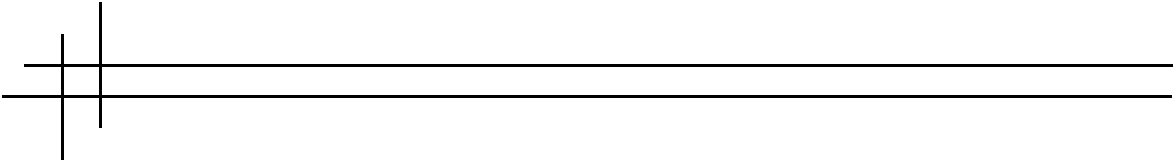


State of New Mexico
Grady Municipal Schools

Annual Financial Report
June 30, 2016

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



State of New Mexico
Grady Municipal Schools
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Grady Municipal Schools
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State of New Mexico
Grady Municipal Schools
Official Roster
June 30, 2016

Board of Education

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

School Officials

Ted Trice	Superintendent
Karla Malone	Business Manager

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Grady Municipal Schools

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general funds and major special revenue funds of Grady Municipal Schools (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparisons for the major capital projects 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, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position, thereof 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2016, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects 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 which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan and related notes 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 consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

DeAnn Willoughby CPA PC

Clovis, New Mexico
September 28, 2016

Financial Section

State of New Mexico
Grady Municipal Schools
Government-Wide Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 381,601
Property Taxes Receivable	5,466
Due from Grantor	10,589
Inventory	20,790
Total Current Assets	<u>418,446</u>
Noncurrent Assets	
Capital Assets	8,359,380
Less: Accumulated Depreciation	<u>(3,826,645)</u>
Total Noncurrent Assets	<u>4,532,735</u>
Total Assets	<u>4,951,181</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Changes of Assumptions	82,186
Contributions Subsequent to Measurement Date	<u>156,691</u>
Total Deferred Outflows of Resources	<u>238,877</u>
Liabilities	
Current Liabilities	
Accounts Payable	2,208
Accrued Interest	5,718
Current Portion of Long-Term Debt	<u>15,000</u>
Total Current Liabilities	<u>22,926</u>
Noncurrent Liabilities	
Bonds	250,000
Pension Liability	<u>2,389,464</u>
Total Noncurrent Liabilities	<u>2,639,464</u>
Total Liabilities	<u>2,662,390</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Changes in Proportion	44,512
Actuarial Experience	44,299
Investment Experience	<u>10,756</u>
Total Deferred Inflows of Resources	<u>99,567</u>
Net Position	
Net Investment in Capital Assets	4,267,735
Restricted for:	
Capital Projects	167,758
Debt Service	16,905
Unrestricted	<u>(2,024,297)</u>
Total Net Position	<u>\$ 2,428,101</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities					
Instruction	\$ 1,547,241	\$ 17,417	\$ 183,150	\$ 0	\$ (1,346,674)
Support Services					
Students	56,819	0	22,540	0	(34,279)
Instruction	452	0	0	0	(452)
General Administration	251,370	0	0	0	(251,370)
School Administration	97,890	0	0	0	(97,890)
Central Services	76,431	0	0	0	(76,431)
Operation of Plant	352,999	3,600	0	0	(349,399)
Student Transportation	192,786	0	190,654	12,500	10,368
Food Services Operations	117,786	18,843	55,572	0	(43,371)
Interest on Long-Term Obligations & Other Charges					
	7,809	0	0	0	(7,809)
Total Governmental Activities	\$ 2,701,583	\$ 39,860	\$ 451,916	\$ 12,500	(2,197,307)

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	4,913
Property Taxes, Levied for Capital Projects	18,337
Property Taxes, Levied for Debt Service	63,017
Federal and State aid not restricted to specific purpose	
General	1,817,637
Capital	76,874
Miscellaneous	116,069
Subtotal, General Revenues	2,096,847
Change in Net Position	(100,460)
Net Position - Beginning	2,551,460
Restatement	(22,899)
Restated Beginning Net Position	2,528,561
Net Position - Ending	\$ 2,428,101

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2016

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 164,545	\$ 6,800	\$ 0
Receivables			
Taxes Receivable	607	0	0
Due From Grantor	0	0	0
Interfund Balances	10,589	0	0
Inventory	19,740	0	0
Total Assets	<u>\$ 195,481</u>	<u>\$ 6,800</u>	<u>\$ 0</u>
Liabilities			
Accounts Payable	\$ 2,208	\$ 0	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>2,208</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>557</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>557</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Unassigned	<u>192,716</u>	<u>6,800</u>	<u>0</u>
Total Fund Balances	<u>192,716</u>	<u>6,800</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 195,481</u>	<u>\$ 6,800</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Governmental Funds
 Balance Sheet
 June 30, 2016

	General		Special Revenue	
	Instructional Materials 14000		Title I 24101	GO Library Books 27107
Assets				
Cash and Cash Equivalents	\$ 15,511	\$	0	\$ 0
Receivables				
Taxes Receivable	0		0	0
Due From Grantor	0		3,129	7,460
Interfund Balances	0		0	0
Inventory	0		0	0
Total Assets	<u>\$ 15,511</u>	<u>\$</u>	<u>3,129</u>	<u>\$ 7,460</u>
Liabilities				
Accounts Payable	\$ 0	\$	0	\$ 0
Interfund Balance	0		3,129	7,460
Total Liabilities	<u>0</u>		<u>3,129</u>	<u>7,460</u>
Deferred Inflows of Resources				
Unavailable Revenue	0		0	0
Total Deferred Inflows of Resources	<u>0</u>		<u>0</u>	<u>0</u>
Fund Balances				
Nonspendable-Inventory	0		0	0
Restricted for Special Revenue	0		0	0
Restricted for Capital Projects	0		0	0
Restricted for Debt Service	0		0	0
Unassigned	15,511		0	0
Total Fund Balances	<u>15,511</u>		<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 15,511</u>	<u>\$</u>	<u>3,129</u>	<u>\$ 7,460</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Governmental Funds
Balance Sheet
June 30, 2016

	<u>Capital Projects</u>		
	<u>Bond Building 31000</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 137,470	\$ 57,275	\$ 381,601
Receivables			
Taxes Receivable	0	4,859	5,466
Due From Grantor	0	0	10,589
Interfund Balances	0	0	10,589
Inventory	0	1,050	20,790
Total Assets	<u>\$ 137,470</u>	<u>\$ 63,184</u>	<u>\$ 429,035</u>
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 2,208
Interfund Balance	0	0	10,589
Total Liabilities	<u>0</u>	<u>0</u>	<u>12,797</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	3,953	4,510
Total Deferred Inflows of Resources	<u>0</u>	<u>3,953</u>	<u>4,510</u>
Fund Balances			
Nonspendable-Inventory	0	1,050	1,050
Restricted for Special Revenue	0	10,988	10,988
Restricted for Capital Projects	137,470	30,288	167,758
Restricted for Debt Service	0	16,905	16,905
Unassigned	0	0	215,027
Total Fund Balances	<u>137,470</u>	<u>59,231</u>	<u>411,728</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 137,470</u>	<u>\$ 63,184</u>	<u>\$ 429,035</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2016

Total Fund Balance - Governmental Funds \$ 411,728

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 4,510

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital Assets	\$ 8,359,380	
Accumulated Depreciation	<u>(3,826,645)</u>	4,532,735

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	238,877	
Deferred Inflows Related to Pensions	<u>(99,567)</u>	139,310

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Bonds payable	(265,000)	
Pension Liability	(2,389,464)	
Accrued Interest	<u>(5,718)</u>	<u>(2,660,182)</u>

Total Net Position - Governmental Activities \$ 2,428,101

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2016

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 4,356	\$ 0	\$ 0
Fees	4,964	3,600	0
State & Local Grants	1,797,887	0	190,654
Federal Grants	0	0	0
Miscellaneous	103,066	0	0
Total Revenues	<u>1,910,273</u>	<u>3,600</u>	<u>190,654</u>
Expenditures			
Current			
Instruction	1,156,343	0	0
Support Services			
Students	32,413	0	0
Instruction	452	0	0
General Administration	198,054	0	0
School Administration	97,725	0	0
Central Services	76,321	0	0
Operation and Maintenance of Plant	289,551	500	0
Student Transportation	1,418	0	190,654
Food Services Operations	30,031	0	0
Capital Outlay	11,810	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,894,118</u>	<u>500</u>	<u>190,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>16,155</u>	<u>3,100</u>	<u>0</u>
Other Financial Sources			
Bond Issue	0	0	0
Total Other Financial Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	16,155	3,100	0
Fund Balances at Beginning of Year	<u>176,561</u>	<u>3,700</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 192,716</u>	<u>\$ 6,800</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2016

	General	Special Revenue	
	Instructional Materials 14000	Title I 24101	GO Library Books 27107
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	8,149	0	7,460
Federal Grants	0	94,608	0
Miscellaneous	0	0	0
Total Revenues	<u>8,149</u>	<u>94,608</u>	<u>7,460</u>
Expenditures			
Current			
Instruction	6,272	72,068	7,460
Support Services			
Students	0	22,540	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation and Maintenance of Plant	0	0	0
Student Transportation	0	0	0
Food Services Operations	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>6,272</u>	<u>94,608</u>	<u>7,460</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,877</u>	<u>0</u>	<u>0</u>
Other Financial Sources			
Bond Issue	0	0	0
Total Other Financial Sources	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1,877	0	0
Fund Balances at Beginning of Year	<u>13,634</u>	<u>0</u>	<u>0</u>
Fund Balances End of Year	<u>\$ 15,511</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2016

	<u>Capital Projects</u>		
	<u>Bond Building 31100</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Property Taxes	\$ 0	\$ 77,401	\$ 81,757
Fees	0	31,296	39,860
State & Local Grants	0	147,745	2,151,895
Federal Grants	0	112,424	207,032
Miscellaneous	12,003	1,000	116,069
Total Revenues	<u>12,003</u>	<u>369,866</u>	<u>2,596,613</u>
Expenditures			
Current			
Instruction	0	120,031	1,362,174
Support Services			
Students	0	0	54,953
Instruction	0	0	452
General Administration	51,208	780	250,042
School Administration	0	0	97,725
Central Services	0	0	76,321
Operation and Maintenance of Plant	12,132	49,817	352,000
Student Transportation	0	0	192,072
Food Services Operations	0	80,065	110,096
Capital Outlay	61,193	105,838	178,841
Debt Service			
Principal	0	60,000	60,000
Interest	0	2,618	2,618
Total Expenditures	<u>124,533</u>	<u>419,149</u>	<u>2,737,294</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(112,530)</u>	<u>(49,283)</u>	<u>(140,681)</u>
Other Financial Sources			
Bond Issue	250,000	0	250,000
Total Other Financial Sources	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Net Change in Fund Balances	137,470	(49,283)	109,319
Fund Balances at Beginning of Year	<u>0</u>	<u>108,514</u>	<u>302,409</u>
Fund Balances End of Year	<u>\$ 137,470</u>	<u>\$ 59,231</u>	<u>\$ 411,728</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2016

Net Change in Fund Balances \$ 109,319

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as unavailable revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2015	\$ 0	
Property Taxes Receivable, June 30, 2016	4,510	4,510

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(195,248)	
Capital Outlays	178,841	(16,407)

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net position. (250,000)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.
 Principal paid for bonds 60,000

Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2015	527	
Accrued Interest, June 30, 2016	(5,718)	(5,191)

Pension contributions are reported as expenses in the government funds but are deferred outflows in the Statement of Net Position. Pension expense is reported in the Statement of Activities but not in the governmental funds.

Pension Contributions	156,691	
Pension Expense	(159,382)	(2,691)

Changes in Net Position of Governmental Activities \$ (100,460)

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 4,268	\$ 4,268	\$ 4,416	\$ 148
Fees	4,720	4,720	4,964	244
State Grants	1,750,428	1,798,526	1,797,887	(639)
Miscellaneous	58,000	58,000	103,066	45,066
Total Revenues	<u>1,817,416</u>	<u>1,865,514</u>	<u>1,910,333</u>	<u>44,819</u>
Expenditures				
Instruction				
Personnel Services	797,311	783,311	771,936	11,375
Employee Benefits	356,137	344,187	320,344	23,843
Professional & Tech Services	1,300	3,300	447	2,853
Other Purchased Services	27,705	37,205	22,099	15,106
Supplies	18,700	44,200	37,225	6,975
Supply Assets	10,000	11,500	3,716	7,784
Total Instruction	<u>1,211,153</u>	<u>1,223,703</u>	<u>1,155,767</u>	<u>67,936</u>
Support Services				
Students				
Personnel Services	13,732	13,737	13,736	1
Employee Benefits	3,880	4,891	4,282	609
Professional & Tech Services	14,500	14,500	14,354	146
Other Purchased Services	0	100	41	59
Supplies	500	500	0	500
Total Students	<u>32,612</u>	<u>33,728</u>	<u>32,413</u>	<u>1,315</u>
Instruction				
Supplies	350	500	452	48
Total Instruction	<u>350</u>	<u>500</u>	<u>452</u>	<u>48</u>
General Administration				
Personnel Services	128,329	128,329	127,829	500
Employee Benefits	43,245	43,245	42,303	942
Professional & Tech Services	25,715	14,040	12,814	1,226
Other Purchased Services	7,770	12,738	12,542	196
Supplies	1,000	3,000	2,330	670
Supply Assets	7,500	0	0	0
Total General Administration	<u>\$ 213,559</u>	<u>\$ 201,352</u>	<u>\$ 197,818</u>	<u>\$ 3,534</u>

State of New Mexico
Grady Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 70,000	\$ 70,000	\$ 70,000	\$ 0
Employee Benefits	28,243	28,354	27,611	743
Professional & Tech Services	0	100	80	20
Other Purchased Services	0	50	34	16
Supplies	500	0	0	0
Supply Assets	1,000	0	0	0
Total School Administration	<u>99,743</u>	<u>98,504</u>	<u>97,725</u>	<u>779</u>
Central Services				
Personnel Services	46,819	46,819	46,819	0
Employee Benefits	19,695	19,695	19,251	444
Professional & Tech Services	750	750	650	100
Other Purchased Services	2,250	2,500	1,774	726
Supplies	8,000	8,500	7,691	809
Supply Assets	500	500	316	184
Total Central Services	<u>78,014</u>	<u>78,764</u>	<u>76,501</u>	<u>2,263</u>
Operation of Plant				
Personnel Services	77,388	78,488	78,433	55
Employee Benefits	32,520	32,520	31,770	750
Professional & Tech Services	50	250	215	35
Purchased Property Services	82,500	100,654	93,856	6,798
Other Purchased Services	57,472	58,872	57,789	1,083
Supplies	12,000	18,400	18,322	78
Fixed Assets	0	0	11,275	(11,275)
Supply Assets	9,000	28,724	11,753	16,971
Total Operation of Plant	<u>270,930</u>	<u>317,908</u>	<u>303,413</u>	<u>14,495</u>
Other Services				
Miscellaneous	5,379	5,379	1,418	3,961
Total Other Services	<u>5,379</u>	<u>5,379</u>	<u>1,418</u>	<u>3,961</u>
Total Support Services	<u>700,587</u>	<u>736,135</u>	<u>709,740</u>	<u>26,395</u>
Food Service				
Personnel Services	13,381	13,381	12,499	882
Employee Benefits	17,335	17,335	16,802	533
Purchased Property Services	750	750	678	72
Supplies	23,700	17,700	53	17,647
Fixed Assets	0	6,000	535	5,465
Total Food Service	<u>\$ 55,166</u>	<u>\$ 55,166</u>	<u>\$ 30,567</u>	<u>\$ 24,599</u>

State of New Mexico
Grady Municipal Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Total Expenditures	\$ 1,966,906	\$ 2,015,004	\$ 1,896,074	\$ 118,930
Excess (Deficiency) of Revenues Over Expenditures	(149,490)	(149,490)	14,259	163,749
Cash Balance Beginning of Year	160,875	160,875	160,875	0
Cash Balance End of Year	\$ 11,385	\$ 11,385	\$ 175,134	\$ 163,749
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 14,259	
Net Change in Taxes Receivable			497	
Net Change in Inventory			(577)	
Net Change in Accounts Payables			2,533	
Net Change in Unavailable Revenue			(557)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 16,155	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 3,600	\$ 3,600	\$ 3,600	\$ 0
Total Revenues	<u>3,600</u>	<u>3,600</u>	<u>3,600</u>	<u>0</u>
Expenditures				
Operation of Plant				
Purchased Property Services	4,600	4,600	375	4,225
Other Purchased Services	500	500	500	0
Supplies	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Operation of Plant	<u>6,100</u>	<u>6,100</u>	<u>875</u>	<u>5,225</u>
Total Expenditures	<u>6,100</u>	<u>6,100</u>	<u>875</u>	<u>5,225</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,500)	(2,500)	2,725	5,225
Cash Balance Beginning of Year	<u>4,075</u>	<u>4,075</u>	<u>4,075</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,575</u>	<u>\$ 1,575</u>	<u>\$ 6,800</u>	<u>\$ 5,225</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,725	
Net change in Accounts Payables			<u>375</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,100</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 196,691	\$ 190,654	\$ 190,654	\$ 0
Total Revenues	<u>196,691</u>	<u>190,654</u>	<u>190,654</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	6,500	6,500	6,500	0
Employee Benefits	1,532	1,487	1,486	1
Purchased Property Services	27,386	27,386	27,386	0
Other Purchased Services	161,273	155,125	155,124	1
Supplies	0	156	158	(2)
Total Student Transportation	<u>196,691</u>	<u>190,654</u>	<u>190,654</u>	<u>0</u>
Total Expenditures	<u>196,691</u>	<u>190,654</u>	<u>190,654</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 6,638	\$ 8,149	\$ 8,150	\$ 1
Total Revenues	<u>6,638</u>	<u>8,149</u>	<u>8,150</u>	<u>1</u>
Expenditures				
Instruction				
Supplies	18,204	21,783	6,273	15,510
Total Instruction	<u>18,204</u>	<u>21,783</u>	<u>6,273</u>	<u>15,510</u>
Total Expenditures	<u>18,204</u>	<u>21,783</u>	<u>6,273</u>	<u>15,510</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,566)	(13,634)	1,877	15,511
Cash Balance Beginning of Year	<u>13,634</u>	<u>13,634</u>	<u>13,634</u>	<u>0</u>
Cash Balance End of Year	\$ <u>2,068</u>	\$ <u>0</u>	\$ <u>15,511</u>	\$ <u>15,511</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>1,877</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>1,877</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 16,820	\$ 28,548	\$ 9,516	\$ (19,032)
Total Revenues	<u>16,820</u>	<u>28,548</u>	<u>9,516</u>	<u>(19,032)</u>
Expenditures				
Instruction				
Personnel Services	7,250	7,250	6,500	750
Employee Benefits	8,823	8,824	1,550	7,274
Other Purchased Services	330	330	0	330
Supplies	87	11,814	4,265	7,549
Total Instruction	<u>16,490</u>	<u>28,218</u>	<u>12,315</u>	<u>15,903</u>
Total Expenditures	<u>16,490</u>	<u>28,218</u>	<u>12,315</u>	<u>15,903</u>
Excess (Deficiency) of Revenues Over Expenditures	330	330	(2,799)	(3,129)
Cash Balance Beginning of Year	<u>(330)</u>	<u>(330)</u>	<u>(330)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,129)</u>	<u>\$ (3,129)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,799)	
Net Change in Due from Grantor			<u>2,799</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-GO Student Library-27107
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 8,665	\$ 12,537	\$ 2,708	\$ (9,829)
Total Revenues	<u>8,665</u>	<u>12,537</u>	<u>2,708</u>	<u>(9,829)</u>
Expenditures				
Support Services				
Instruction				
Supplies	<u>8,665</u>	<u>8,665</u>	<u>7,460</u>	<u>1,205</u>
Total Instruction	<u>8,665</u>	<u>8,665</u>	<u>7,460</u>	<u>1,205</u>
Total Support Services	<u>8,665</u>	<u>8,665</u>	<u>7,460</u>	<u>1,205</u>
Total Expenditures	<u>8,665</u>	<u>8,665</u>	<u>7,460</u>	<u>1,205</u>
Excess (Deficiency) of Revenues Over Expenditures	0	3,872	(4,752)	(8,624)
Cash Balance Beginning of Year	<u>(2,708)</u>	<u>(2,708)</u>	<u>(2,708)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (2,708)</u>	<u>\$ 1,164</u>	<u>\$ (7,460)</u>	<u>\$ (8,624)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (4,752)	
Net Change in Due from Grantor			<u>4,752</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 85,899
Total Assets	<u>\$ 85,899</u>
Liabilities	
Deposits Held for Others	\$ 85,899
Total Liabilities	<u>\$ 85,899</u>

The notes to the financial statements are an integral part of this statement.

Summary of Significant Accounting Policies

The financial statements of the Grady Municipal Schools (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 more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

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

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

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

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations.

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000)

The General Fund consist 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 accounts for rents collected from teachers and related expenditures. 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.

Title I (24101). To account for a program funded by a Federal grant to supplement the regular instructional program for educationally deprived students. Funding authorized by the Elementary and Secondary Act of 1965, Chapter I of Title I, as amended, Public Laws 100-297, 20 U.S.C. 2701. The fund was created by the authority of federal grant provisions.

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico.

Bond Building (31000). To account for a bond issue to spend of capital improvements.

Measurement Focus and Basis of Accounting
Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflow of resources, liabilities and deferred inflow of resources resulting from nonexchange transactions are recognized in accordance with the requirement of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, and including grants for transportation, instructional materials, food service, special revenue funds such as special education as well as others and federal and state programs 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

Revenues

Ad valorem taxes are susceptible to full accrual on the government wide financial statements. Property Tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied.

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are 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.

Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid. Salaries for nine-month employees are paid prior to the end of the fiscal year and therefore are not accrued. Salaries for the twelve month employees payroll are accrued.

Other Financing Sources (Uses)

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

Basis of Budgeting

Formal budgetary integration is employed as a management control device during the year.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on the non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Secretary of Education) the local school board submits to the School Budget and Finance Analysis Unit (SBFAU) of the New Mexico Public Education Department an estimated budget for the District for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the district shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the district for the ensuing fiscal year.
3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBFAU and the local school board. The budget shall be integrated formally in to the accounting system. Encumbrances shall be used as an element for control and shall be integrated into the budget system.
4. 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 SBFAU.
5. No school board or officer or employee of the District shall make any expenditures or incur any obligation for the expenditures of public funds unless such expenditure or contractual obligation is made in accordance with an operating budget approved by the division. But this does not prohibit the transfer of funds between line items within a series of a budget.
6. Budget change requests are processed in accordance with Supplement I (Budget Preparation and Maintenance) of the *Manual of Procedures Public School Accounting and Budgeting*. Such changes are initiated by the District and approved by the SBFAU.
7. Legal budget control for expenditures is by function.
8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting 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.

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 three months or less from the date of acquisition.

The District is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the District may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Property Taxes

The County collects the District's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the District on a monthly basis. The District accounts for its share of property taxes in the General, Debt Service and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Assets and Liabilities and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

If there are any construction projects funded by the NM Public School Facilities Authority they are included in the appropriate capital projects fund and in the capital assets.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings & Improvements	20-50 Years
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	3-15 Years

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

For district-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable Fund Balance is a category that is not converted into cash such as inventory.

Restricted fund balance includes amounts that have constraints placed on their use that are (a) externally imposed by grantors, laws or regulation of other governments or (b) imposed by enabling legislation.

Committed fund balance is a classification for governmental fund balance reporting that includes amounts that can only be used for specific purposes pursuant to constraints imposed by law and require a formal action of the government's highest level of decision-making authority.

Assigned fund balance is a classification for governmental fund balance reporting that includes amounts that the governmental entity intends to use for specific purposes.

Unassigned fund balance is the residual classification used for reporting spendable fund balance in the General Fund that represents amounts that have not been committed or assigned or restricted.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Inflows

The District reports unearned and unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and the revenue is recognized. Unavailable revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

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

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Wells Fargo

<u>Name of Account</u>		Balance Per Bank 6/30/16	Reconciled Balance	<u>Type</u>
Operational	Checking	\$ 555,476	\$ 381,601	Interest
Activity	Checking	83,923	81,361	Non-Interest
Total Deposited		<u>639,399</u>	<u>\$ 462,962</u>	
Less: FDIC Coverage		<u>(250,000)</u>		
Uninsured Amount		389,399		
50% collateral requirement		194,700		
Pledged securities		<u>276,197</u>		
Over (Under) requirement		<u>\$ 81,498</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

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The following securities are pledged at Wells Fargo:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FMAC FGPC	3132QSKR8	\$ 59,456	09/01/2045	BNY Mellon, NY
FNMA FNMS	31417EWE7	216,741	02/01/2043	BNY Mellon, NY
		<u>\$ 276,197</u>		

Citizens Bank of Clovis

<u>Name of Account</u>		<u>Balance Per Bank 6/30/16</u>	<u>Reconciled Balance</u>	<u>Type</u>
Booster Club	Checking	\$ 4,538	\$ 4,538	Interest
Less: FDIC Coverage		(4,538)		
Uninsured Amount		<u>\$ 0</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 254,538
Collateralized:	
Collateral held by the pledging bank in District's name	276,197
Uninsured and uncollateralized	113,202
Total Deposits	<u>\$ 643,937</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016 \$113,202 of the District's bank balance of \$643,937 was exposed to custodial credit risk.

B. Receivables

Revenues are deferred in accordance with the modified accrual basis of accounting for the fund financial statements. The following deferred revenues are measurable but do not represent available expendable resources for the fund financial statements for the fiscal year ended June 30, 2016:

	<u>Operational 11000</u>	<u>Senate Bill Nine 31700</u>	<u>Debt Service 41000</u>
Property Taxes			
Available	\$ 50	\$ 201	\$ 705
Unavailable	557	910	3,043
Total	<u>\$ 607</u>	<u>\$ 1,111</u>	<u>\$ 3,748</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2016:

State	\$ 7,460
Federal	3,129
Total	<u>\$ 10,589</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds	
	Title I	GO Student
	24101	Library 27107
Operational Fund	\$ <u>3,129</u>	\$ <u>7,460</u>

The above interfund balances resulted from reimbursement grants. The shortfalls were covered by the above funds. All transactions will be repaid within one year.

D. Capital Assets

Capital Assets Balances and Activity for the fiscal year is as follows:

	Beginning Balance 6/30/15	Increases	Adjustments	Ending Balance 6/30/16
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 22,627	\$ 1,350	\$ 0	\$ 23,977
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	\$ <u>22,627</u>	\$ <u>1,350</u>	\$ <u>0</u>	\$ <u>23,977</u>
Other Capital Assets				
Buildings & Improvements	\$ 7,264,483	\$ 159,456	\$ 15,202	\$ 7,439,141
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	920,581	18,035	(42,354)	896,262
Total Capital Assets, being depreciated	<u>8,185,064</u>	<u>177,491</u>	<u>(27,152)</u>	<u>8,335,403</u>
Total Capital Assets	\$ <u>8,207,691</u>	\$ <u>178,841</u>	\$ <u>(27,152)</u>	\$ <u>8,359,380</u>
Less Accumulated Depreciation				
Buildings & Improvement	\$ 2,845,739	\$ 156,381	\$ 214,237	\$ 3,216,357
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	789,911	38,868	(218,490)	610,289
Total Accumulated Depreciation	<u>3,635,650</u>	<u>195,249</u>	<u>(4,253)</u>	<u>3,826,646</u>
Capital Assets, net	\$ <u>4,572,041</u>	\$ <u>(16,408)</u>	\$ <u>(22,899)</u>	\$ <u>4,532,734</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 183,234
Support Servicers	
Students	1,834
General Administration	1,027
Operation of Plant	814
Transportation	699
Food Service	7,641
Total depreciation expenses	\$ <u>195,249</u>

E. Long-Term Liabilities and Other Liabilities

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/15	Additions	Reductions	Ending Balance 6/30/16	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 75,000	\$ 250,000	\$ 60,000	\$ 265,000	\$ 15,000
Long-Term Liabilities	\$ 75,000	\$ 250,000	\$ 60,000	\$ 265,000	\$ 15,000

Payments on the general obligation bonds are made by the Debt Service Funds.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Maturity Year Ending	Original Amount	Interest Rate	Balance
2003	2016	140,000	3.5%-4.4%	\$ 0
2007	2017	300,000	3.5%-4.10%	15,000
2015	2027	250,000	3.00%	250,000
				\$ 265,000

The annual requirements to amortize all of the above bonds including interest is as follows:

	Principal	Interest	Total
2017	\$ 15,000	\$ 10,162	\$ 25,162
2018	35,000	7,006	42,006
2019	20,000	6,181	26,181
2020	25,000	5,506	30,506
2021	25,000	4,756	29,756
2022-2026	120,000	13,056	133,056
2027	25,000	391	25,391
	\$ 265,000	\$ 47,058	\$ 312,058

F. Commitments

The District has various construction commitments.

G. Retirement Plan

Summary of Significant Accounting Policies

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

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 defined benefit 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 fiscal year ended June 30, 2016 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 \$156,691 for the year ended June 30, 2016.

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, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the District reported a liability of \$2,389,464 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, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the District's proportion was 0.03689 percent, which was a decrease of 0.00014 percent from its proportion measured as of June 30, 2014.

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For the year ended June 30, 2016, the District recognized pension expense of \$159,382. At the June 30, 2016, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 44,299
Changes of assumptions	82,186	0
Net difference between projected and actual earnings on pension plan investments	0	10,756
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	44,512
District's contributions subsequent to the measurement date	156,691	0
Total	<u>\$ 238,877</u>	<u>\$ 99,567</u>

\$156,691 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2017	\$ (27,824)
2018	(24,148)
2019	1,406
2020	33,185
Total	<u>\$ (17,381)</u>

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, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 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, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,

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,

COLAs for most retirees are reduced until NMERB attains a 100% funded status,

These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014, and

For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age
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)

Rate of Return: The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic objections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.).

Discount Rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. 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 Net Pension Liability to Changes in the Discount Rate Assumption: 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 2015. In particular, the table presents the District’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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 3,215,183	\$ 2,389,464	\$ 1,695,773

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

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB Statement 68, paragraphs 122 and 124.

**H. Retiree Health Care
Plan Description**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the 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 were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 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, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The District is not a member of the enhanced retirement plan.

The District's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$22,546, \$20,971, and \$19,432 respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds included on each Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

J. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

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

K. Joint Powers Agreements

Carrizozo Municipal Schools entered into a joint powers agreement with the Region 9 Education Cooperative (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94142 among others.

There are seven schools that participate in the REC, they are Ruidoso, Capitan, Carrizozo, Cloudcroft, Corona, Hondo and Tularosa. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

The REC is it's own fiscal agent and is responsible for its audit. The financial statements are available for inspection at the REC office located at 1400 Sudderth Dr. Ruidoso, New Mexico 88345.

L. Subsequent Events

Subsequent events were evaluated through September 28, 2016 which is the date the financial statements were available to be issued.

N. Restatement

Net Position was restated \$(22,899) for an adjustment to agree the audit to the depreciation schedule.

**Supplemental Information Related to
Major Funds**

State of New Mexico

Grady Municipal Schools

Capital Projects Fund-Bond Building-31100

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Bond Issue	\$ 0	\$ 210,794	\$ 250,000	\$ 39,206
Miscellaneous	0	0	12,003	12,003
Total Revenues	<u>0</u>	<u>210,794</u>	<u>262,003</u>	<u>51,209</u>
Expenditures				
Capital Outlay				
Purchased Property Services	0	0	10,942	(10,942)
Supplies	0	0	1,190	(1,190)
Fixed Assets	0	210,794	61,193	149,601
Total Capital Outlay	<u>0</u>	<u>210,794</u>	<u>73,325</u>	<u>137,469</u>
Total Expenditures	<u>0</u>	<u>210,794</u>	<u>73,325</u>	<u>137,469</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>188,678</u>	<u>188,678</u>
Other Financing Sources (Uses)				
Transfers	0	0	51,208	51,208
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>51,208</u>	<u>51,208</u>
Net Change in Fund Balance	0	0	137,470	137,470
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 137,470</u>	<u>\$ 137,470</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 137,470	
Net Change in Fund Balance			\$ 137,470	

The notes to the financial statements are an integral part of this statement.

**Supplemental Information Related to
Nonmajor Funds**

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. (NMAC 6.20.2).

IDEA B Entitlement (24106). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

IDEA Preschool (24109). To account for a program funded by a Federal grant to assist the District in providing a free appropriate public education to preschool disabled children aged three through five years. Funding authorized by the Individuals with Disabilities Education Act, Part B, Section 619, as amended, Public Laws 94-142, 99-457, 100-630, 101-497, 101-476, and 102-119. The fund was created by the authority of federal grant provisions.

Improving Teacher Quality (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Rural Education Achievement Program (REAP) (25233). To account for funds received from the Technology for Education Grant created by the 1994 State Legislation to establish funding of any costs associated with educational technology. Funding provided by the State of New Mexico. (NMSA 22-15A-1-10).

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

NM Reads to Lead (27114). To account for revenue and expenditures received from a state grant for the purpose of improving skills of young students in the area of reading. The fund was created by the authority of state grant provisions.

NM Grown Fruits and Vegetables (27183). To account for a state grant to purchase only NM grown fruit and vegetables to be used in the Food Service program. The fund was created by grant provisions.

NM Highway Department (28120). To account for a state grant from NMDOT to fund a paving project. The fund was created by grant provisions.

Wind Farm Projects (29134). To account for funds received from a wind farm in lieu of property tax revenue. The fund was created by definition.

Senate Bill Nine (31700). The revenues are derived from a district tax levy and matched by the state. Expenditures are restricted to capital improvements.

Debt Service Fund (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values. Expenditures are restricted to debt reduction.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 10,340	\$ 648	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	1,050	0	0
Total Assets	\$ 11,390	\$ 648	\$ 0
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	1,050	0	0
Restricted for Special Revenue	10,340	648	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	11,390	648	0
Total Liabilities, Deferred Inflows and Fund Balances	11,390	\$ 648	\$ 0

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue		
	Preschool 24109	Improving Teacher Quality 24154	USDA Equipment Assistance 24183
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	\$ 0	\$ 0	\$ 0
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 0	\$ 0	\$ 0

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue		
	REAP 25233	Dual Credit Instructional Materials 27103	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	Special Revenue		
	NM Grown Fruit & Vegetables 27183	NM Highway Department 28120	Wind Farm Projects 29134
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2016

	<u>Capital Projects</u>		<u>Total</u>
	<u>Senate Bill Nine 31700</u>	<u>Debt Service 41000</u>	
Assets			
Cash and Cash Equivalents	\$ 30,087	\$ 16,200	\$ 57,275
Receivables			
Taxes Receivable	1,111	3,748	4,859
Due From Grantor	0	0	0
Inventory	0	0	1,050
Total Assets	<u>\$ 31,198</u>	<u>\$ 19,948</u>	<u>\$ 63,184</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	910	3,043	3,953
Total Deferred Inflows of Resources	<u>910</u>	<u>3,043</u>	<u>3,953</u>
Fund Balances			
Nonspendable-Inventory	0	0	1,050
Restricted for Special Revenue	0	0	10,988
Restricted for Capital Projects	30,288	0	30,288
Restricted for Debt Service	0	16,905	16,905
Total Fund Balance	<u>30,288</u>	<u>16,905</u>	<u>59,231</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 31,198</u>	<u>\$ 19,948</u>	<u>\$ 63,184</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	18,843	12,453	0
State & Local Grants	0	0	0
Federal Grants	55,432	0	22,756
Other	0	0	0
Total Revenues	<u>74,275</u>	<u>12,453</u>	<u>22,756</u>
Expenditures			
Current			
Instruction	0	14,558	22,756
Support Services			
General Administration			
Operation and Maintenance of Plant	0	0	0
Food Services Operation	79,925	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>79,925</u>	<u>14,558</u>	<u>22,756</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,650)	(2,105)	0
Fund Balances at Beginning of Year	<u>17,040</u>	<u>2,753</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 11,390</u>	<u>\$ 648</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue		
	Preschool 24109	Improving Teacher Quality 24154	USDA Equipment Assistance 24183
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	1,409	1,830	12,500
Other	0	0	0
Total Revenues	<u>1,409</u>	<u>1,830</u>	<u>12,500</u>
Expenditures			
Current			
Instruction	1,409	1,830	0
Support Services			
General Administration			
Operation and Maintenance of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	12,500
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>1,409</u>	<u>1,830</u>	<u>12,500</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue		
	REAP 25233	Dual Credit Instructional Materials 27103	NM Reads to Lead 27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	981	50,000
Federal Grants	18,497	0	0
Other	0	0	0
Total Revenues	<u>18,497</u>	<u>981</u>	<u>50,000</u>
Expenditures			
Current			
Instruction	18,497	981	50,000
Support Services			
General Administration			
Operation and Maintenance of Plant	0	0	0
Food Services Operation	0	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>18,497</u>	<u>981</u>	<u>50,000</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	Special Revenue		
	NM Grown Fruit & Vegetables 27183	NM Highway Department 28120	Wind Farm Projects 29134
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	140	34,824	19,750
Federal Grants	0	0	0
Other	0	0	0
Total Revenues	<u>140</u>	<u>34,824</u>	<u>19,750</u>
Expenditures			
Current			
Instruction	0	0	10,000
Support Services			
General Administration			
Operation and Maintenance of Plant	0	0	9,750
Food Services Operation	140	0	0
Capital Outlay	0	34,824	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>140</u>	<u>34,824</u>	<u>19,750</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2016

	<u>Capital Projects</u>		
	<u>Senate Bill Nine 31700</u>	<u>Debt Service 41000</u>	<u>Total</u>
Revenues			
Property Taxes	\$ 17,427	\$ 59,974	\$ 77,401
Fees	0	0	31,296
State & Local Grants	42,050	0	147,745
Federal Grants	0	0	112,424
Other	1,000	0	1,000
Total Revenues	<u>60,477</u>	<u>59,974</u>	<u>369,866</u>
Expenditures			
Current			
Instruction	0	0	120,031
Support Services			
General Administration	173	607	780
Operation and Maintenance of Plant	40,067	0	49,817
Food Services Operation	0	0	80,065
Capital Outlay	58,514	0	105,838
Debt Service			
Principal	0	60,000	60,000
Interest	0	2,618	2,618
Total Expenditures	<u>98,754</u>	<u>63,225</u>	<u>419,149</u>
Excess (Deficiency) of Revenues Over Expenditures	(38,277)	(3,251)	(49,283)
Fund Balances at Beginning of Year	<u>68,565</u>	<u>20,156</u>	<u>108,514</u>
Fund Balance End of Year	<u>\$ 30,288</u>	<u>\$ 16,905</u>	<u>\$ 59,231</u>

The notes to the financial statements are an integral part of this statement.

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 (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 24,485	\$ 24,485	\$ 18,843	\$ (5,642)
Federal Grants	43,000	43,000	49,688	6,688
Total Revenues	<u>67,485</u>	<u>67,485</u>	<u>68,531</u>	<u>1,046</u>
Expenditures				
Food Services Operations				
Personnel Services	9,965	8,965	8,838	127
Employee Benefits	12,899	12,589	12,459	130
Professional & Tech Services	0	200	200	0
Purchased Property Services	750	1,760	750	1,010
Supplies	46,135	51,235	48,771	2,464
Supply Assets	4,285	8,843	3,280	5,563
Total Food Services Operation	<u>74,034</u>	<u>83,592</u>	<u>74,298</u>	<u>9,294</u>
Total Expenditures	<u>74,034</u>	<u>83,592</u>	<u>74,298</u>	<u>9,294</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,549)	(16,107)	(5,767)	10,340
Cash Balance Beginning of Year	<u>16,107</u>	<u>16,107</u>	<u>16,107</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 9,558</u>	<u>\$ 0</u>	<u>\$ 10,340</u>	<u>\$ 10,340</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (5,767)	
Net Change in Due from Grantor			<u>117</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (5,650)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-Athletics-22000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 12,000	\$ 12,000	\$ 12,453	\$ 453
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>12,453</u>	<u>453</u>
Expenditures				
Instruction				
Professional & Tech Services	40	100	100	0
Other Purchased Services	12,129	12,583	12,582	1
Supplies	<u>500</u>	<u>2,070</u>	<u>1,876</u>	<u>194</u>
Total Instruction	<u>12,669</u>	<u>14,753</u>	<u>14,558</u>	<u>195</u>
Total Expenditures	<u>12,669</u>	<u>14,753</u>	<u>14,558</u>	<u>195</u>
Excess (Deficiency) of Revenues Over Expenditures	(669)	(2,753)	(2,105)	648
Cash Balance Beginning of Year	<u>2,753</u>	<u>2,753</u>	<u>2,753</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,084</u>	<u>\$ 0</u>	<u>\$ 648</u>	<u>\$ 648</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,105)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (2,105)</u>	

The notes to the financial statements are an integral part of this statement.

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 (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 24,269	\$ 43,134	\$ 23,845	\$ (19,289)
Total Revenues	<u>24,269</u>	<u>43,134</u>	<u>23,845</u>	<u>(19,289)</u>
Expenditures				
Instruction				
Professional & Tech Services	13,000	20,000	15,220	4,780
Purchased Property Services	600	2,100	519	1,581
Other Purchased Services	1,400	1,900	222	1,678
Supplies	4,900	12,400	4,033	8,367
Supply Assets	<u>3,280</u>	<u>5,645</u>	<u>2,762</u>	<u>2,883</u>
Total Instruction	<u>23,180</u>	<u>42,045</u>	<u>22,756</u>	<u>19,289</u>
Total Expenditures	<u>23,180</u>	<u>42,045</u>	<u>22,756</u>	<u>19,289</u>
Excess (Deficiency) of Revenues Over Expenditures	1,089	1,089	1,089	0
Cash Balance Beginning of Year	<u>(1,089)</u>	<u>(1,089)</u>	<u>(1,089)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,089	
Net Change in Due from Grantor			<u>(1,089)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-IDEA Preschool-24109
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 1,399	\$ 1,788	\$ 1,409	\$ (379)
Total Revenues	<u>1,399</u>	<u>1,788</u>	<u>1,409</u>	<u>(379)</u>
Expenditures				
Support Services				
Students				
Supplies	1,399	1,788	1,409	379
Total Students	<u>1,399</u>	<u>1,788</u>	<u>1,409</u>	<u>379</u>
Total Support Services	<u>1,399</u>	<u>1,788</u>	<u>1,409</u>	<u>379</u>
Total Expenditures	<u>1,399</u>	<u>1,788</u>	<u>1,409</u>	<u>379</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Grady Municipal Schools

Special Revenue Fund-Improving Teacher Quality-24154

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 3,254	\$ 5,916	\$ 3,010	\$ (2,906)
Total Revenues	<u>3,254</u>	<u>5,916</u>	<u>3,010</u>	<u>(2,906)</u>
Expenditures				
Instruction				
Professional & Tech Services	1,000	3,662	801	2,861
Other Purchased Services	<u>1,074</u>	<u>1,074</u>	<u>1,029</u>	<u>45</u>
Total Instruction	<u>2,074</u>	<u>4,736</u>	<u>1,830</u>	<u>2,906</u>
Total Expenditures	<u>2,074</u>	<u>4,736</u>	<u>1,830</u>	<u>2,906</u>
Excess (Deficiency) of Revenues Over Expenditures	1,180	1,180	1,180	0
Cash Balance Beginning of Year	<u>(1,180)</u>	<u>(1,180)</u>	<u>(1,180)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,180	
Net Change in Due From Grantor			<u>(1,180)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Grady Municipal Schools

Special Revenue Fund-USDA Equipment Assistance-24183

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 0	\$ 12,500	\$ 12,500	\$ 0
Total Revenues	<u>0</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>
Expenditures				
Instruction				
Capital Outlay	0	12,500	12,500	0
Total Instruction	<u>0</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>12,500</u>	<u>12,500</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year		0	0	0
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-REAP-25233
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 0	\$ 18,497	\$ 18,497	\$ 0
Total Revenues	<u>0</u>	<u>18,497</u>	<u>18,497</u>	<u>0</u>
Expenditures				
Instruction				
Personnel Services	0	17,003	17,003	0
Employee Benefits	<u>0</u>	<u>1,494</u>	<u>1,494</u>	<u>0</u>
Total Instruction	<u>0</u>	<u>18,497</u>	<u>18,497</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>18,497</u>	<u>18,497</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

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 (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 92	\$ 1,073	\$ 1,073	\$ 0
Total Revenues	<u>92</u>	<u>1,073</u>	<u>1,073</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	0	981	981	0
Total Instruction	<u>0</u>	<u>981</u>	<u>981</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>981</u>	<u>981</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	92	92	92	0
Cash Balance Beginning of Year	<u>(92)</u>	<u>(92)</u>	<u>(92)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 92	
Net Change in Due From Grantor			<u>(92)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-NM Reads to Lead-27114
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Expenditures				
Instruction				
Professional & Tech Services	45,750	43,432	43,432	0
Supplies	<u>4,250</u>	<u>6,568</u>	<u>6,568</u>	<u>0</u>
Total Instruction	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico

Grady Municipal Schools

Special Revenue Fund- NM Grown Fruit and Vegetables-27183

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grants	\$ 0	\$ 140	\$ 140	\$ 0
Total Revenues	<u>0</u>	<u>140</u>	<u>140</u>	<u>0</u>
Expenditures				
Food Services Operations				
Supplies	0	140	140	0
Total Food Services Operation	<u>0</u>	<u>140</u>	<u>140</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>140</u>	<u>140</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-NM Highway Department-28120
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 0	\$ 34,824	\$ 34,824	\$ 0
Total Revenues	<u>0</u>	<u>34,824</u>	<u>34,824</u>	<u>0</u>
Expenditures				
Operation of Plant				
Supply Assets	0	34,824	34,824	0
Total Operation of Plant	<u>0</u>	<u>34,824</u>	<u>34,824</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>34,824</u>	<u>34,824</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-Wind Farm Projects-29134
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Grant	\$ 20,500	\$ 20,500	\$ 19,750	\$ (750)
Total Revenues	<u>20,500</u>	<u>20,500</u>	<u>19,750</u>	<u>(750)</u>
Expenditures				
Instruction				
Other Purchased Services	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Total Instruction	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Operation of Plant				
Purchased Property Services	<u>10,500</u>	<u>10,500</u>	<u>9,750</u>	<u>750</u>
Total Operation of Plant	<u>10,500</u>	<u>10,500</u>	<u>9,750</u>	<u>750</u>
Total Expenditures	<u>20,500</u>	<u>20,500</u>	<u>19,750</u>	<u>750</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

The notes to the financial statements are an integral part of this statement.

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 (Budgetary Basis)

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 17,082	\$ 17,082	\$ 17,666	\$ 584
State Grant	26,561	77,868	53,456	(24,412)
Total Revenues	<u>43,643</u>	<u>94,950</u>	<u>71,122</u>	<u>(23,828)</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	177	177	177	0
Total General Administration	<u>177</u>	<u>177</u>	<u>177</u>	<u>0</u>
Total Support Services	<u>177</u>	<u>177</u>	<u>177</u>	<u>0</u>
Capital Outlay				
Purchased Property Services	45,000	90,605	16,276	74,329
Fixed Assets	22,066	43,020	63,434	(20,414)
Total Capital Outlay	<u>67,066</u>	<u>133,625</u>	<u>79,710</u>	<u>53,915</u>
Total Expenditures	<u>67,243</u>	<u>133,802</u>	<u>79,887</u>	<u>53,915</u>
Excess (Deficiency) of Revenues	(23,600)	(38,852)	(8,765)	30,087
Cash Balance Beginning of Year	<u>38,852</u>	<u>38,852</u>	<u>38,852</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 15,252</u>	<u>\$ 0</u>	<u>\$ 30,087</u>	<u>\$ 30,087</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (8,765)	
Net Change in Taxes Receivable			670	
Net Change in Due from Grantor			(29,276)	
Net Change in Accounts Payables			4	
Net Change in Unavailable Revenue			(910)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (38,277)</u>	

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Debt Service-41000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 66,368	\$ 66,368	\$ 60,704	\$ (5,664)
Total Revenues	<u>66,368</u>	<u>66,368</u>	<u>60,704</u>	<u>(5,664)</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	664	664	607	57
Total General Administration	<u>664</u>	<u>664</u>	<u>607</u>	<u>57</u>
Total Support Services	<u>664</u>	<u>664</u>	<u>607</u>	<u>57</u>
Debt Service				
Principal	60,000	60,000	60,000	0
Interest	2,618	2,618	2,617	1
Total Debt Service	<u>62,618</u>	<u>62,618</u>	<u>62,617</u>	<u>1</u>
Total Expenditures	<u>63,282</u>	<u>63,282</u>	<u>63,224</u>	<u>58</u>
Excess (Deficiency) of Revenues Over Expenditures	3,086	3,086	(2,520)	(5,606)
Cash Balance Beginning of Year	<u>18,720</u>	<u>18,720</u>	<u>18,720</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 21,806</u>	<u>\$ 21,806</u>	<u>\$ 16,200</u>	<u>\$ (5,606)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,520)	
Net Change in Taxes Receivable			2,312	
Net Change in Unavailable Revenue			(3,043)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (3,251)</u>	

The notes to the financial statements are an integral part of this statement.

Required Supplemental Information

State of New Mexico
Grady Municipal Schools
 Schedules of Required Supplementary Information for Pension Plan

Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.03703%	0.04315%
District's proportionate share of the net pension liability	\$ 2,112,823	\$ 2,389,464
District's covered-employee payroll	\$ 1,020,693	\$ 1,007,215
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	207.00%	237.23%
Plan fiduciary net position as a percentage of the total pension	66.54%	63.97%

*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.

Schedule of District's Contributions

Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 145,752	\$ 166,356
Contributions in relation to the contractually required contribution	<u>145,752</u>	<u>145,753</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 20,603</u>
Districts covered-employee payroll	\$ 1,020,693	\$ 1,007,215
Contributions as a percentage of covered-employee payroll	14.28%	14.47%

* These schedules are 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

The notes to the financial statements are an integral part of this statement.

Grady Municipal Schools

Notes to Required Supplementary Information

For the Year Ended June 30, 2016

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 General Information on the Pension Plan.

Changes of assumptions.

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

1. Fiscal year 2015 valuation assumptions that changed based on this study:
 - a. Lower wage inflation from 4.25% to 3.75%
 - b. Minor changes to demographic assumptions
 - c. Lower population growth from .50% to zero by removing population growth assumption for
 - d. Updated the mortality tables to incorporate generational improvements

2. Assumptions that were not changed:
 - a. Investment return will remain at 7.75%
 - b. Inflation will remain at 3.00%
 - c. COLA assumption of 2.00% per year
 - d. Retain net 4.75% real return assumption
 - e. Maintain current payroll growth assumption of 3.50%
 - f. Maintained experience-based rates for members who joined NMERB by June 30, 2010

See also the Actuarial Assumptions subsection of the financial statement note disclosure General Information on the Pension Plan.

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Grady Municipal Schools
 Agency Funds
 Statement of Fiduciary Net Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2016

	Beginning Balance <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance <u>6/30/16</u>
Assets				
Cash in Bank	\$ 72,718	\$ 132,583	\$ 119,401	\$ 85,899
Total Assets	<u>\$ 72,718</u>	<u>\$ 132,583</u>	<u>\$ 119,401</u>	<u>\$ 85,899</u>
Liabilities				
Deposits Held for Others	\$ 72,718	\$ 132,583	\$ 119,401	\$ 85,899
Total Liabilities	<u>\$ 72,718</u>	<u>\$ 132,583</u>	<u>\$ 119,401</u>	<u>\$ 85,899</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Agency Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2016

	Beginning Balance 6/30/15	Additions	Deductions	Ending Balance 6/30/16
Assets				
23015 Class of 2015	\$ 1,172	\$ 15	\$ 1,187	\$ 0
23016 Class of 2016	13,224	29,437	42,381	280
23017 Class of 2017	2,295	21,285	8,477	15,103
23018 Class of 2018	527	359	0	885
23019 Class of 2019	1,235	5,905	5,225	1,915
23020 Class of 2020	480	472	0	953
23021 Class of 2021	1,325	251	48	1,528
23022 Class of 2022	0	3,685	1,842	1,843
23050 Elementary Classes	527	1,353	814	1,066
23055 Pre-K & Kindergarten T-Shirts	200	0	196	4
23100 Accelerated Reading	278	0	0	278
23101 Athletics-Girls and Boys	1,164	15,327	12,806	3,685
23107 Box Top Fund	1,665	264	23	1,906
23120 Cafeteria	250	484	29	705
23125 Cheerleaders	422	0	129	293
23127 Custodian & Maintenance	125	0	0	125
23130 Faculty	674	100	285	489
23135 Fellowship of Christian Athletes	158	94	0	252
23145 FFA	2,015	17,028	14,827	4,216
23170 Honor Society	174	0	0	174
23175 Journalism	4,447	50	0	4,497
23185 Library	1,073	1,531	1,495	1,110
23186 Little League Baseball	207	0	0	207
23198 Science-Recycling	123	0	0	123
23200 Older Classes	910	1,187	243	1,854
23205 Special Education	122	0	0	122
23210 Student & Community	2,405	33	614	1,824
23215 Student Council	424	0	0	424
23218 Technology EMNR	2,344	0	1,216	1,128
23222 Thermostat Project	1,000	0	0	1,000
23225 Trophy Cases	488	0	0	488
23260 Wallace Fraser Memorial	35	0	0	35
23300 NMAA State	0	2,160	2,160	0
23400 401 A Broadway	13,374	3,860	0	17,234
23500 401 B Broadway	10,230	3,600	0	13,830
23600 Rental Deposit Account	1,200	0	250	950
23800 EPAC Ads	154	1,115	434	835
23900 Booster Club	6,270	22,988	24,721	4,538
Total Assets	<u>\$ 72,718</u>	<u>\$ 132,583</u>	<u>\$ 119,401</u>	<u>\$ 85,899</u>
Liabilities				
Deposits Held for Others	\$ 72,718	\$ 132,583	\$ 119,401	\$ 85,899
Total Liabilities	<u>\$ 72,718</u>	<u>\$ 132,583</u>	<u>\$ 119,401</u>	<u>\$ 85,899</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2016

		Beginning Cash Balance <u>6/30/15</u>	Revenue	Expenditures	Ending Cash Balance <u>6/30/16</u>
Operational	11000	\$ 160,875	\$ 1,910,333	\$ 1,896,074	\$ 175,134
Teacherage	12000	4,075	3,600	875	6,800
Transportation	13000	0	190,654	190,654	0
Instructional Materials	14000	13,634	8,149	6,273	15,510
Food Service	21000	16,107	68,532	74,299	10,340
Athletics	22000	2,753	12,453	14,558	648
Federal Flowthrough	24000	(2,599)	50,280	50,810	(3,129)
Federal Direct	25000	0	18,497	18,497	0
State Grants	27000	(2,800)	53,921	58,580	(7,459)
Bond Building	31100	0	262,003	124,533	137,470
Senate Bill Nine	31700	38,852	71,122	79,887	30,087
Debt Service	41000	18,720	60,704	63,225	16,200
Activities	23000	72,718	132,583	119,401	85,900
Totals		<u>\$ 322,335</u>	<u>\$ 2,842,830</u>	<u>\$ 2,697,665</u>	<u>\$ 467,500</u>

The notes to the financial statements are an integral part of this statement.

State of New Mexico
Grady Municipal Schools
 Vendor Schedule
 For the Year Ended June 30, 2016

<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in- state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
N/A	Sole Source	4J Bus Contractors	Winner	181,959.00	175,959.00	4537 SR 209 Grady, NM 88120	No	No	To and From Transportation of Students.	N/A

De'Aun Willoughby CPA, PC

Certified Public Accountant

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

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Grady Municipal Schools

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of Grady Municipal School (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District, presented as supplemental information, and have issued our report thereon dated September 28, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2016-001, 2016-002, 2016-003

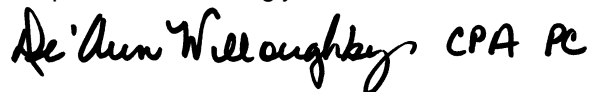
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2016-001, 2016-002, 2016-003

The District's Responses to Findings

The District's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. The District's response was not subject to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our 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.

 De'Ann Willoughby, CPA PC

Clovis, New Mexico
September 28, 2016

Prior Year Audit Findings
None

Status

Current Year Audit Findings

2016-001 Expenditure Issues - Compliance and Internal Control-Significant Deficiency Condition

Of a sample size of 130 totaling \$584,870.70 revealed the following:

Fund 11000 - Of the 36 expenditures tested totaling \$179,483.91, 7 had after fact PO's totaling \$9,231.83 or 5.14%. 1 used a proposal to pay from instead of a invoice totaling \$861.92 or .48%.

Fund 13000 - Of the 6 expenditures tested totaling \$77,034.72, 1 had after fact PO's totaling \$266.72 or .35%.

Fund 21000 - Of the 10 expenditures tested totaling \$24,921.96, 2 had after fact PO's totaling \$878.21 or 3.52%.

Fund 22000 - Of the 15 expenditures tested totaling \$9,668.83, 7 had after fact PO's totaling \$81,021.68 or 10.57%.

Fund 24106 - Of the 14 expenditures tested totaling \$17,085.78, 4 had after fact PO's totaling \$2,166.94 or 12.68%.

Fund 24109 - Of the 3 expenditures tested totaling \$1,409.01, 1 had after fact PO totaling \$1,082.28 or 76.81%.

Fund 27107 - Of the 5 expenditures totaling \$6,671.66, 1 had an after fact PO totaling \$403.95 or 6.05%.

Fund 31700 - Of the 13 expenditures totaling \$74,924.83, 1 had an after fact PO totaling \$9,800.00 or 13.08%.

Criteria

In accordance with 6.20.2.17 Purchasing, each school district shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

There is a lack of enforcing existing policies by those with approval authority.

Effect

The results of these expenditure issues is over spending of public funds.

Recommendation

Personnel should be trained in the procurement process and there should be consequences for failing to follow the process.

Response

We are taking steps to ensure that Purchase Orders are in place before purchases are made.

The Superintendent is responsible for enforcing the procurement process and expects progress in the current fiscal year. The timeline to ensure purchase orders are in place began when the Superintendent took the job. He will continue to train employees in the procurement process and there will be consequences effective immediately.

2016-002 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

During our review of 10 personnel files and contracts we noted the following:

- (1) Background Checks - 1 of the 10 did not have a background check done when hired.
- (2) 4 of 4 new hires were not reported timely.
- (3) 3 of the 10 employees' were non-exempt. We were unable to determine if overtime was paid if earned because no time sheets were required to be completed by the non-exempt employees.
- (4) All 10 I-9's sampled were incomplete.

Criteria

- (1) NM Statute 22-10(A)-5 states that if an employee terminates and returns, a new background check is required.
- (2) As per New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire or rehire to the New Mexico New Hires Directory.
- (3) Fair Labor Standards Act requires time and a half be paid to employees who work more than forty hours in a work week who fall into the non-exempt status.
- (4) As per U.S. Citizens and Immigration Services Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996. Complete and retain a Form I-9 for each employee required to complete the form.

Cause

The background check was a return to work employee and management was not aware a new background check was required. Management was not aware of the 20 day time limit for the reporting of new hires. The relaxed style of the District did not require time worked records. Management had not read the instructions for the I-9 or understood the consequences of not

Effect

- (1) The district could be hiring people who may have serious criminal records that may not be fit to have responsibility for the safety and well being of children.
- (2) Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.
- (3) Without adequate time worked documentation, Workforce Solutions could require the District to pay at time and a half the hours verbally told to them by the nonexempt employees. The cost to the District could be substantial.
- (4) Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9.

Recommendation

- (1) We recommend that the school review all personnel file to ensure that those working with their students lack any criminal convictions or crimes relating to children.
- (2) Training and supervision should occur to assure the new hire reporting requirements are met.
- (3) We recommend an electronic time clocking system be implemented.
- (4) We recommend additional training, supervision and review. All I-9 should be reviewed and updated as necessary. The district could use both the I-9 instructions as well as the U.S. Citizenship and Immigration Services M-274 Handbook for Employers to provide them with the tools needed to ensure all I-9 care completed correctly and timely.

Response

The files have been checked and steps are being taken to correct the errors made to bring I-9 documentation into compliance. The employee that didn't have a background check done has gotten one done. We are purchasing a time clock and implementing procedures for non-exempt employees to ensure that actual hours worked are tracked correctly.

The Business Manager is responsible for this finding and now knows how to complete an I-9 correctly, has corrected all of them and does not expect this problem to occur again and considers it resolved. The timeline for implementation occurred the first day of fieldwork.

2016-003 Certified Chief Procurement Officers-Compliance and Internal Control- Significant Deficiency

Condition

The Administrative Secretary is the district's CPO. However, she is not the individual who is issuing the purchase orders or signing them.

Criteria

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

Cause

Management was not aware the CPO had to issue the purchase orders.

Effect

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO negates the purpose of the training.

Recommendation

The CPO should issue the purchase orders.

Response

We have changed the process to where the Chief Procurement Officer is signing the Purchase Orders for the District.

The Superintendent is responsible for this finding and has resolved it.

Financial Statement Preparation-The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference-An exit conference was held on September 28, 2016. Those present were Leona Powell-Board Treasurer, Melissa Garland-Administrative Secretary, Karla Malone-Business Manager, Ted Trice-Superintendent, and De'Aun Willoughby-CPA.