u>	<u>\$ -</u>	<u>\$ 13,634</u>

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

	Special Revenue		Capital Projects			
IDEA - B Entitlement 24106	Teacher / Principal Training and Recruiting 24154	2010 GO Bonds Library 27106	Senate Bill - 9 Capital Outlay 31700	Other Governmental Funds	Total Governmental Funds	
\$ -	\$ -	-	\$ 38,852	\$ 37,580	\$ 249,617	
-	-	-	441	1,451	2,002	
1,089	1,180	2,708	29,276	422	34,675	
-	-	-	-	-	5,399	
-	-	-	-	307	307	
-	-	-	-	626	20,943	
<u>\$ 1,089</u>	<u>\$ 1,180</u>	<u>\$ 2,708</u>	<u>\$ 68,569</u>	<u>\$ 40,386</u>	<u>\$ 312,943</u>	
\$ -	\$ -	\$ -	\$ 4	\$ 15	\$ 5,135	
1,089	1,180	2,708	-	422	5,399	
1,089	1,180	2,708	4	437	10,534	
-	1180	2708	29,276	-	33,164	
-	-	-	-	626	20,943	
-	-	-	-	-	17,334	
-	-	-	-	19,167	19,167	
-	-	-	39,289	-	39,289	
-	-	-	-	20,156	20,156	
-	(1,180)	(2,708)	-	-	(3,888)	
-	-	-	-	-	156,244	
-	(1,180)	(2,708)	39,289	39,949	269,245	
<u>\$ 1,089</u>	<u>\$ 1,180</u>	<u>\$ 2,708</u>	<u>\$ 68,569</u>	<u>\$ 40,386</u>	<u>\$ 312,943</u>	

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STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Reconciliation of the Balance Sheet
All Governmental Funds to the
Statement of Net Position
June 30, 2015

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

Fund balance - total governmental funds	\$ 269,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Capital assets	8,207,691
Accumulated depreciation	(3,635,650)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:	
Unavailable deferred revenues from grant funds not reimbursed within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities	33,164
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:	
Deferred outflows of resources related to employer contribution subsequent to the measurement date	145,752
Deferred inflows of resources related to change in proportion	(56,850)
Deferred inflows of resources related to actuarial experience	(31,474)
Deferred inflows of resources related to investment experience	(192,068)
Accrued interest is not due and payable with current financial resources and, therefore, is not reported in the funds	(527)
Certain liabilities, including accrued compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are not reported in the funds	
General obligation bonds	(75,000)
Net pension liability	<u>(2,112,823)</u>
Net position of governmental activities	<u>\$ 2,551,460</u>

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the year ended June 30, 2015

	General Fund			
	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenues:				
Local sources	\$ 65,710	\$ 3,300	\$ -	\$ 68
State sources	1,881,770	-	227,100	8,537
Federal sources	-	-	-	-
Total revenues	<u>1,947,480</u>	<u>3,300</u>	<u>227,100</u>	<u>8,605</u>
Expenditures:				
Current				
Instruction	1,078,292	-	-	2,798
Support services				
Students	27,611	-	-	-
Instruction	90	-	-	-
General administration	214,213	-	-	-
School administration	90,658	-	-	-
Central services	71,782	-	-	-
Operation & maintenance of plant	276,116	876	-	-
Student transportation	-	-	245,515	-
Other support services	5,142	-	-	-
Operation of non-instructional services				
Food services operations	47,602	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,811,506</u>	<u>876</u>	<u>245,515</u>	<u>2,798</u>
Excess (deficiency) of revenues over expenditures	<u>135,974</u>	<u>2,424</u>	<u>(18,415)</u>	<u>5,807</u>
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	135,974	2,424	(18,415)	5,807
Fund balance, beginning	40,587	1,276	-	7,827
Prior period adjustment	-	-	18,415	-
Fund balance, beginning, restated	<u>40,587</u>	<u>1,276</u>	<u>18,415</u>	<u>7,827</u>
Fund balance, ending	<u>\$ 176,561</u>	<u>\$ 3,700</u>	<u>\$ -</u>	<u>\$ 13,634</u>

The accompanying notes are an integral part of these financial statements

IDEA - B Entitlement 24106	Special Revenue		Capital Projects		
	Teacher / Principal Training and Recruiting 24154	2010 GO Bonds Library 27106	Senate Bill - 9 Capital Outlay 31700	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	-	\$ 16,222	\$ 111,617	\$ 196,917
-	-	1,487	-	150,618	2,269,512
12,266	1,522	-	-	83,832	97,620
12,266	1,522	1,487	16,222	346,067	2,564,049
-	2,702	-	-	47,711	1,131,503
12,266	-	-	-	50,000	89,877
-	-	4,195	-	-	4,285
-	-	-	169	545	214,927
-	-	-	-	-	90,658
-	-	-	-	-	71,782
-	-	-	-	20,500	297,492
-	-	-	-	-	245,515
-	-	-	-	-	5,142
-	-	-	-	56,301	103,903
-	-	-	48,203	100,000	148,203
-	-	-	-	50,000	50,000
-	-	-	-	4,638	4,638
12,266	2,702	4,195	48,372	329,695	2,457,925
-	(1,180)	(2,708)	(32,150)	16,372	106,124
-	-	-	-	-	-
-	-	-	-	-	-
-	(1,180)	(2,708)	(32,150)	16,372	106,124
-	-	-	71,439	23,577	144,706
-	-	-	-	-	18,415
-	-	-	71,439	23,577	163,121
\$ -	\$ (1,180)	\$ (2,708)	\$ 39,289	\$ 39,949	\$ 269,245

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the year ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$ 106,124
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized	187,440
Depreciation expense	(177,864)

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

Change in deferred inflows of resources related to grants	33,164
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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.

Bond payment	50,000
Change in accrued interest payable	674

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

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

Pension expense	<u>19,214</u>
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Change in Net Position of Governmental Activities	<u>\$ 218,752</u>
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STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 General Fund - Operational - 11000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 63,684	\$ 63,684	\$ 65,884	\$ 2,200
State sources	1,654,356	1,806,191	1,881,770	75,579
Federal sources	-	-	-	-
Total revenues	<u>1,718,040</u>	<u>1,869,875</u>	<u>1,947,654</u>	<u>77,779</u>
Expenditures:				
Current				
Instruction	1,082,081	1,115,006	1,078,213	36,793
Support services				
Students	22,042	27,693	27,611	82
Instruction	52	92	90	2
General administration	209,348	225,618	217,976	7,642
School administration	91,941	91,196	90,658	538
Central services	76,661	77,914	74,723	3,191
Operation & maintenance of plant	212,076	299,262	269,786	29,476
Student transportation	-	-	-	-
Other support services	3,696	5,176	4,534	642
Operation of non-instructional services				
Food services operations	42,832	52,332	47,602	4,730
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,740,729</u>	<u>1,894,289</u>	<u>1,811,193</u>	<u>83,096</u>
Excess (deficiency) of revenues over(under) expenditures	(22,689)	(24,414)	136,461	160,875
Other financing sources (uses):				
Operating transfers in (out)	-	-	19,015	19,015
Designated cash	22,689	24,414	-	(24,414)
Total other financing sources (uses)	<u>22,689</u>	<u>24,414</u>	<u>19,015</u>	<u>(5,399)</u>
Net change in fund balances	-	-	155,476	155,476
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,476</u>	<u>\$ 155,476</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 155,476	
Adjustment to revenues for accruals & other deferrals			(19,189)	
Adjustment to expenditures for payables, prepaids & other accruals			(313)	
Net change in fund balance (GAAP Basis)			<u>\$ 135,974</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 General Fund - Teacherage - 12000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 1,500	\$ 1,500	\$ 3,300	\$ 1,800
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>3,300</u>	<u>1,800</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	4,012	2,792	517	2,275
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>4,012</u>	<u>2,792</u>	<u>517</u>	<u>2,275</u>
Excess (deficiency) of revenues over(under) expenditures	(2,512)	(1,292)	2,783	4,075
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	2,512	1,292	-	(1,292)
Total other financing sources (uses)	<u>2,512</u>	<u>1,292</u>	<u>-</u>	<u>(1,292)</u>
Net change in fund balances	-	-	2,783	2,783
Cash balance, beginning of year	-	-	1,292	1,292
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,075</u>	<u>\$ 4,075</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 2,783	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(359)	
Net change in fund balance (GAAP Basis)			<u>\$ 2,424</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 General Fund - Transportation - 13000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	195,662	227,100	227,100	-
Federal sources	-	-	-	-
Total revenues	<u>195,662</u>	<u>227,100</u>	<u>227,100</u>	<u>-</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	195,662	245,515	245,515	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>195,662</u>	<u>245,515</u>	<u>245,515</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	-	(18,415)	(18,415)	-
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	-	18,415	-	(18,415)
Total other financing sources (uses)	<u>-</u>	<u>18,415</u>	<u>-</u>	<u>(18,415)</u>
Net change in fund balances	-	-	(18,415)	(18,415)
Cash balance, beginning of year	-	-	18,415	18,415
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (18,415)	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ (18,415)</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 General Fund - Instructional Materials - 14000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	4,839	8,537	8,605	68
Federal sources	-	-	-	-
Total revenues	<u>4,839</u>	<u>8,537</u>	<u>8,605</u>	<u>68</u>
Expenditures:				
Current				
Instruction	8,386	16,364	2,798	13,566
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>8,386</u>	<u>16,364</u>	<u>2,798</u>	<u>13,566</u>
Excess (deficiency) of revenues over(under) expenditures	(3,547)	(7,827)	5,807	13,634
Other financing sources (uses):				
Operating transfers		-	-	-
Designated cash	<u>3,547</u>	<u>7,827</u>	<u>-</u>	<u>(7,827)</u>
Total other financing sources (uses)	<u>3,547</u>	<u>7,827</u>	<u>-</u>	<u>(7,827)</u>
Net change in fund balances	-	-	5,807	5,807
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>7,827</u>	<u>7,827</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,634</u>	<u>\$ 13,634</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 5,807	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 5,807</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - IDEA-B Entitlement - 24106
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	20,504	28,212	11,177	(17,035)
Total revenues	<u>20,504</u>	<u>28,212</u>	<u>11,177</u>	<u>(17,035)</u>
Expenditures:				
Current:				
Instruction	-	-	-	-
Support services				
Students	20,504	28,212	12,266	15,946
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>20,504</u>	<u>28,212</u>	<u>12,266</u>	<u>15,946</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	(1,089)	(1,089)
Other financing sources (uses):				
Operating transfers in (out)	-	-	1,089	1,089
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,089</u>	<u>1,089</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			1,089	
Adjustment to expenditures for payables, prepaids & other accruals			<u>(1,089)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Teacher/Principal Training and Recruiting - 24154
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	2,071	6,469	1,522	(4,947)
Total revenues	<u>2,071</u>	<u>6,469</u>	<u>1,522</u>	<u>(4,947)</u>
Expenditures:				
Current				
Instruction	2,071	6,469	2,702	3,767
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>2,071</u>	<u>6,469</u>	<u>2,702</u>	<u>3,767</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	(1,180)	(1,180)
Other financing sources (uses):				
Operating transfers in (out)	-	-	1,180	1,180
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,180</u>	<u>1,180</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			<u>(1,180)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (1,180)</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - 2012 GO Bonds Library - 27107
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	4,696	4,696	1,487	(3,209)
Federal sources	-	-	-	-
Total revenues	<u>4,696</u>	<u>4,696</u>	<u>1,487</u>	<u>(3,209)</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	4,696	4,696	4,195	501
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>4,696</u>	<u>4,696</u>	<u>4,195</u>	<u>501</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	(2,708)	(2,708)
Other financing sources (uses):				
Operating transfers in (out)	-	-	2,708	2,708
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>2,708</u>	<u>2,708</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			<u>(2,708)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (2,708)</u>	

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

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>72,718</u>
Total assets	\$ <u><u>72,718</u></u>
<u>LIABILITIES</u>	
Deposits held for others	\$ <u>72,718</u>
Total liabilities	\$ <u><u>72,718</u></u>

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

Notes to Financial Statements

NOTE 1 Summary of Significant Accounting Policies

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

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

During the year ended June 30, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government would recognize a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or non-employer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

A. Financial Reporting Entity

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

reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the Statement of Net 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.

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.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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. Governmental funds include:

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

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

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

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

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

General Fund 11000, 12000, 13000, 14000

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

IDEA-B Entitlement Special Revenue Fund 24106

The purpose of this program is to account for revenue used to help maximize the resources in meeting the objective of handicapped children. The federal revenues in this fund are received from and administered by the New Mexico Department of Education. Authority for the creation of this fund is Part B of the Handicapped Act, Public Law 105-17.

Teacher Principal Training and Recruiting Special Revenue Fund 24154

The purpose of this fund is 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. Authority for creation of this fund is Title II of the Elementary and Secondary Education Act of 1965 as amended, Public Law 103-382.

2010 GO Bond Student Library Special Revenue Fund 27106

Must be used to fund each library facility for improvement or acquisition and to acquire library books and library resources to support the library program. Authority for the creation of this fund is the New Mexico Public Education Department

Senate Bill-9 - Capital Projects Fund 31700

To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building remodeling, and equipping class room facilities. Also to account for resources received from the State of New Mexico General Fund

Additionally, the government reports the following fund types:

Debt Service Fund

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

Fiduciary Funds

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

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.

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.

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.

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

Receivables and Payables: Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS
Notes to the Financial Statements
June 30, 2015

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 Curry County and Quay County. The funds are collected by the County Treasurers and remitted to the District in the following month. Under the modified accrual method of accounting, the amount remitted by the county treasurers in July and August is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund financial statements during the year ended June 30, 2015. Period of availability is deemed to be sixty days (60) subsequent to year end.

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2015, the District does not have any prepaid items.

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

Inventory: The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories are 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.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2015.

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:

Assets	Years
Building and Improvements	20 - 50 Years
Vehicles	2 - 15 Years
Equipment	2 - 15 Years

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 one type of item that qualifies for reporting in this category. Accordingly, the item, employer contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources in the period the amount becomes available. The District has recorded \$145,752 related to employer contributions subsequent to measurement date.

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 unavailable grant revenues 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 \$38,910 related to grants that are considered "unavailable".

In addition, the District has three 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 and differences between District contributions and proportionate share of contributions, \$56,850; difference between expected and actual experience, \$31,474; and net difference between projected and actual earnings, \$192,068 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.

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.

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 in Note 21.

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".

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.

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program 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 \$1,710,770 in state equalization guarantee distributions during the year ended June 30, 2015.

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 \$75,887 in tax revenues during the year ended June 30, 2015. 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. Curry County and Quay County collect County, City, and School taxes and distributes them to each fund once a month.

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 \$227,100 in transportation distributions during the year ended June 30, 2015.

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, 2015 totaled \$2,798.

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

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

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

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a 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 the year ended June 30, 2015, the District did not receive any special capital outlay funds.

S B-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 did not receive in state SB-9 matching during the year end June 30, 2015.

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.

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.
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.

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9. Appropriations lapse at fiscal year-end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.
11. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

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

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2015, is presented.

The appropriated budget for the year ended June 30, 2015, was properly amended by the Board of Education throughout the year.

	<u>Original Budget</u>	<u>Final Budget</u>
Major Funds		
Operational 11000	\$ (22,689)	\$ (24,414)
Teacherage 12000	\$ (2,512)	\$ (1,292)
Transportation 13000	\$ -	\$ (18,415)
Instructional Materials 14000	\$ (3,547)	\$ (7,827)
IDEA-B Entitlement 24106	\$ -	\$ -
Teacher/Principal training 2415	\$ -	\$ (49,957)
2010 GO Library Bonds 27106	\$ -	\$ -
Senate Bill 9 31700	\$ (37,636)	\$ -
Non major Funds	\$ (6,940)	\$ (9,152)

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

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

NOTE 3 Deposits and Temporary Investments

State statutes authorize the investment of the District's funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2015.

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.

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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.

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

Deposits

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

	Wells Fargo Bank Clovis, NM	Citizens Bank Clovis, NM	Type
Total amount on deposit on June 30, 2015			
Grady Municipal School Operational	\$ 433,082	\$ -	Checking
Grady Municipal School Activity	66,472	-	Checking
Grady Municipal School Booster Club	-	6,270	Checking
Total deposited	<u>499,554</u>	<u>6,270</u>	
Less FDIC coverage	<u>(250,000)</u>	<u>(6,270)</u>	
Total uninsured public funds	<u>249,554</u>	<u>-</u>	
50% collateral requirement as per Section 6-10-17, NMSA 1978	<u>124,777</u>		
Pledged securities			
FNAS 0025	<u>260,873</u>		
Over (under)	<u>\$ 136,096</u>	<u>\$</u>	

Pledged Collateral

Securities are held as part of the Tri-Party Collateral agreement among the Customer (the District), Wells Fargo Bank, N.A. and The Bank of New York Mellon. The collateral segregated on the District's behalf on June 30, 2015 is as follows

Desc	CUSIP	Maturity Date	Market Value
FNMA FNMS	3138EKSD8	2/1/2043	17,846
FNMA FNMS	3138MQ7J6	12/1/2042	2,286
FNMA FNMS	3138W9A34	7/1/2043	66,101
FNMA FNMS	3138WUUS0	9/1/2043	45,237
FNMA FNMS	3138X0A24	7/1/2043	72,484
FNMA FNMS	3138X1HU3	7/1/2046	50,148
FNMA FNMS	31419ANB9	9/1/2040	6,771
			<u>260,873</u>

Custodial credit risk is the risk that in the event of a bank failure, the governments' deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the District's bank balance of \$505,824 was exposed to custodial credit risk.

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Custodial Credit Risk- Investments

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

At June 30, 2015, the District had no investment balances therefore there was no custodial credit risk.

NOTE 4 Accounts Payables and Accrued Expenses

Accounts payable as of June 30, 2015, was \$5,135.

NOTE 5 Interfund Receivables, Payables, and Transfers

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

The composition of interfund balances during the year ended June 30, 2015 is as follows:

	Interfund Receivable	Interfund Payable	Total
11000 Operational	\$ 5,399	\$ -	\$ 5,399
IASA Title 1 24106	-	(330)	(330)
IDEA-B Entitlement 24106	-	(1,089)	(1,089)
Teacher/Principal Training 24154	-	(1,180)	(1,180)
Dual Credit 27103	-	(92)	(92)
2012 GO Library Bonds 27107	-	(2,708)	(2,708)
Totals	\$ 5,399	\$ (5,399)	\$ -

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

NOTE 6 Accounts Receivable

Accounts Receivable as of June 30, 2015, are as follows:

	General Fund	Debt Service Fund	SB-9 Fund	Other Governmental Funds	Totals
Property tax receivable	\$ 110	\$ 1,451	\$ 441	\$ -	\$ 2,002
Due from grantor		-	-		
IASA Title 1 24106				330	
IDEA-B Entitlement 24106	-	-	-	1,089	
Teacher/Principal Training 24154	-	-	-	1,180	
Dual Credit 27103	-	-	-	92	
2012 GO Library Bonds 27107				2,708	
Senate Bill 9 31700				29,276	
Total due from grantor					34,675
Other receivables					
Food Service 21000	-	-	-	307	
Total other					307
Totals	\$ 110	\$ 1,451	\$ 441	\$ 34,982	\$ 36,984

NOTE 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 22,627	\$ -	\$ -	\$ 22,627
Capital assets being depreciated				
Buildings and improvements	7,236,513	27,970	-	7,264,483
Equipment	<u>761,111</u>	<u>159,470</u>	-	<u>920,581</u>
Total assets	<u>8,020,251</u>	<u>187,440</u>	-	<u>8,207,691</u>
Less accumulated depreciation				
Buildings and improvements	(2,779,357)	(66,382)	-	(2,845,739)
Equipment	<u>(678,429)</u>	<u>(111,482)</u>	-	<u>(789,911)</u>
Total accumulated depreciation	<u>(3,457,786)</u>	<u>(177,864)</u>	-	<u>(3,635,650)</u>
Governmental activity capital assets, net	<u>\$ 4,562,465</u>	<u>\$ 9,576</u>	<u>\$ -</u>	<u>\$ 4,572,041</u>

Capital assets, net of depreciation, at June 30, 2015 appear in the Statement of Net Position as follows:

Governmental activities	\$4,572,041
Direct instruction	\$ 5,444
Support services - students	484
Support service - general administration	2,970
Operation maintenance of plant	5,723
Transportation	699
Food service operation	978
Facilities acquisition/construction	<u>161,566</u>
	<u>\$ 177,864</u>

NOTE 8 Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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, 2015 are for governmental activities.

General obligation bonds outstanding at June 30, 2015, are comprised of the following:

Series	Date of Issue	Original Amount	Interest Rate	Balance	Due in One Year
2003	4/5/2003	\$ 140,000	3.5% to 4.4%	\$ 15,000	\$ 15,000
2007	4/15/2007	\$ 300,000	3.5% to 4.10%	<u>60,000</u>	<u>45,000</u>
				<u>\$ 75,000</u>	<u>\$ 60,000</u>

The annual requirements to amortize the General Obligation Bonds as of June 30, 2015, including interest payments are as follows.

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Year Ended June 30,	Principal	Interest	Total
2016	60,000	2,618	62,618
2017	15,000	581	15,581
	<u>\$ 75,000</u>	<u>\$ 3,199</u>	<u>\$ 78,199</u>

During the year ended June 30, 2015 the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Governmental activities					
Bonds payable					
General Obligation Bonds	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 75,000</u>	<u>\$ 60,000</u>

NOTE 9 Risk Management

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

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2015, there have been no claims that have exceeded insurance coverage.

NOTE 10 Other Required Individual Fund Disclosures

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

A. Deficit fund balance

Teacher/Principal Training 24154	\$	(1,180)
2012 GO Library Bonds 27107	\$	(2,708)

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

B. Excess Expenditures over budget.

The District did not reported expenditures in excess of budget at the function level at June 30, 2015,

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, 2015.

NOTE 11 Pension Plan – Education Retirement Board

General Information about the Pension Plan

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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

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. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

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

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's

surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$145,752 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District reported a liability of \$2,112,823 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District's proportion was .03703 percent, which was a decrease of 0.00122 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$126,536. At the June 30, 2015, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 31,474
Change in assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	192,068
Change in proportion and difference between District contribution and proportionate share of contributions	-	56,850
District's contribution subsequent to the measurement date	145,752	-
Totals	<u>\$ 145,752</u>	<u>\$ 280,392</u>

\$145,752 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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,	
2016	\$ (78,684)
2017	(78,684)
2018	(75,004)
2019	(48,017)
2020	-
Thereafter	-

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from

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the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

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

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

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Asset Class	2014	2013
	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease	Current	1% Increase
	6.75%	Discount Rate 7.75%	8.75%
District's proportionate share of the net pension liability	\$ 2,874,742	\$ 2,112,825	\$ 1,476,434

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and June 30, 2013 which are publicly available at www.nmerb.org.

NOTE 12 Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The District contributes to the New Mexico Retiree Health Care Fund, a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care

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, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1- 6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District contributions to the RHCA for the year ended June 30, 2015, 2014 and 2013 were \$31,457, \$30,621, and \$31,506, respectively, which equal the required contributions for each year.

NOTE 13 Contingent Liabilities

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

NOTE 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 Accounting Standard Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2016. The District is still evaluating how this pronouncement will affect the financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the District.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for financial statements for fiscal years beginning after June 15, 2016. This pronouncement will not affect the District.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is 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 June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. The District will implement this standard during the fiscal year ended June 30, 2016. The District expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The District will implement this standard during the fiscal year ended June 30, 2017. The District is still evaluating how this pronouncement will affect the financial statements.

NOTE 16 Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements or disclosures is October 19, 2015 which is the date on which the financial statements were available to be issued. There were no events identified.

NOTE 17 Governmental Fund Balance

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.

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:

Non spendable: 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, 2015, the non-spendable fund balance was .00.

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.

NOTE 18 Non-Cash Federal Assistance

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2015 was \$3,656.

NOTE 19 Surety Bond

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

NOTE 20 Memorandum of Understanding

District

Purpose: To allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the USDE under the Education of the Handicapped Act, Part B, PL 94-142 among others.

Participants: Regional Education Cooperative and Grady Municipal Schools

Responsible Party for Operation and Audit: Regional Education Cooperative

Beginning and Ending Date of Agreement: July 1, 1995 until the end of any fiscal year during which the school gives notice of intent to terminate.

Total Estimated Amount of Project and Actual Amount Contributed: The REC paid expenditures on behalf of the District in the amount of \$21,073.

Clovis Community College - Dual Enrollment Agreement

Purpose: Clovis Community College will provide higher education to qualified Grady High School junior and senior students in both technical and arts and science courses.

Participants: Clovis Community College and Grady Municipal Schools.

Responsibility: Grady Municipal Schools will be responsible for tuition and enrollment fees for the enrolled students.

Beginning and ending dates of agreement: Extended indefinitely until terminated by either party.

Estimated costs: Total costs are dependent on the number of enrolled students and is the sole responsibility of Grady Municipal Schools.

NOTE 21 Restatement of Net Position

The District has a prior period adjustment due to the adoption of GASB 68. Also a prior year check was voided.

Beginning Net Position	\$ 4,580,970
Void check	18,415
GASB 68	
Net pension liability	<u>(2,266,677)</u>
Beginning Net Position, Restated	<u>\$ 2,332,708</u>

Supplementary Information Related to Major Funds

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Capital Project Fund - Senate Bill Nine - 31700
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 16,739	\$ 16,739	\$ 16,986	\$ 247
State sources	4,213	53,456	-	(53,456)
Federal sources	-	-	-	-
Total revenues	<u>20,952</u>	<u>70,195</u>	<u>16,986</u>	<u>(53,209)</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	168	168	168	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	58,420	141,150	49,089	92,061
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>58,588</u>	<u>141,318</u>	<u>49,257</u>	<u>92,061</u>
Excess (deficiency) of revenues over(under) expenditures	(37,636)	(71,123)	(32,271)	38,852
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	37,636	71,123	-	(71,123)
Total other financing sources (uses)	<u>37,636</u>	<u>71,123</u>	<u>-</u>	<u>(71,123)</u>
Net change in fund balances	-	-	(32,271)	(32,271)
Cash balance, beginning of year	-	-	71,123	71,123
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,852</u>	<u>\$ 38,852</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (32,271)	
Adjustment to revenues for accruals & other deferrals			(764)	
Adjustment to expenditures for payables, prepaids & other accruals			885	
Net change in fund balance (GAAP Basis)			<u>\$ (32,150)</u>	

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

Required Supplementary Information

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

Schedule A-1

	<u>2015</u>
The District's proportion of the net pension liability (asset)	0.03703%
The District's proportionate share of the net pension liability (asset)	\$ 2,112,823
The District's covered-employee payroll	\$ 1,020,693
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.00%
Plan fiduciary net position as a percentage of the total pension liability	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, The District will present information for those years for which information is available.

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

Schedule A-2

	<u>2015</u>
Contractually required contribution	\$ 145,752
Contributions in relation to the contractually required contribution	<u>145,752</u>
Contribution deficiency (excess)	<u>\$ -</u>
The District's covered-employee payroll	\$ 1,046,428
Contributions as a percentage of covered-employee payroll	13.93%

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

See notes to required supplementary information

Changes of benefit terms.

The COLA and retirement eligibility benefits changes in recent years are described in the ***Benefits Provided subsection*** of the financial statement note disclosure ***Pension Plan – Educational Retirement Board, General Information on the Pension Plan.***

Changes of assumptions.

Per the ERB FY14 annual audit Management Discussion and Analysis, ERB conducts an actuarial experience study every two years. The actuarial experience study, presented to the Board of Trustees on April 26, 2013, compiled data for the six-year period ending June 30, 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.75% to 4.25%
 - b. Lower payroll growth from 3.75% to 3.50%
 - c. Minor changes to demographic assumptions
 - d. Population growth per year from 0.75% to 0.50%

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%

See also the ***Actuarial Assumptions*** subsection of the financial statement note disclosure ***Pension Plan – Educational Retirement Board, General Information on the Pension Plan.***

Supplementary Information Related to
Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Food Service 21000

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

Athletics 22000

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

IASA Title I 24101

This fund's major objectives are to provide supplemental educational opportunities for academically disadvantaged children in the area where they reside. 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 criteria that identify a campus; education 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. Authority for the creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Rural Education Achievement Program 25233

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

Dual Credit Instructional Materials 27103

The objective is to account for the monies received from NMHU for the purpose of dual credit college enrollment for qualified high school seniors.

New Mexico Reads to Lead 27114

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

New Mexico Grown Fruits and Vegetables 27183

To account for funds provided by New Mexico Public Education Department to purchase New Mexico locally grown fresh fruits and vegetables for school meal programs.

Wind Farm Fund 29134

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

IDEA-B Preschool 24109

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

Debt Service Fund

Debt Service Fund

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

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Food Service 21000	Athletics 22000	IASA Title I 24101	IDEA - B Preschool 24109
<u>ASSETS</u>				
Cash and cash equivalents	\$ 16,107	\$ 2,753	\$ -	\$ -
Accounts receivable				
Taxes	-	-	-	-
Due from grantor	-	-	330	-
Other	307	-	-	-
Inventory	626	-	-	-
	<u>17,040</u>	<u>2,753</u>	<u>330</u>	<u>-</u>
Total assets	<u>\$ 17,040</u>	<u>\$ 2,753</u>	<u>\$ 330</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	330	-
	<u>-</u>	<u>-</u>	<u>330</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>330</u>	<u>-</u>
<u>FUND BALANCE</u>				
Non-spendable	626	-	-	-
Restricted for:				
Special revenue funds	16,414	2,753	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
	<u>17,040</u>	<u>2,753</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>17,040</u>	<u>2,753</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 17,040</u>	<u>\$ 2,753</u>	<u>\$ 330</u>	<u>\$ -</u>

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

Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	New Mexico Reads to Lead 27114	New Mexico Grown Fruits and Vegetables 27183	Wind Farm 29134	Special Capital Outlay State 31400
\$ -	-	-	-	-	-
-	-	-	-	-	-
-	92	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	-	-	-	\$ -	\$ -
-	92	-	-	-	-
-	92	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Debt Service 41000	Total Non-major Governmental Funds
	<u>41000</u>	<u>Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 18,720	37,580
Accounts receivable		
Taxes	1,451	1,451
Due from grantor	-	422
Other	-	307
Inventory	-	626
	<u> </u>	<u> </u>
Total assets	<u>\$ 20,171</u>	<u>\$ 40,386</u>
 <u>LIABILITIES</u>		
Accounts payable	15	15
Due to other funds	-	422
	<u> </u>	<u> </u>
Total liabilities	<u>15</u>	<u>437</u>
 <u>FUND BALANCE</u>		
Non-spendable	-	626
Restricted for:		
Special revenue funds	-	19,167
Capital projects funds	-	-
Debt service funds	20,156	20,156
	<u> </u>	<u> </u>
Total fund balance	<u>20,156</u>	<u>39,949</u>
Total liabilities and fund balance	<u>\$ 20,171</u>	<u>\$ 40,386</u>

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

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

	Food Service 21000	Athletics 22000	IASA Title I 24101	IDEA - B Preschool 24109
Revenues:				
Local sources	\$ 22,767	\$ 12,954	\$ -	\$ -
State sources	-	-	-	-
Federal sources	48,236	-	19,633	1,391
Total revenues	<u>71,003</u>	<u>12,954</u>	<u>19,633</u>	<u>1,391</u>
Expenditures:				
Current				
Instruction	-	11,497	19,633	1,391
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	56,301	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>56,301</u>	<u>11,497</u>	<u>19,633</u>	<u>1,391</u>
Excess (deficiency) revenues over expenditures	14,702	1,457	-	-
Other financing sources (uses):				
Revert back to state	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	14,702	1,457	-	-
Fund balance, beginning	<u>2,338</u>	<u>1,296</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ 17,040</u>	<u>\$ 2,753</u>	<u>\$ -</u>	<u>\$ -</u>

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

Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	New Mexico Reads to Lead 27114	New Mexico Grown Fruits and Vegetables 27183	Wind Farm 29134	Special Capital Outlay State 31400
\$ -	\$ -	\$ -	\$ -	\$ 20,500	\$ -
-	618	50,000	-	-	100,000
14,572	-	-	-	-	-
14,572	618	50,000	-	20,500	100,000
14,572	618	-	-	-	-
-	-	50,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	20,500	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	100,000
-	-	-	-	-	-
-	-	-	-	-	-
14,572	618	50,000	-	20,500	100,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

All Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

	Debt Service 41000	Total Non-major Governmental Funds
	<u> </u>	<u> </u>
Revenues:		
Local and county sources	\$ 55,396	\$ 111,617
State sources	-	150,618
Federal sources	-	<u>83,832</u>
Total revenues	<u>55,396</u>	<u>346,067</u>
Expenditures:		
Current		
Instruction	-	47,711
Support services		
Students	-	50,000
Instruction	-	-
General administration	545	545
School administration	-	-
Central services	-	-
Operation & maintenance of plant	-	20,500
Student transportation	-	-
Other support services	-	-
Operation of non-instructional services		
Food services operations	-	56,301
Capital outlay	-	100,000
Debt service		
Principal	50,000	50,000
Interest	<u>4,638</u>	<u>4,638</u>
Total expenditures	<u>55,183</u>	<u>329,695</u>
Excess (deficiency) revenues over expenditures	213	16,372
Other financing sources (uses):		
Operating transfers	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	213	16,372
Fund balance, beginning	<u>19,943</u>	<u>23,577</u>
Fund balance, ending	<u>\$ 20,156</u>	<u>\$ 39,949</u>

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Food Service - 21000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 18,000	\$ 18,000	\$ 22,460	\$ 4,460
State sources	-	-	-	-
Federal sources	35,500	45,000	44,722	(278)
Total revenues	<u>53,500</u>	<u>63,000</u>	<u>67,182</u>	<u>4,182</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	55,908	65,408	52,264	13,144
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>55,908</u>	<u>65,408</u>	<u>52,264</u>	<u>13,144</u>
Excess (deficiency) of revenues over(under) expenditures	(2,408)	(2,408)	14,918	17,326
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	2,408	2,408	-	(2,408)
Total other financing sources (uses)	<u>2,408</u>	<u>2,408</u>	<u>-</u>	<u>(2,408)</u>
Net change in fund balances	-	-	14,918	14,918
Cash balance, beginning of year	-	-	1,189	1,189
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,107</u>	<u>\$ 16,107</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 14,918	
Adjustment to revenues for accruals & other deferrals			3,821	
Adjustment to expenditures for payables, prepaids & other accruals			(4,037)	
Net change in fund balance (GAAP Basis)			<u>\$ 14,702</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Athletics - 22000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 9,000	\$ 12,221	\$ 12,954	\$ 733
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>9,000</u>	<u>12,221</u>	<u>12,954</u>	<u>733</u>
Expenditures:				
Current				
Instruction	10,532	13,517	11,497	2,020
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>10,532</u>	<u>13,517</u>	<u>11,497</u>	<u>2,020</u>
Excess (deficiency) of revenues over(under) expenditures	(1,532)	(1,296)	1,457	2,753
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	<u>1,532</u>	<u>1,296</u>	<u>-</u>	<u>(1,296)</u>
Total other financing sources (uses)	<u>1,532</u>	<u>1,296</u>	<u>-</u>	<u>(1,296)</u>
Net change in fund balances	-	-	1,457	1,457
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>1,296</u>	<u>1,296</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,753</u>	<u>\$ 2,753</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 1,457	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			<u>-</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 1,457</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - IASA Title I - 24101
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	16,490	32,185	19,303	(12,882)
Total revenues	<u>16,490</u>	<u>32,185</u>	<u>19,303</u>	<u>(12,882)</u>
Expenditures:				
Current				
Instruction	16,490	32,185	19,633	12,552
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>16,490</u>	<u>32,185</u>	<u>19,633</u>	<u>12,552</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	(330)	(330)
Other financing sources (uses):				
Operating transfers in (out)	-	-	330	330
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>330</u>	<u>330</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			330	
Adjustment to expenditures for payables, prepaids & other accruals			<u>(330)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - IDEA-B Preschool - 24109
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	1,259	1,780	1,391	(389)
Total revenues	<u>1,259</u>	<u>1,780</u>	<u>1,391</u>	<u>(389)</u>
Expenditures:				
Current				
Instruction	1,259	1,780	1,391	389
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,259</u>	<u>1,780</u>	<u>1,391</u>	<u>389</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Rural Education Achievement Program - 25233
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	14,572	14,572	-
Total revenues	-	14,572	14,572	-
Expenditures:				
Current				
Instruction	-	14,575	14,572	3
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	14,572	14,572	-
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Dual Credit Instructional Materials - 27103
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	618	656	38
Federal sources	-	-	-	-
Total revenues	-	618	656	38
Expenditures:				
Current				
Instruction	-	618	618	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	618	618	-
Excess (deficiency) of revenues over(under) expenditures	-	-	38	38
Other financing sources (uses):				
Operating transfers in (out)	-	-	(38)	(38)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	(38)	(38)
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			(38)	
Adjustment to expenditures for payables, prepaids & other accruals			38	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - New Mexico Reads to Lead - 27114
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	50,000	50,000	50,000	-
Federal sources	-	-	-	-
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	50,000	50,000	50,000	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Last years revenue	-	-	20,385	20,385
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>20,385</u>	<u>20,385</u>
Net change in fund balances	-	-	20,385	20,385
Cash balance, beginning of year	-	-	(20,385)	(20,385)
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 20,385	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			(20,385)	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - New Mexico Grown Fruits and Vegetables - 27183
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	586	586
Federal sources	-	-	-	-
Total revenues	-	-	586	586
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over(under) expenditures	-	-	586	586
Other financing sources (uses):				
Interfund payable	-	-	(586)	(586)
Designated cash	-	-	-	-
Total other financing sources (uses)	-	-	(586)	(586)
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			(586)	
Adjustment to expenditures for payables, prepaids & other accruals			586	
Net change in fund balance (GAAP Basis)			\$ -	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Special Revenue Fund - Wind Farm - 29134
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 20,000	\$ 20,500	\$ 20,500	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>20,000</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	20,000	20,500	20,500	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>20,000</u>	<u>20,500</u>	<u>20,500</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Capital Project Fund - Special Capital Outlay State - 31400
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ -	\$ -	\$ -	\$ -
State sources	100,000	100,000	100,000	-
Federal sources	-	-	-	-
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	100,000	100,000	100,000	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Excess (deficiency) of revenues over(under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Cash balance, beginning of year	-	-	-	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ -	
Adjustment to revenues for accruals & other deferrals			-	
Adjustment to expenditures for payables, prepaids & other accruals			-	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Debt Service Fund - Debt Service - 41000
 Statement of Revenues, Expenditures, and Changes in Cash
 Balance - Budget and Actual (Non - GAAP Budgetary Basis)
 For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local and county sources	\$ 54,638	\$ 54,638	\$ 54,298	\$ (340)
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>54,638</u>	<u>54,638</u>	<u>54,298</u>	<u>(340)</u>
Expenditures:				
Current				
Instruction	-	-	-	-
Support services				
Students	-	-	-	-
Instruction	-	-	-	-
General administration	-	548	542	6
School administration	-	-	-	-
Central services	-	-	-	-
Operation & maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Operation of non-instructional services				
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	50,000	50,000	50,000	-
Interest	4,638	4,638	4,638	-
Total expenditures	<u>54,638</u>	<u>55,186</u>	<u>55,180</u>	<u>6</u>
Excess (deficiency) of revenues over(under) expenditures	-	(548)	(882)	(334)
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Designated cash	-	548	-	(548)
Total other financing sources (uses)	-	548	-	(548)
Net change in fund balances	-	-	(882)	(882)
Cash balance, beginning of year	-	-	19,602	19,602
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,720</u>	<u>\$ 18,720</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (882)	
Adjustment to revenues for accruals & other deferrals			1,098	
Adjustment to expenditures for payables, prepaids & other accruals			(3)	
Net change in fund balance (GAAP Basis)			<u>\$ 213</u>	

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

Supplementary Information
Related to Agency Funds

AGENCY FUNDS

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

The District has the following funds classified as Agency Funds:

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

Agency Funds
 Statement of Changes in Assets and Liabilities
 June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Student activity groups	\$ 69,304	\$ 122,235	\$ 118,821	\$ 72,718
Total assets	<u>\$ 69,304</u>	<u>\$ 122,235</u>	<u>\$ 118,821</u>	<u>\$ 72,718</u>
<u>LIABILITIES</u>				
Funds handled on behalf of:				
Student activity groups	\$ 69,304	\$ 122,235	\$ 118,821	\$ 72,718
Total liabilities	<u>\$ 69,304</u>	<u>\$ 122,235</u>	<u>\$ 118,821</u>	<u>\$ 72,718</u>

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

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS
 Agency Funds - Activity
 Statement of Changes in Assets and Liabilities
 June 30, 2015

Schedule I
 (continued)

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS				
Class of 2014	\$ 73	\$ 20	\$ 93	\$ -
Class of 2015	12,619	20,101	31,548	1,172
Class of 2016	701	27,527	15,004	13,224
Class of 2017	262	2,183	150	2,295
Class of 2018	470	57	-	527
Class of 2019	1,272	140	176	1,236
Class of 2020	265	215	-	480
Class of 2021	-	6,367	5,042	1,325
Operational	-	605	605	-
Elementary	344	560	377	527
Pre-K and Kindergarten t-shirt	-	200	-	200
Accelerated Reading	251	27	-	278
Athletics - girls and boys	2,453	9,383	10,672	1,164
Box Top	1,384	573	292	1,665
Cafeteria	250	-	-	250
Cheerleaders	596	-	174	422
Custodian / Maintenance	125	-	-	125
Faculty	644	70	40	674
Fellowship of Christian Athletes	158	-	-	158
FFA	909	17,835	16,729	2,015
Girls athletics	-	525	525	-
Honor Society	174	-	-	174
Journalism	4,082	1,710	1,345	4,447
Library	1,152	1,816	1,894	1,074
Little League Baseball	207	-	-	207
Science - recycling	123	-	-	123
Senior Class 2015 and Past	811	99	-	910
Special Education	122	-	-	122
Student / Community	2,021	1,896	1,512	2,405
Student Council	464	-	40	424
Technology ENMR	3,869	-	1,525	2,344
Thermostat Project	1,000	-	-	1,000
Trophy Case	488	-	-	488
Wallace Fraser Memorial	-	35	-	35
401 A Broadway	15,128	3,300	5,054	13,374
401 B Broadway	12,271	3,600	5,641	10,230
Rental Deposit	900	300	-	1,200
EPAC	-	670	516	154
Operational	-	1,103	1,103	-
State tourney	-	1,475	1,475	-
Grady Booster Club	3,716	19,843	17,289	6,270
Total assets	<u>\$ 69,304</u>	<u>\$ 122,235</u>	<u>\$ 118,821</u>	<u>\$ 72,718</u>
LIABILITIES				
Due to student groups	<u>\$ 69,304</u>	<u>\$ 122,235</u>	<u>\$ 118,821</u>	<u>\$ 72,718</u>
Total liabilities	<u>\$ 69,304</u>	<u>\$ 122,235</u>	<u>\$ 118,821</u>	<u>\$ 72,718</u>

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

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Other Supplemental Information

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Cash Reconciliation - All Funds
For the year ended June 30, 2015

	<u>Beginning Cash</u>	<u>Receipts</u>	<u>Distributions</u>	<u>Other</u>
Grady Municipal Schools				
Operational	\$ -	\$ 1,947,654	\$ (1,811,193)	\$ 19,015
Teacherage	1,292	3,300	(517)	-
Transportation	18,415	245,515	(245,515)	(18,415)
Instructional Materials	7,827	8,605	(2,798)	-
Food Services	1,189	67,182	(52,264)	-
Athletics	1,296	12,954	(11,497)	-
Federal Flowthrough	-	33,393	(35,992)	2,599
Federal Direct	-	14,572	(14,572)	-
State Flowthrough	(20,385)	52,729	(54,813)	22,469
Local or State	-	20,500	(20,500)	-
Special Capital Outlay State	-	100,000	(100,000)	-
Capital Improvement SB-9	71,123	16,986	(49,257)	-
Debt Service	19,602	54,298	(55,180)	-
	<u>100,359</u>	<u>2,577,688</u>	<u>(2,454,098)</u>	<u>25,668</u>
Student Activities	65,588	102,392	(101,532)	-
Booster Club	3,716	19,843	(17,289)	-
	<u>69,304</u>	<u>122,235</u>	<u>(118,821)</u>	<u>-</u>
Total Grady Municipal Schools	<u>\$ 169,663</u>	<u>\$ 2,699,923</u>	<u>\$ (2,572,919)</u>	<u>\$ 25,668</u>

<u>Account Name</u>	<u>Account Type</u>	<u>Bank Name</u>	<u>Bank Amount</u>
Grady Municipal Schools			
Operational Account	Checking	Wells Fargo	\$ 433,082
Reconciling items - outstanding deposit			-
Reconciling items - outstanding checks			(183,465)
Total operational account			<u>\$ 249,617</u>
Student Activities	Checking	Wells Fargo	\$ 66,472
Reconciling items - outstanding checks			(24)
Sub total student activities			66,448
Booster Club	Checking	Citizens Bank	<u>6,270</u>
Total student activities			<u>\$ 72,718</u>

<u>Net Cash End of Period</u>	<u>Adjustments to the Report</u>	<u>Total Cash on Report</u>
\$ 155,476	\$ -	\$ 155,476
4,075	-	4,075
-	-	-
13,634	-	13,634
16,107	-	16,107
2,753	-	2,753
-	-	-
-	-	-
-	-	-
-	-	-
38,852	-	38,852
<u>18,720</u>	<u>-</u>	<u>18,720</u>
249,617	-	249,617
66,448	-	66,448
<u>6,270</u>	<u>-</u>	<u>6,270</u>
<u>72,718</u>	<u>-</u>	<u>72,718</u>
<u>\$ 322,335</u>	<u>\$ -</u>	<u>\$ 322,335</u>

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STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS

Schedule of Revenue
For the year ended June 30, 2015

	Operational 11000	Teacherage 12000	Transportation 13000	Instructional Materials 14000
Revenues:				
Local sources:				
Taxes levied / assessed	\$ 4,269	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Fees	628	-	-	-
Rentals	4,200	3,300	-	-
Contributions	21,115	-	-	-
Insurance recoveries	-	-	-	68
Special assessments	35,498	-	-	-
Miscellaneous	-	-	-	-
Prior years refunds	-	-	-	-
Total local sources	65,710	3,300	-	68
State sources:				
Equalization guarantee	1,710,770	-	-	-
Emergency supplement	171,000	-	-	-
Flow through grants	-	-	-	-
Transportation	-	-	227,100	-
Prior year balances	-	-	18,415	-
Instructional materials	-	-	-	8,537
Total local sources	1,881,770	-	245,515	8,537
Federal sources:				
Direct grants	-	-	-	-
Flow through grants	-	-	-	-
Total federal sources	-	-	-	-
Total	<u>\$ 1,947,480</u>	<u>\$ 3,300</u>	<u>\$ 245,515</u>	<u>\$ 8,605</u>

Food Service 21000	Athletics 22000	IASA Title I 24101	IDEA - B Entitlement 24106	IDEA - B Preschool 24109	Teacher / Principal Training & Recruiting 24154
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
22,767	12,954	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22,767	12,954	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,236	-	19,633	12,266	1,391	1,522
-	-	-	-	-	-
48,236	-	19,633	12,266	1,391	1,522
\$ 71,003	\$ 12,954	\$ 19,633	\$ 12,266	\$ 1,391	\$ 1,522

STATE OF NEW MEXICO
 GRADY MUNICIPAL SCHOOLS

Schedule of Revenue
 For the year ended June 30, 2015

	Rural Education Achievement Program 25233	Dual Credit Instructional Materials 27103	2012 GO Bond Student Library 27107	New Mexico Reads to Lead 27114
Revenues:				
Local sources:				
Taxes levied / assessed	\$ -	\$ -	\$ -	\$ -
In lieu of taxes	-	-	-	-
Fees	-	-	-	-
Rentals	-	-	-	-
Contributions	-	-	-	-
Insurance recoveries	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Prior years refunds	-	-	-	-
Total local sources	-	-	-	-
State sources:				
Equalization guarantee	-	-	-	-
Emergency supplement	-	-	-	-
Flow through grants	-	618	1,487	50,000
Transportation State sources:	-	-	-	-
Prior year balances	-	-	-	-
Instructional materials	-	-	-	-
Total state sources	-	618	1,487	50,000
Federal sources:				
Direct grants	14,572	-	-	-
Flow through grants	-	-	-	-
Total federal sources	14,572	-	-	-
Totals	<u>\$ 14,572</u>	<u>\$ 618</u>	<u>\$ 1,487</u>	<u>\$ 50,000</u>

<u>New Mexico Grown Fruits and Vegetables 27183</u>	<u>Wind Farm 29134</u>	<u>Special Capital Outlay State 31400</u>	<u>Capital Outlay Senate Bill Nine 31700</u>	<u>Debt Service 41000</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ 16,222	\$ 55,396	\$ 75,887
-	20,500	-	-	-	20,500
-	-	-	-	-	36,349
-	-	-	-	-	7,500
-	-	-	-	-	21,115
-	-	-	-	-	68
-	-	-	-	-	35,498
-	-	-	-	-	-
-	-	-	-	-	-
-	20,500	-	16,222	55,396	196,917
-	-	-	-	-	1,710,770
-	-	-	-	-	171,000
-	-	100,000	-	-	152,105
-	-	-	-	-	227,100
-	-	-	-	-	18,415
-	-	-	-	-	8,537
-	-	100,000	-	-	2,287,927
-	-	-	-	-	97,620
-	-	-	-	-	-
-	-	-	-	-	97,620
<u>\$ -</u>	<u>\$ 20,500</u>	<u>\$ 100,000</u>	<u>\$ 16,222</u>	<u>\$ 55,396</u>	<u>\$ 2,582,464</u>

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 Auditor's Report

Timothy Keller
New Mexico State Auditor
The Office of Management and Budget and
The Governing Body
Grady Municipal Schools
Grady, New Mexico

I have audited, 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, the financial statements of Grady Municipal Schools (the District) as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budgetary comparison of the District presented as supplementary information, and have issued my report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Sandra Rush CPA PC
Clovis, New Mexico
October 19, 2015

STATE OF NEW MEXICO
GRADY MUNICIPAL SCHOOLS
Schedule of Findings and Responses
June 30, 2015

Prior Year Findings: None

Current Year Findings: None

Financial Statement Preparation

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

Exit Conference

The contents of this report were discussed with, Ted Trice, Superintendent, Phillip Borden school board member, Karla Malone, Business Manager, Leona Powell audit committee, and Sandra Rush, CPA, in an exit conference on November 13, 2015.

