



State of New Mexico
Grady Municipal Schools

Annual Financial Report
June 30, 2017

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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, 2017

Board of Education

Wade Edwards	President
Phillip Borden	Vice-President
Jimmy Schell	Secretary
Gerald Garland	Member
Colt Grau	Member

School Officials

Elnabeth Grau	Superintendent
Melissa Garland	Business Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 253-4313

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, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparison for the major capital projects fund 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, 2017, 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, 2017, 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, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects fund 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 schedule 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 schedule 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 schedule required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 19, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 19, 2017

Financial Section

State of New Mexico
Grady Municipal Schools
Government-Wide Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 658,403
Property Taxes Receivable	6,264
Due from Grantor	11,120
Inventory	4,084
Total Current Assets	<u>679,871</u>
Noncurrent Assets	
Capital Assets	8,454,301
Less: Accumulated Depreciation	<u>(4,034,867)</u>
Total Noncurrent Assets	<u>4,419,434</u>
Total Assets	<u>5,099,305</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	12,323
Investment Experience	169,550
Changes of Assumptions	57,820
Changes in Proportion	121,392
Contributions Subsequent to Measurement Date	<u>169,234</u>
Total Deferred Outflows of Resources	<u>530,319</u>
Liabilities	
Current Liabilities	
Accounts Payable	5,109
Accrued Interest	628
Current Portion of Long-Term Debt	<u>35,000</u>
Total Current Liabilities	<u>40,737</u>
Noncurrent Liabilities	
Bonds	215,000
Pension Liability	<u>2,840,432</u>
Total Noncurrent Liabilities	<u>3,055,432</u>
Total Liabilities	<u>3,096,169</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	27,016
Changes in Proportion	<u>21,692</u>
Total Deferred Inflows of Resources	<u>48,708</u>
Net Position	
Net Investment in Capital Assets	4,169,434
Restricted for:	
Capital Projects	383,218
Debt Service	48,349
Unrestricted	<u>(2,116,254)</u>
Total Net Position	<u>\$ 2,484,747</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, 2017

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	\$ 1,635,494	\$ 18,404	\$ 123,483	\$ 0	\$ (1,493,607)
Support Services					
Students	43,212	0	776	0	(42,436)
Instruction	2,481	0	2,370	0	(111)
General Administration	236,064	0	0	0	(236,064)
School Administration	105,160	0	0	0	(105,160)
Central Services	108,470	0	0	0	(108,470)
Operation of Plant	327,023	3,000	0	3,458	(320,565)
Student Transportation	183,614	0	169,348	0	(14,266)
Food Services Operations	110,538	20,744	53,808	0	(35,986)
Interest on Long-Term Obligations & Other Charges	5,069	0	0	0	(5,069)
Total Governmental Activities	\$ 2,757,125	\$ 42,148	\$ 349,785	\$ 3,458	(2,361,734)

General Revenues

Taxes	
Property Taxes, Levied for General Purposes	4,762
Property Taxes, Levied for Capital Projects	18,942
Property Taxes, Levied for Debt Service	57,534
Federal and State aid not restricted to specific purpose	
General	2,043,651
Capital	152,100
Miscellaneous	121,841
Subtotal, General Revenues	<u>2,398,830</u>
Change in Net Position	<u>37,096</u>
Net Position - Beginning	2,428,101
Restatement	19,550
Restated Beginning Net Position	<u>2,447,651</u>
Net Position - Ending	<u><u>\$ 2,484,747</u></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, 2017

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 187,740	\$ 8,904	\$ 0
Receivables			
Taxes Receivable	683	0	0
Due From Grantor	0	0	0
Interfund Balances	11,120	0	0
Inventory	0	0	0
Total Assets	\$ 199,543	\$ 8,904	\$ 0
Liabilities			
Accounts Payable	\$ 3,905	\$ 75	\$ 0
Interfund Balance	0	0	0
Total Liabilities	3,905	75	0
Deferred Inflows of Resources			
Unavailable Revenue	611	0	0
Total Deferred Inflows of Resources	611	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
Unassigned	195,027	8,829	0
Total Fund Balances	195,027	8,829	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 199,543	\$ 8,904	\$ 0

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, 2017

	General		Special Revenue	
	Instructional Materials 14000	IDEA B Entitlement 24106	NM Reads to Lead 27114	
Assets				
Cash and Cash Equivalents	\$ 11,640	\$ 0	\$ 0	
Receivables				
Taxes Receivable	0	0	0	
Due From Grantor	0	7,805	1,854	
Interfund Balances	0	0	0	
Inventory	0	0	0	
Total Assets	\$ 11,640	\$ 7,805	\$ 1,854	
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	
Interfund Balance	0	7,805	1,854	
Total Liabilities	0	7,805	1,854	
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	
Unassigned	11,640	0	0	
Total Fund Balances	11,640	0	0	
Total Liabilities, Deferred Inflows and Fund Balances	\$ 11,640	\$ 7,805	\$ 1,854	

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, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	Wind Farm Projects 29134	Bond Building 31000	Other Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 122,056	\$ 94,941	\$ 233,122
Receivables			
Taxes Receivable	0	0	5,581
Due From Grantor	0	0	1,461
Interfund Balances	0	0	0
Inventory	0	0	4,084
Total Assets	\$ 122,056	\$ 94,941	\$ 244,248
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 1,129
Interfund Balance	0	0	1,461
Total Liabilities	0	0	2,590
Deferred Inflows of Resources			
Unavailable Revenue	0	0	4,409
Total Deferred Inflows of Resources	0	0	4,409
Fund Balances			
Nonspendable-Inventory	0	0	4,084
Restricted for Special Revenue	0	0	18,595
Restricted for Capital Projects	122,056	94,941	166,221
Restricted for Debt Service	0	0	48,349
Unassigned	0	0	0
Total Fund Balances	122,056	94,941	237,249
Total Liabilities, Deferred Inflows and Fund Balances	\$ 122,056	\$ 94,941	\$ 244,248

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, 2017

	Total Governmental Funds
Assets	
Cash and Cash Equivalents	\$ 658,403
Receivables	
Taxes Receivable	6,264
Due From Grantor	11,120
Interfund Balances	11,120
Inventory	4,084
Total Assets	<u>\$ 690,991</u>
Liabilities	
Accounts Payable	\$ 5,109
Interfund Balance	11,120
Total Liabilities	<u>16,229</u>
Deferred Inflows of Resources	
Unavailable Revenue	5,020
Total Deferred Inflows of Resources	<u>5,020</u>
Fund Balances	
Nonspendable-Inventory	4,084
Restricted for Special Revenue	18,595
Restricted for Capital Projects	383,218
Restricted for Debt Service	48,349
Unassigned	215,496
Total Fund Balances	<u>669,742</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 690,991</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, 2017

Total Fund Balance - Governmental Funds \$ 669,742

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. 5,020

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

Capital Assets	\$ 8,454,301	
Accumulated Depreciation	<u>(4,034,867)</u>	4,419,434

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	530,319	
Deferred Inflows Related to Pensions	<u>(48,708)</u>	481,611

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	(250,000)	
Pension Liability	(2,840,432)	
Accrued Interest	<u>(628)</u>	<u>(3,091,060)</u>

Total Net Position - Governmental Activities \$ 2,484,747

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, 2017

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 4,708	\$ 0	\$ 0
Fees	5,057	3,000	0
State & Local Grants	1,863,473	0	169,348
Federal Grants	0	0	0
Miscellaneous	116,135	0	0
Total Revenues	1,989,373	3,000	169,348
Expenditures			
Current			
Instruction	1,223,140	0	0
Support Services			
Students	39,296	0	0
Instruction	111	0	0
General Administration	214,328	0	0
School Administration	98,505	0	0
Central Services	104,019	0	0
Operation of Plant	264,099	971	0
Student Transportation	12,949	0	169,348
Food Services Operations	30,615	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	1,987,062	971	169,348
Excess (Deficiency) of Revenues Over Expenditures	2,311	2,029	0
Fund Balances at Beginning of Year	192,716	6,800	0
Restatement	0	0	0
Restated Beginning Fund Balance	192,716	6,800	0
Fund Balances End of Year	\$ 195,027	\$ 8,829	\$ 0

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, 2017

	Special Revenue		
	General	IDEA B Entitlement	NM Reads to Lead
	Instructional Materials 14000	24106	27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	8,259	0	50,000
Federal Grants	0	26,759	0
Miscellaneous	0	0	0
Total Revenues	8,259	26,759	50,000
Expenditures			
Current			
Instruction	6,680	26,759	50,000
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation 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	6,680	26,759	50,000
Excess (Deficiency) of Revenues Over Expenditures	1,579	0	0
Fund Balances at Beginning of Year	15,511	0	0
Restatement	(5,450)		
Restated Beginning Fund Balance	10,061	0	0
Fund Balances End of Year	\$ 11,640	\$ 0	\$ 0

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, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>
	Wind Farm Projects 29134		Bond Building 31100
			Other Governmental Funds
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 76,020
Fees	0	0	34,091
State & Local Grants	180,178	0	159,697
Federal Grants	0	0	91,280
Miscellaneous	0	0	5,706
Total Revenues	<u>180,178</u>	<u>0</u>	<u>366,794</u>
Expenditures			
Current			
Instruction	38,914	0	59,419
Support Services			
Students	0	0	776
Instruction	0	0	2,370
General Administration	6,128	0	726
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	11,548	0	4,874
Student Transportation	0	0	0
Food Services Operations	1,532	0	68,060
Capital Outlay	0	37,529	27,392
Debt Service			
Principal	0	0	15,000
Interest	0	0	10,159
Total Expenditures	<u>58,122</u>	<u>37,529</u>	<u>188,776</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>122,056</u>	<u>(37,529)</u>	<u>178,018</u>
Fund Balances at Beginning of Year	0	137,470	59,231
Restatement		(5,000)	0
Restated Beginning Fund Balance	<u>0</u>	<u>132,470</u>	<u>59,231</u>
Fund Balances End of Year	<u>\$ 122,056</u>	<u>\$ 94,941</u>	<u>\$ 237,249</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, 2017

	Total Governmental Funds
Revenues	
Property Taxes	\$ 80,728
Fees	42,148
State & Local Grants	2,430,955
Federal Grants	118,039
Miscellaneous	121,841
Total Revenues	<u>2,793,711</u>
Expenditures	
Current	
Instruction	1,404,912
Support Services	
Students	40,072
Instruction	2,481
General Administration	221,182
School Administration	98,505
Central Services	104,019
Operation of Plant	281,492
Student Transportation	182,297
Food Services Operations	100,207
Capital Outlay	64,921
Debt Service	
Principal	15,000
Interest	10,159
Total Expenditures	<u>2,525,247</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>268,464</u>
Fund Balances at Beginning of Year	411,728
Restatement	<u>(10,450)</u>
Restated Beginning Fund Balance	<u>401,278</u>
Fund Balances End of Year	<u><u>\$ 669,742</u></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, 2017

Excess (Deficiency) of Revenues Over Expenditures \$ 268,464

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, 2016	\$ (4,510)	
Property Taxes Receivable, June 30, 2017	<u>5,020</u>	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	(208,222)	
Capital Outlays	<u>64,921</u>	(143,301)

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		15,000
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Interest is accrued through year end but the Balance Sheet included interest payable within thirty day of year end.

Accrued Interest, June 30, 2016	5,718	
Accrued Interest, June 30, 2017	<u>(628)</u>	5,090

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	169,234	
Pension Expense	<u>(277,901)</u>	<u>(108,667)</u>

Changes in Net Position of Governmental Activities \$ 37,096

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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 4,396	\$ 4,396	\$ 4,687	\$ 291
Fees	4,850	4,850	5,058	208
State Grants	1,853,983	1,853,983	1,863,473	9,490
Miscellaneous	59,500	71,000	116,134	45,134
Total Revenues	<u>1,922,729</u>	<u>1,934,229</u>	<u>1,989,352</u>	<u>55,123</u>
Expenditures				
Instruction				
Personnel Services	817,892	808,867	806,455	2,412
Employee Benefits	363,925	341,955	338,998	2,957
Professional & Tech Services	1,000	2,500	1,203	1,297
Other Purchased Services	24,450	40,810	26,406	14,404
Supplies	16,200	41,660	28,447	13,213
Supply Assets	8,000	5,000	1,673	3,327
Total Instruction	<u>1,231,467</u>	<u>1,240,792</u>	<u>1,203,182</u>	<u>37,610</u>
Support Services				
Students				
Personnel Services	13,738	18,638	16,128	2,510
Employee Benefits	4,570	9,045	8,068	977
Professional & Tech Services	17,000	21,064	14,820	6,244
Other Purchased Services	50	150	100	50
Supplies	500	500	181	319
Total Students	<u>35,858</u>	<u>49,397</u>	<u>39,297</u>	<u>10,100</u>
Instruction				
Supplies	500	500	111	389
Total Instruction	<u>500</u>	<u>500</u>	<u>111</u>	<u>389</u>
General Administration				
Personnel Services	128,331	128,331	127,615	716
Employee Benefits	44,228	48,276	47,049	1,227
Professional & Tech Services	14,694	22,729	18,850	3,879
Other Purchased Services	19,875	27,679	15,704	11,975
Supplies	9,000	9,000	3,888	5,112
Supply Assets	2,984	2,984	1,113	1,871
Total General Administration	<u>\$ 219,112</u>	<u>\$ 238,999</u>	<u>\$ 214,219</u>	<u>\$ 24,780</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 70,001	\$ 70,001	\$ 70,001	\$ 0
Employee Benefits	29,260	29,260	28,413	847
Professional & Tech Services	81	81	0	81
Other Purchased Services	50	550	91	459
Supplies	500	1,500	0	1,500
Total School Administration	<u>99,892</u>	<u>101,392</u>	<u>98,505</u>	<u>2,887</u>
Central Services				
Personnel Services	69,820	69,820	68,537	1,283
Employee Benefits	32,031	27,031	24,974	2,057
Professional & Tech Services	700	1,450	1,050	400
Other Purchased Services	2,250	3,750	1,078	2,672
Supplies	9,000	9,297	8,380	917
Supply Assets	1,400	3,000	0	3,000
Total Central Services	<u>115,201</u>	<u>114,348</u>	<u>104,019</u>	<u>10,329</u>
Operation of Plant				
Personnel Services	79,891	76,891	75,841	1,050
Employee Benefits	34,867	35,117	29,744	5,373
Professional & Tech Services	0	100	50	50
Purchased Property Services	79,300	103,698	80,849	22,849
Other Purchased Services	68,103	70,603	65,143	5,460
Supplies	12,000	11,955	10,570	1,385
Supply Assets	2,500	4,500	532	3,968
Total Operation of Plant	<u>276,661</u>	<u>302,864</u>	<u>262,729</u>	<u>40,135</u>
Student Transportation				
Personnel Services	0	0	1,207	(1,207)
Employee Benefits	0	0	242	(242)
Other Purchased Services	0	11,501	11,500	1
Total Student Transportation	<u>0</u>	<u>11,501</u>	<u>12,949</u>	<u>(1,448)</u>
Other Services				
Miscellaneous	1,005	1,005	0	1,005
Total Other Services	<u>1,005</u>	<u>1,005</u>	<u>0</u>	<u>1,005</u>
Total Support Services	<u>\$ 748,229</u>	<u>\$ 820,006</u>	<u>\$ 731,829</u>	<u>\$ 88,177</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Food Service				
Personnel Services	\$ 13,382	\$ 13,382	\$ 12,342	\$ 1,040
Employee Benefits	18,435	18,435	17,862	573
Purchased Property Services	850	850	0	850
Supplies	14,000	12,000	411	11,589
Total Food Service	<u>46,667</u>	<u>44,667</u>	<u>30,615</u>	<u>14,052</u>
Total Expenditures	<u>2,026,363</u>	<u>2,105,465</u>	<u>1,965,626</u>	<u>139,839</u>
Excess (Deficiency) of Revenues Over Expenditures	(103,634)	(171,236)	23,726	194,962
Cash Balance Beginning of Year	<u>175,134</u>	<u>175,134</u>	<u>175,134</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 71,500</u>	<u>\$ 3,898</u>	<u>\$ 198,860</u>	<u>\$ 194,962</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 23,726	
Net Change in Taxes Receivable			76	
Net Change in Inventory			(19,740)	
Net Change in Accounts Payables			(1,697)	
Net Change in Unavailable Revenue			(54)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,311</u>	

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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 3,000	\$ 3,000	\$ 3,000	\$ 0
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>
Expenditures				
Operation of Plant				
Purchased Property Services	5,000	7,000	896	6,104
Other Purchased Services	500	500	0	500
Supplies	<u>1,575</u>	<u>2,300</u>	<u>0</u>	<u>2,300</u>
Total Operation of Plant	<u>7,075</u>	<u>9,800</u>	<u>896</u>	<u>8,904</u>
Total Expenditures	<u>7,075</u>	<u>9,800</u>	<u>896</u>	<u>8,904</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,075)	(6,800)	2,104	8,904
Cash Balance Beginning of Year	<u>6,800</u>	<u>6,800</u>	<u>6,800</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,725</u>	<u>\$ 0</u>	<u>\$ 8,904</u>	<u>\$ 8,904</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 2,104	
Net change in Accounts Payables			<u>(75)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,029</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 169,348	\$ 169,348	\$ 169,348	\$ 0
Total Revenues	<u>169,348</u>	<u>169,348</u>	<u>169,348</u>	<u>0</u>
Expenditures				
Student Transportation				
Personnel Services	8,500	8,500	8,500	0
Employee Benefits	2,003	1,944	1,944	0
Purchased Property Services	13,075	13,075	13,075	0
Other Purchased Services	163,569	145,829	145,829	0
Supplies	591	0	0	0
Total Student Transportation	<u>187,738</u>	<u>169,348</u>	<u>169,348</u>	<u>0</u>
Total Expenditures	<u>187,738</u>	<u>169,348</u>	<u>169,348</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(18,390)	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>\$ (18,390)</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 6,326	\$ 8,760	\$ 8,259	\$ (501)
Total Revenues	<u>6,326</u>	<u>8,760</u>	<u>8,259</u>	<u>(501)</u>
Expenditures				
Instruction				
Supplies	11,109	16,387	6,680	9,707
Total Instruction	<u>11,109</u>	<u>16,387</u>	<u>6,680</u>	<u>9,707</u>
Total Expenditures	<u>11,109</u>	<u>16,387</u>	<u>6,680</u>	<u>9,707</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,783)</u>	<u>(7,627)</u>	<u>1,579</u>	<u>9,206</u>
Other Financing Sources (Uses)				
Returned to PED	0	0	5,450	5,450
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>5,450</u>	<u>5,450</u>
Net Change in Cash Balance	(4,783)	(7,627)	(3,871)	3,756
Cash Balance Beginning of Year	<u>15,511</u>	<u>15,511</u>	<u>15,511</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 10,728</u>	<u>\$ 7,884</u>	<u>\$ 11,640</u>	<u>\$ 3,756</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,871)	
Returned to PED			<u>5,450</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,579</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grants	\$ 23,616	\$ 45,546	\$ 18,954	\$ (26,592)
Total Revenues	<u>23,616</u>	<u>45,546</u>	<u>18,954</u>	<u>(26,592)</u>
Expenditures				
Instruction				
Professional & Tech Services	15,500	24,000	15,479	8,521
Purchased Property Services	750	750	0	750
Other Purchased Services	1,350	4,780	596	4,184
Supplies	4,016	11,516	9,880	1,636
Supply Assets	2,000	4,500	804	3,696
Total Instruction	<u>23,616</u>	<u>45,546</u>	<u>26,759</u>	<u>18,787</u>
Total Expenditures	<u>23,616</u>	<u>45,546</u>	<u>26,759</u>	<u>18,787</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(7,805)	(7,805)
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>\$ (7,805)</u>	<u>\$ (7,805)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,805)	
Net Change in Due from Grantor			<u>7,805</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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 50,000	\$ 50,000	\$ 48,146	\$ (1,854)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>48,146</u>	<u>(1,854)</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	(1,854)	(1,854)
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>\$ (1,854)</u>	<u>\$ (1,854)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,854)	
Net Change in Due from Grantor			<u>1,854</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-Wind Farm Projects-29134
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Revenue	\$ 19,250	\$ 99,714	\$ 180,178	\$ 80,464
Total Revenues	<u>19,250</u>	<u>99,714</u>	<u>180,178</u>	<u>80,464</u>
Expenditures				
Instruction				
Personnel Services	0	23,560	23,560	0
Employee Benefits	0	5,355	5,354	1
Other Purchased Services	10,000	10,000	10,000	0
Total Instruction	<u>10,000</u>	<u>38,915</u>	<u>38,914</u>	<u>1</u>
Support Services				
General Administration				
Personnel Services	0	4,960	4,960	0
Employee Benefits	0	1,168	1,168	0
Total General Administration	<u>0</u>	<u>6,128</u>	<u>6,128</u>	<u>0</u>
Operation of Plant				
Personnel Services	0	1,860	1,860	0
Employee Benefits	0	440	438	2
Purchased Property Services	0	21,030	9,250	11,780
Other Purchased Services	0	4,000	0	4,000
Supplies	0	21,806	0	21,806
Total Operation of Plant	<u>0</u>	<u>49,136</u>	<u>11,548</u>	<u>37,588</u>
Total Support Services	<u>0</u>	<u>55,264</u>	<u>17,676</u>	<u>37,588</u>
Food Service				
Personnel Services	0	1,240	1,240	0
Employee Benefits	0	293	292	1
Total Food Service	<u>0</u>	<u>1,533</u>	<u>1,532</u>	<u>1</u>
Total Expenditures	<u>10,000</u>	<u>95,712</u>	<u>58,122</u>	<u>37,590</u>
Excess (Deficiency) of Revenues Over Expenditures	9,250	4,002	122,056	118,054
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 9,250</u>	<u>\$ 4,002</u>	<u>\$ 122,056</u>	<u>\$ 118,054</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 122,056	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 122,056</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, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 67,917
Total Assets	<u>\$ 67,917</u>
Liabilities	
Deposits Held for Others	\$ 67,917
Total Liabilities	<u>\$ 67,917</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.

Major Special Revenue Funds

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.

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.

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.

Major Capital Projects Fund

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.

Budget comparison schedules are no longer required for non-major funds and are not included.

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 6/30/17	Reconciled Balance	Type
Operational	Checking	\$ 754,649	\$ 658,413	Interest
Activity	Checking	65,506	65,267	Non-Interest
Total Deposited		<u>820,155</u>	<u>\$ 723,680</u>	
Less: FDIC Coverage		<u>(250,000)</u>		
Uninsured Amount		570,155		
50% collateral requirement		285,078		
Pledged securities		<u>338,925</u>		
Over (Under) requirement		<u>\$ 53,848</u>		

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

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>
FNMA FNMS	3138WA5Z6	\$ 230,841	02/01/2034	BNY Mellon, NY
FNMA FNMS	31418BVJ2	108,085	10/01/2035	BNY Mellon, NY
		<u>\$ 338,925</u>		

Citizens Bank of Clovis

<u>Name of Account</u>		<u>Balance Per Bank 6/30/17</u>	<u>Reconciled Balance</u>	<u>Type</u>
Booster Club	Checking	\$ 2,640	2,640	Interest
Less: FDIC Coverage		(2,640)		
Uninsured Amount		<u>\$ 0</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 252,640
Collateralized:	
Collateral held by the pledging bank in District's name	338,925
Uninsured and uncollateralized	52,372
Total Deposits	<u>\$ 822,795</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, 2017 \$52,372 of the District's bank balance of \$822,795 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, 2017:

	<u>Operational 11000</u>	<u>Senate Bill Nine 31701</u>	<u>Debt Service 41000</u>
Property Taxes			
Available	\$ 72	\$ 286	\$ 886
Unavailable	611	996	3,413
Total	<u>\$ 683</u>	<u>\$ 1,282</u>	<u>\$ 4,299</u>

Amounts due from other agencies and units of government were as follows as of June 30, 2017:

State	\$ 3,206
Federal	7,914
Total	<u>\$ 11,120</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Funds			Totals
	IDEA B Entitlement 24106	NM Reads to Lead 27114	Other Governmental Funds 1,461	
Operational Fund	\$ 7,805	\$ 1,854	\$ 1,461	\$ 11,120

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 6/30/16	Increases	Adjustments	Ending Balance 6/30/17
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 23,977	\$ 0	\$ 0	\$ 23,977
Construction in Progress	0	0	0	0
Total Capital Assets, not Being Depreciated	<u>23,977</u>	<u>0</u>	<u>0</u>	<u>23,977</u>
Other Capital Assets				
Buildings & Improvements	7,439,141	\$ 64,921	0	7,504,062
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	896,262	0	30,000	926,262
Total Capital Assets, being depreciated	<u>8,335,403</u>	<u>64,921</u>	<u>30,000</u>	<u>8,430,324</u>
Total Capital Assets	<u>8,359,380</u>	<u>\$ 64,921</u>	<u>30,000</u>	<u>8,454,301</u>
Less Accumulated Depreciation				
Buildings & Improvement	3,216,357	\$ 163,460	0	3,379,817
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	610,288	44,762	0	655,050
Total Accumulated Depreciation	<u>3,826,645</u>	<u>208,222</u>	<u>0</u>	<u>4,034,867</u>
Capital Assets, net	<u>\$ 4,532,735</u>	<u>\$ (143,301)</u>	<u>\$ 30,000</u>	<u>\$ 4,419,434</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 156,581
Support Services	
Students	1,834
General Administration	2,730
Operation of Plant	38,075
Transportation	699
Food Service	8,303
Total depreciation expenses	<u>\$ 208,222</u>

E. Long-Term Liabilities and Other Liabilities

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

	Beginning Balance 6/30/16	Additions	Reductions	Ending Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 265,000	\$ 0	\$ 15,000	\$ 250,000	\$ 35,000
Long-Term Liabilities	<u>\$ 265,000</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 250,000</u>	<u>\$ 35,000</u>

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 Date	Original Amount	Interest Rate	Balance
2015	2027	250,000	3.00%	250,000
				<u>\$ 250,000</u>

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

	Principal	Interest	Total
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	25,000	4,006	29,006
2023-2027	120,000	9,442	129,442
	<u>\$ 250,000</u>	<u>\$ 36,897</u>	<u>\$ 286,897</u>

F. Commitments

The District has no 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 Plan (ERP) and additions to/deductions from ERP's fiduciary net position have been determined on the same basis as they are reported by ERP. 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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year	Date Range	Wage Category	Member's Rate	Employer's Rate	Combined Rate
2017	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2017	7-1-16 to 6-30-17	\$20K or less	7.90%	13.90%	21.80%

There was no change in the rates from the previous year.

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. for the fiscal years ended June 30, 2017 the employee and employer contributions were \$299,317.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$2,840,432 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.03947%, which was an increase of 0.00258% from their proportion measured as of June 30, 2015.

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For the year ended June 30, 2016, the District recognized pension expense of \$277,901. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,323	27,016
Net difference between projected and actual earnings on pension plan investments	169,550	0
Changes of assumptions	57,820	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	121,392	21,692
District's contributions subsequent to the	169,234	0
	<u>\$ 530,319</u>	<u>48,708</u>

\$169,234 reported as deferred outflows of resources related to pensions resulting from 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:

<u>Year ended June</u>	
2018	\$ 65,457
2019	91,548
2020	114,024
2021	41,348
Total	<u>\$ 312,377</u>

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

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.

Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
The Districts' proportionate share of the net pension liability	\$ 3,762,087	\$ 2,840,432	\$ 2,075,720

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

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 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, 2017, 2016 and 2015 were \$24,350, \$22,546, and \$20,971 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. Tax Abatement

The Village of Grady entered into an agreement with Broadview Energy Prime LLC Project Series 2013 A to abate property taxes effecting the District under section 7-36-5 NMSA 1978. A payment in lieu of taxes, (PILOT), was negotiated on behalf of the District. For the year ended June 30, 2017, \$180,178 was received for the PILOT by the District. Other required information required for the GASB 77 disclosure was not provided to the District.

L. Joint Powers Agreements

A joint powers agreement was entered into with the Regional Education Cooperative No. 6 (REC). The purpose of the agreement is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education under the Education of the Handicapped Act, Part B, PL 94-142 among others.

There are ten schools that participate in the REC, they are Dora, Elida, Floyd, Fort Sumner, Grady, House, Logan, Melrose, San Jon, and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

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

M. Concentration

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

N. Subsequent Events

Subsequent events were evaluated through October 19, 2017 which is the date the financial statements were available to be issued.

P. Restatement

Fund Balance for Instructional Materials-14000 was restated \$(5,540) for the amount returned to PED due to a state-wide budget reduction. Bond Building-31100 was restated \$(5,000) for the return of the good faith deposit in the prior year bond issue.

Net Position was restated \$(10,540) for the fund balance restatements discussed above and \$30,000 to add an addition to capital assets from a prior year. The total restatement was \$19,550.

Q. Subsequent Pronouncements

GASB Statement No. 85, Omnibus 2017. Issued 06/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Of the ten topics, only the following will apply to this District:

- *Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- *Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- *Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- *Classifying employer-paid member contributions for OPEB.

*Simplifying certain aspects of the alternative measurement method for OPEB.

*Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 86, Certain Debt Extinguishment Issues. Issued 05/17. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 87, Leases. Issued 06/17. Effective Date: For reporting periods beginning after December 15, 2019. The District is still evaluating how this pronouncement will affect the financial statements.

**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, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Bond Issue	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Capital Outlay				
Maintenance	137,470	137,470	0	137,470
Fixed Assets	<u>0</u>	<u>0</u>	<u>37,529</u>	<u>(37,529)</u>
Total Capital Outlay	<u>137,470</u>	<u>137,470</u>	<u>37,529</u>	<u>99,941</u>
Total Expenditures	<u>137,470</u>	<u>137,470</u>	<u>37,529</u>	<u>99,941</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(137,470)</u>	<u>(137,470)</u>	<u>(37,529)</u>	<u>99,941</u>
Other Financing Sources (Uses)				
Return of Good Faith Deposit	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Net Change in Fund Balance	(137,470)	(137,470)	(42,529)	94,941
Cash Balance Beginning of Year	<u>137,470</u>	<u>137,470</u>	<u>137,470</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 94,941</u>	<u>\$ 94,941</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (42,529)	
Return of Good Faith Money			5,000	
Net Change in Fund Balance			<u>\$ (37,529)</u>	

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue 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. Authority for creation of this fund is NMAC 6.20.2.

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

IDEA 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.

Fresh Fruit & Vegetables (24118). To account for a Federal grant to provide a variety of free fresh fruits and vegetables to children to help create a healthier school environment. Funding is authorized by the Agriculture, Rural Development, Food and Drug Administration and Related Agencies Act, signed in November 2005, Public Law 109-97. The fund was created by the authority of federal grant provisions.

Teacher/Principal Training and Recruiting (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). The fund was created by the authority of federal grant provisions.

Rural Education Achievement Program (REAP) (25233). To account for funds received from US Department of Education and is designed to address the needs of rural, low-income schools. The fund was created by the authority of federal grant provisions.

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.

GO Library Books (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. 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.

Nonmajor Capital Projects Funds

Special Capital Outlay-Local (31300). To account for money received from the wind farm with the restriction of spending the money for Capital Outlay Projects.

Senate Bill Nine-State (31700). The revenues are derived from state grant. Expenditures are restricted to repairs and maintenance of facilities.

Senate Bill Nine-Local (31701). The revenues are derived from local ad-valorem taxes. Expenditures are restricted to capital improvements, maintenance of the facilities and supplies.

Nonmajor Debt Service Fund

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, 2017

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Assets			
Cash and Cash Equivalents	\$ 16,059	\$ 3,665	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	109
Inventory	4,084	0	0
Total Assets	<u>\$ 20,143</u>	<u>\$ 3,665</u>	<u>\$ 109</u>
Liabilities			
Accounts Payables	\$ 0	\$ 1,129	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>109</u>
Total Liabilities	<u>0</u>	<u>1,129</u>	<u>109</u>
Deferred Inflows of Resources			
Unavailable Revenue	<u>0</u>	<u>0</u>	<u>0</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	4,084	0	0
Restricted for Special Revenue	16,059	2,536	0
Restricted for Capital Projects	0	0	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>20,143</u>	<u>2,536</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>20,143</u> \$	<u>3,665</u> \$	<u>109</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, 2017

	Special Revenue		
	Preschool 24109	Fresh Fruit & Vegetables 24118	Teacher/ Principal Training 24154
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, 2017

	Special Revenue		
	REAP 25233	Dual Credit Instructional Materials 27103	GO Bond Student Library 27107
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	1,352
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,352</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	1,352
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,352</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>\$ 1,352</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, 2017

	Special Revenue	Capital Projects	
	NM Grown Fruit & Vegetables 27183	Special Capital Outlay-Local 31300	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 0	\$ 118,658	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 118,658</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	118,658	0
Restricted for Debt Service	0	0	0
Total Fund Balance	<u>0</u>	<u>118,658</u>	<u>0</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 0</u>	<u>\$ 118,658</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, 2017

	<u>Capital Projects</u>		<u>Total</u>
	<u>Senate Bill Nine-Local 31701</u>	<u>Debt Service 41000</u>	
Assets			
Cash and Cash Equivalents	\$ 47,277	\$ 47,463	\$ 233,122
Receivables			
Taxes Receivable	1,282	4,299	5,581
Due From Grantor	0	0	1,461
Inventory	0	0	4,084
Total Assets	<u>\$ 48,559</u>	<u>\$ 51,762</u>	<u>\$ 244,248</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 1,129
Interfund Balance	0	0	1,461
Total Liabilities	<u>0</u>	<u>0</u>	<u>2,590</u>
Deferred Inflows of Resources			
Unavailable Revenue	996	3,413	4,409
Total Deferred Inflows of Resources	<u>996</u>	<u>3,413</u>	<u>4,409</u>
Fund Balances			
Nonspendable-Inventory	0	0	4,084
Restricted for Special Revenue	0	0	18,595
Restricted for Capital Projects	47,563	0	166,221
Restricted for Debt Service	0	48,349	48,349
Total Fund Balance	<u>47,563</u>	<u>48,349</u>	<u>237,249</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 48,559</u>	<u>\$ 51,762</u>	<u>\$ 244,248</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, 2017

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	20,744	13,347	0
State & Local Grants	0	0	0
Federal Grants	49,863	0	18,077
Other	5,706	0	0
Total Revenues	<u>76,313</u>	<u>13,347</u>	<u>18,077</u>
Expenditures			
Current			
Instruction	0	11,459	18,077
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	67,560	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>67,560</u>	<u>11,459</u>	<u>18,077</u>
Excess (Deficiency) of Revenues Over Expenditures	8,753	1,888	0
Fund Balances at Beginning of Year	<u>11,390</u>	<u>648</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 20,143</u>	<u>\$ 2,536</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, 2017

	Special Revenue		
	Preschool 24109	Fresh Fruit & Vegetables 24118	Teacher/ Principal Training 24154
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	776	3,445	245
Other	0	0	0
Total Revenues	<u>776</u>	<u>3,445</u>	<u>245</u>
Expenditures			
Current			
Instruction	0	3,445	245
Support Services			
Students	776	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation 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>776</u>	<u>3,445</u>	<u>245</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, 2017

	Special Revenue		
	REAP 25233	Dual Credit Instructional Materials 27103	GO Bond Student Library 27107
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	1,269	2,370
Federal Grants	18,874	0	0
Other	0	0	0
Total Revenues	<u>18,874</u>	<u>1,269</u>	<u>2,370</u>
Expenditures			
Current			
Instruction	18,874	1,269	0
Support Services			
Students	0	0	0
Instruction	0	0	2,370
General Administration	0	0	0
Operation 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>18,874</u>	<u>1,269</u>	<u>2,370</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, 2017

	Special Revenue		
	Capital Projects		
	NM Grown Fruit & Vegetables 27183	Special Capital Outlay-Local 31300	Senate Bill Nine-State 31700
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	500	152,100	3,458
Federal Grants	0	0	0
Other	0	0	0
Total Revenues	<u>500</u>	<u>152,100</u>	<u>3,458</u>
Expenditures			
Current			
Instruction	0	6,050	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	3,458
Food Services Operation	500	0	0
Capital Outlay	0	27,392	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>500</u>	<u>33,442</u>	<u>3,458</u>
Excess (Deficiency) of Revenues Over Expenditures	0	118,658	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>\$ 118,658</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, 2017

	Capital Projects		Total
	Senate Bill Nine-Local 31701	Debt Service 41000	
Revenues			
Property Taxes	\$ 18,856	\$ 57,164	\$ 76,020
Fees	0	0	34,091
State & Local Grants	0	0	159,697
Federal Grants	0	0	91,280
Other	0	0	5,706
Total Revenues	<u>18,856</u>	<u>57,164</u>	<u>366,794</u>
Expenditures			
Current			
Instruction	0	0	59,419
Support Services			
Students	0	0	776
Instruction	0	0	2,370
General Administration	165	561	726
Operation of Plant	1,416	0	4,874
Food Services Operation	0	0	68,060
Capital Outlay	0	0	27,392
Debt Service			
Principal	0	15,000	15,000
Interest	0	10,159	10,159
Total Expenditures	<u>1,581</u>	<u>25,720</u>	<u>188,776</u>
Excess (Deficiency) of Revenues Over Expenditures	17,275	31,444	178,018
Fund Balances at Beginning of Year	<u>30,288</u>	<u>16,905</u>	<u>59,231</u>
Fund Balance End of Year	<u>\$ 47,563</u>	<u>\$ 48,349</u>	<u>\$ 237,249</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 and Notes for Pension Plan

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability		0.03703%	0.03689%	0.03947%
District's proportionate share of the net pension liability	\$	2,112,823 \$	2,389,464 \$	2,840,432
District's covered-employee payroll	\$	1,048,576 \$	1,127,273 \$	1,217,509
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		201.49%	211.97%	233.30%
Plan fiduciary net position as a percentage of the total pension		66.54%	63.97%	61.58%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,		
	2015	2016	2017
Contractually required contribution	\$ 145,752	\$ 156,691	\$ 169,234
Contributions in relation to the contractually required contribution	145,752	156,691	169,234
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	1,048,576	1,127,273	1,217,509
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

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

Notes to Required Supplementary Information

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

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

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 Fund - Activities
Schedule of Fiduciary Net Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2017

	Beginning Balance 7/1/16	Additions	Deductions	Ending Balance 6/30/17
Assets				
23016 Class of 2016	\$ 280	\$ 0	\$ 280	\$ (0)
23017 Class of 2017	15,103	18,315	33,418	0
23018 Class of 2018	885	26,130	14,421	12,595
23019 Class of 2019	1,915	138	20	2,032
23020 Class of 2020	953	228	0	1,180
23021 Class of 2021	1,528	904	29	2,403
23022 Class of 2022	1,843	550	1,378	1,014
23023 Class of 2023	0	3,087	2,938	148
23050 Elementary Classes	1,066	1,074	1,902	238
23055 Pre-K & Kindergarten T-Shirts	4	0	0	4
23100 Accelerated Reading	278	0	45	233
23101 Athletics-Girls and Boys	3,685	16,933	15,158	5,459
23107 Box Top Fund	1,906	151	0	2,057
23120 Cafeteria	705	276	6	975
23125 Cheerleaders	293	462	485	270
23127 Custodian & Maintenance	125	0	0	125
23130 Faculty	489	0	52	437
23135 Fellowship of Christian Athletes	252	0	0	252
23145 FFA	4,216	15,557	13,068	6,705
23160 Feed the Hungry	0	232	0	232
23170 Honor Society	174	0	0	174
23175 Journalism	4,497	3,405	7,446	456
23185 Library	1,110	33	0	1,143
23186 Little League Baseball	207	0	0	207
23198 Science-Recycling	123	0	0	123
23200 Older Classes	1,854	280	214	1,920
23205 Special Education	122	0	0	122
23210 Student & Community	1,824	0	226	1,599
23215 Student Council	424	0	0	424
23218 Technology EMNR	1,128	2,200	1,630	1,698
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	795	795	0
23400 401 A Broadway	17,234	3,400	6,500	14,134
23500 401 B Broadway	13,830	2,400	13,274	2,956
23600 Rental Deposit Account	950	300	300	950
23800 EPAC Ads	835	1,690	1,037	1,489
23900 Booster Club	4,538	19,694	21,592	2,640
Total Assets	\$ 85,899	\$ 118,232	\$ 136,214	\$ 67,917
Liabilities				
Deposits Held for Others	\$ 85,899	\$ 118,232	\$ 136,214	\$ 67,917
Total Liabilities	\$ 85,899	\$ 118,232	\$ 136,214	\$ 67,917

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, 2017

		Beginning Cash Balance 7/1/16	Revenue	Expenditures	Ending Cash Balance 6/30/17
Operational	11000	\$ 175,134	\$ 1,989,352	\$ 1,965,625	\$ 198,861
Teacherage	12000	6,800	3,000	895	8,905
Transportation	13000	0	169,348	169,348	0
Instructional Materials	14000	15,510	8,259	12,130	11,639
Food Service	21000	10,340	70,607	64,889	16,058
Athletics	22000	648	13,347	10,331	3,664
Federal Flowthrough	24000	(3,129)	44,517	49,303	(7,915)
Federal Direct	25000	0	18,874	18,874	0
State Grants	27000	(7,459)	58,393	54,139	(3,205)
Wind Farm Projects	29134	0	180,178	58,121	122,057
Bond Building	31100	137,470	0	42,529	94,941
Special Capital Outlay-Local	31300	0	152,100	33,442	118,658
Senate Bill Nine State	31700	30,087	3,458	3,458	30,087
Senate Bill Nine Local	31701	0	18,771	1,582	17,189
Debt Service	41000	16,200	56,983	25,719	47,464
Activities	23000	85,899	118,232	136,214	67,917
Totals		<u>\$ 467,500</u>	<u>\$ 118,232</u>	<u>\$ 2,646,599</u>	<u>\$ 726,320</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the budgetary comparisons for the major capital projects and debt service funds and the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. 2017-001

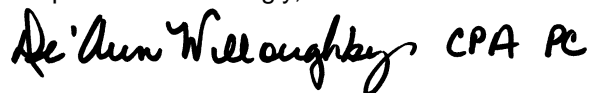
Compliance and Other Matters

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; 2017-001

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

October 19, 2017

Prior Year Audit Findings

	Status
2016-001 Expenditure Issues	Resolved
2016-002 Payroll	Resolved
2016-003 Certified Chief Procurement Officers	Resolved

Current Year Audit Findings

2017-001 Receipt Books-Compliance and Internal Control-Significant Deficiency Condition

A review of the receipts revealed several receipts were made out to activities rather than an individual. One deposit for \$1,421.75 was not made timely.

Criteria

NMAC 6.20.2.11 and NMAC 6.20.2.14 describe internal controls for receipting money.

Cause

Some of the personnel were not aware of the requirements for receipting money, others have become lax in the process.

Effect

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

Recommendation

The District should provide the personnel responsible for handling activity receipts with sufficient training and supervision to ensure compliance with internal control systems.

Response

We have revamped our process completely in order to correct this by making sure that an individual name is attached with each receipt from whom the money was received, as well as having each group fill out a reconciliation form. Our district will ensure that deposits are taken to bank in a timely manner.

The Superintendent is responsible for this finding and is confident it will be resolved immediately.

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 October 19, 2017. Those present were Leona Powell-Audit Committee Member, Karla Malone-Preceding Business Manager, Melissa Garland-Succeeding Business Manager, Elnabeth Grau-Superintendent, and De'Aun Willoughby-CPA.