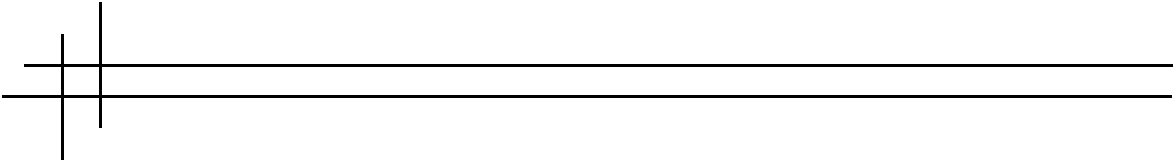


State of New Mexico
Grady Municipal Schools

Annual Financial Report
June 30, 2018

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



State of New Mexico
Grady Municipal Schools
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 For the Year Ended June 30, 2018

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Grady Municipal Schools
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State of New Mexico
Grady Municipal Schools
Official Roster
June 30, 2018

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

225 Innsdale Terrace Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Grady Municipal Schools

Mr. Johnson 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 and major special revenue funds of Grady Municipal Schools (District), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2018, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for Pension Plan, Other Post Employment Benefits 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.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements that collectively comprise the District's basic financial statements. The supplemental information such as the combining and individual nonmajor fund financial statements and the other schedules required by 2.2.2.NMAC, are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and other schedules required by 2.2.2.NMAC presented as supplementary information 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 other supplementary information 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 9, 2018 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'Aun Willoughby, CPA, PC

Clovis, New Mexico
October 9, 2018

Financial Section

State of New Mexico
Grady Municipal Schools
Government-Wide Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 663,306
Property Taxes Receivable	3,847
Due from Grantor	12,282
Inventory	1,816
Total Current Assets	681,251
Noncurrent Assets	
Capital Assets	8,739,367
Less: Accumulated Depreciation	(4,261,046)
Total Noncurrent Assets	4,478,321
Total Assets	5,159,572
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	8,529
Changes of Assumptions	1,386,913
Changes in Proportion	236,114
Contributions Subsequent to Measurement Date	167,997
Deferred Outflows Related to Other Post-Employment Benefits	
Contributions Subsequent to Measurement Date	24,172
Total Deferred Outflows of Resources	1,823,725
Liabilities	
Current Liabilities	
Accounts Payable	12,939
Accrued Interest	540
Current Portion of Long-Term Debt	51,026
Total Current Liabilities	64,505
Noncurrent Liabilities	
Bonds	413,974
Pension Liability	4,751,008
Other Post-Employment Benefits Liability	1,285,182
Total Noncurrent Liabilities	6,450,164
Total Liabilities	6,514,669
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	73,194
Investment Experience	652
Changes in Proportion	2,068
Deferred Inflows Related to Other Post-Employment Benefits	
Actuarial Experience	49,318
Investment Experience	18,488
Changes of Assumptions	224,698
Total Deferred Inflows of Resources	368,418
Net Position	
Net Investment in Capital Assets	4,013,321
Restricted for:	
Capital Projects	239,958
Debt Service	62,926
Unrestricted	(4,215,995)
Total Net Position	\$ 100,210

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, 2018

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	\$ 1,986,431	\$ 24,210	\$ 115,696	\$ 0	\$ (1,846,525)
Support Services					
Students	56,918	0	968	0	(55,950)
Instruction	7,405	0	6,334	0	(1,071)
General Administration	314,391	0	0	0	(314,391)
School Administration	138,172	0	0	0	(138,172)
Central Services	108,115	0	0	0	(108,115)
Operation of Plant	390,398	2,400	0		(387,998)
Student Transportation	213,243	0	198,423	0	(14,820)
Food Services Operations	127,049	5,341	63,575	0	(58,133)
Interest on Long-Term Obligations & Other Charges	7,292	0	0	0	(7,292)
Total Governmental Activities	\$ 3,349,414	\$ 31,951	\$ 384,996	\$ 0	(2,932,467)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					103,368
Property Taxes, Levied for Capital Projects					18,598
Property Taxes, Levied for Debt Service					55,545
Federal and State aid not restricted to specific purpose					
General					1,833,235
Capital					39,598
Miscellaneous					24,177
Subtotal, General Revenues					<u>2,074,521</u>
Change in Net Position					<u>(857,946)</u>
Net Position - Beginning					2,484,747
Restatement					<u>(1,526,591)</u>
Restated Beginning Net Position					<u>958,156</u>
Net Position - Ending					<u><u>\$ 100,210</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, 2018

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 136,955	\$ 6,608	\$ 0
Receivables			
Taxes Receivable	213	0	0
Due From Grantor	0	0	0
Interfund Balances	6,657	0	0
Inventory	0	0	0
Total Assets	\$ 143,825	\$ 6,608	\$ 0
Liabilities			
Accounts Payable	\$ 4,852	\$ 75	\$ 0
Interfund Balance	0	0	0
Total Liabilities	4,852	75	0
Deferred Inflows of Resources			
Unavailable Revenue	115	0	0
Total Deferred Inflows of Resources	115	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	138,858	6,533	0
Total Fund Balances	138,858	6,533	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 143,825	\$ 6,608	\$ 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, 2018

	General		Special Revenue	
	Instructional Materials 14000	Title I 24101	Wind Farm Projects 29134	
Assets				
Cash and Cash Equivalents	\$ 13,600	\$ 0	\$ 198,816	
Receivables				
Taxes Receivable	0	0	0	
Due From Grantor	0	2,679	0	
Interfund Balances	0	0	0	
Inventory	0	0	0	
Total Assets	\$ 13,600	\$ 2,679	\$ 198,816	
Liabilities				
Accounts Payable	\$ 0	\$ 0	\$ 0	
Interfund Balance	0	2,679	0	
Total Liabilities	0	2,679	0	
Deferred Inflows of Resources				
Unavailable Revenue	0	0	0	
Total Deferred Inflows of Resources	0	0	0	
Fund Balances				
Nonspendable-Inventory	0	0	0	
Restricted for Special Revenue	0	0	198,816	
Restricted for Capital Projects	0	0	0	
Restricted for Debt Service	0	0	0	
Unassigned	13,600	0	0	
Total Fund Balances	13,600	0	198,816	
Total Liabilities, Deferred Inflows and Fund Balances	\$ 13,600	\$ 2,679	\$ 198,816	

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, 2018

	Capital Projects		
	Bond Building 31000	Special Capital Outlay Local 31300	Senate Bill Nine-State 31700
Assets			
Cash and Cash Equivalents	\$ 68,395	\$ 118,658	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	5,625
Interfund Balances	0	0	0
Inventory	0	0	0
Total Assets	\$ 68,395	\$ 118,658	\$ 5,625
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 5,625
Interfund Balance	0	0	0
Total Liabilities	0	0	5,625
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	68,395	118,658	0
Restricted for Debt Service	0	0	0
Unassigned	0	0	0
Total Fund Balances	68,395	118,658	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 68,395	\$ 118,658	\$ 5,625

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, 2018

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 61,618	\$ 58,656	\$ 663,306
Receivables			
Taxes Receivable	2,738	896	3,847
Due From Grantor	0	3,978	12,282
Interfund Balances	0	0	6,657
Inventory	0	1,816	1,816
Total Assets	<u>\$ 64,356</u>	<u>\$ 65,346</u>	<u>\$ 687,908</u>
Liabilities			
Accounts Payable	\$ 0	\$ 2,387	\$ 12,939
Interfund Balance	0	3,978	6,657
Total Liabilities	<u>0</u>	<u>6,365</u>	<u>19,596</u>
Deferred Inflows of Resources			
Unavailable Revenue	1,430	483	2,028
Total Deferred Inflows of Resources	<u>1,430</u>	<u>483</u>	<u>2,028</u>
Fund Balances			
Nonspendable-Inventory	0	1,816	1,816
Restricted for Special Revenue	0	3,777	202,593
Restricted for Capital Projects	0	52,905	239,958
Restricted for Debt Service	62,926	0	62,926
Unassigned	0	0	158,991
Total Fund Balances	<u>62,926</u>	<u>58,498</u>	<u>666,284</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 64,356</u>	<u>\$ 65,346</u>	<u>\$ 687,908</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, 2018

Total Fund Balance - Governmental Funds \$ 666,284

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. 2,028

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

Capital Assets	\$ 8,739,367	
Accumulated Depreciation	<u>(4,261,046)</u>	4,478,321

Deferred Outflows and Inflows Related to Pensions and Other Post-Employment Benefits (OPEB) 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	1,799,553	
Deferred Outflows Related to OPEB	24,172	
Deferred Inflows Related to Pensions	(75,914)	
Deferred Inflows Related to OPEB	<u>(292,504)</u>	1,455,307

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	(465,000)	
Pension Liability	(4,751,008)	
OPEB Liability	(1,285,182)	
Accrued Interest	<u>(540)</u>	<u>(6,501,730)</u>

Total Net Position - Governmental Activities \$ 100,210

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, 2018

	General		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 4,650	\$ 0	\$ 0
Fees	10,855	2,400	0
State & Local Grants	1,833,235	0	198,423
Federal Grants	0	0	0
Miscellaneous	22,186	0	0
Total Revenues	1,870,926	2,400	198,423
Expenditures			
Current			
Instruction	1,207,907	0	0
Support Services			
Students	43,894	0	0
Instruction	1,071	0	0
General Administration	209,329	0	0
School Administration	98,759	0	0
Central Services	77,625	0	0
Operation of Plant	260,073	4,696	0
Student Transportation	9,673	0	198,423
Food Services Operations	18,764	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	1,927,095	4,696	198,423
Excess (Deficiency) of Revenues Over Expenditures	(56,169)	(2,296)	0
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Total Other Sources (Uses)	0	0	0
Net Change in Fund Balance	(56,169)	(2,296)	0
Fund Balances at Beginning of Year	195,027	8,829	0
Fund Balances End of Year	\$ <u>138,858</u>	\$ <u>6,533</u>	\$ <u>0</u>

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

State of New Mexico
Grady Municipal Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue		
	General	Title I	Wind Farm Projects
	Instructional Materials 14000	24101	29134
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 99,214
Fees	0	0	0
State & Local Grants	4,114	0	0
Federal Grants	0	10,349	0
Miscellaneous	0	0	0
Total Revenues	4,114	10,349	99,214
Expenditures			
Current			
Instruction	2,154	10,349	10,000
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	12,454
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	2,154	10,349	22,454
Excess (Deficiency) of Revenues Over Expenditures	1,960	0	76,760
Other Financing Sources (Uses)			
Bond Issue	0	0	0
Total Other Sources (Uses)	0	0	0
Net Change in Fund Balance	1,960	0	76,760
Fund Balances at Beginning of Year	11,640	0	122,056
Fund Balances End of Year	\$ 13,600	\$ 0	\$ 198,816

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, 2018

	Capital Projects		
	Bond Building 31000	Special Capital Outlay Local 31300	Senate Bill Nine-State 31700
Revenues			
Property Taxes	0 \$	0	0
Fees	0	0	0
State & Local Grants	0	0	39,598
Federal Grants	0	0	0
Miscellaneous	1,991	0	0
Total Revenues	1,991	0	39,598
Expenditures			
Current			
Instruction	0	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	30,433	0	0
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	12,598
Student Transportation	0	0	0
Food Services Operations	0	0	0
Capital Outlay	248,104	0	27,000
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	278,537	0	39,598
Excess (Deficiency) of Revenues Over Expenditures	(276,546)	0	0
Other Financing Sources (Uses)			
Bond Issue	250,000	0	0
Total Other Sources (Uses)	250,000	0	0
Net Change in Fund Balance	(26,546)	0	0
Fund Balances at Beginning of Year	94,941	118,658	0
Fund Balances End of Year	68,395 \$	118,658	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, 2018

	Debt Service 41000	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	57,528	\$ 19,111	\$ 180,503
Fees	0	18,696	31,951
State & Local Grants	0	57,029	2,132,399
Federal Grants	0	115,081	125,430
Miscellaneous	0	0	24,177
Total Revenues	<u>57,528</u>	<u>209,917</u>	<u>2,494,460</u>
Expenditures			
Current			
Instruction	0	114,339	1,344,749
Support Services			
Students	0	968	44,862
Instruction	0	6,334	7,405
General Administration	571	178	240,511
School Administration	0	0	98,759
Central Services	0	0	77,625
Operation of Plant	0	3,629	293,450
Student Transportation	0	0	208,096
Food Services Operations	0	86,251	105,015
Capital Outlay	0	9,962	285,066
Debt Service			
Principal	35,000	0	35,000
Interest	7,380	0	7,380
Total Expenditures	<u>42,951</u>	<u>221,661</u>	<u>2,747,918</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,577</u>	<u>(11,744)</u>	<u>(253,458)</u>
Other Financing Sources (Uses)			
Bond Issue	0	0	250,000
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>250,000</u>
Net Change in Fund Balance	14,577	(11,744)	(3,458)
Fund Balances at Beginning of Year	<u>48,349</u>	<u>70,242</u>	<u>669,742</u>
Fund Balances End of Year	<u><u>62,926</u></u>	<u><u>58,498</u></u>	<u><u>666,284</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, 2018

Net Change in Fund Balance \$ (3,458)

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, 2017	\$ (5,020)	
Property Taxes Receivable, June 30, 2018	<u>2,028</u>	(2,992)

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	(226,179)	
Capital Outlays	<u>285,066</u>	58,887

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

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid for bonds		35,000
--------------------------	--	--------

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

Accrued Interest, June 30, 2017	628	
Accrued Interest, June 30, 2018	<u>(540)</u>	88

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

Pension Contributions	167,997	
Other Post-Employment Benefits Contributions	24,172	
Pension Expense	(836,545)	
Other Post-Employment Benefits Expenses	<u>(51,095)</u>	<u>(695,471)</u>

Changes in Net Position of Governmental Activities \$ (857,946)

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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 4,420	\$ 4,420	\$ 4,623	\$ 203
Fees	4,950	4,950	10,855	5,905
State Grants	1,742,172	1,775,932	1,790,180	14,248
Miscellaneous	86,000	86,000	65,243	(20,757)
Total Revenues	<u>1,837,542</u>	<u>1,871,302</u>	<u>1,870,901</u>	<u>(401)</u>
Expenditures				
Instruction				
Personnel Services	835,481	831,981	810,077	21,904
Employee Benefits	361,929	361,989	342,159	19,830
Professional & Tech Services	1,503	1,503	1,200	303
Other Purchased Services	33,253	40,305	24,067	16,238
Supplies	17,780	33,628	24,826	8,802
Supply Assets	5,000	5,000	4,937	63
Total Instruction	<u>1,254,946</u>	<u>1,274,406</u>	<u>1,207,266</u>	<u>67,140</u>
Support Services				
Students				
Personnel Services	18,156	18,156	18,155	1
Employee Benefits	8,865	9,073	8,800	273
Professional & Tech Services	18,875	19,375	16,899	2,476
Other Purchased Services	101	101	0	101
Supplies	182	1,682	40	1,642
Total Students	<u>46,179</u>	<u>48,387</u>	<u>43,894</u>	<u>4,493</u>
Instruction				
Supplies	250	1,071	1,071	0
Total Instruction	<u>250</u>	<u>1,071</u>	<u>1,071</u>	<u>0</u>
General Administration				
Personnel Services	127,853	126,701	126,370	331
Employee Benefits	23,349	49,793	49,783	10
Professional & Tech Services	16,759	17,496	14,249	3,247
Other Purchased Services	21,400	24,400	12,474	11,926
Supplies	9,000	11,424	6,693	4,731
Supply Assets	2,500	4,000	0	4,000
Total General Administration	<u>\$ 200,861</u>	<u>\$ 233,814</u>	<u>\$ 209,569</u>	<u>\$ 24,245</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 70,002	\$ 70,002	\$ 70,002	\$ 0
Employee Benefits	29,379	28,879	28,725	154
Other Purchased Services	250	450	32	418
Supplies	500	1,241	0	1,241
Total School Administration	<u>100,131</u>	<u>100,572</u>	<u>98,759</u>	<u>1,813</u>
Central Services				
Personnel Services	45,001	56,435	54,154	2,281
Employee Benefits	10,924	12,666	11,140	1,526
Professional & Tech Services	1,050	4,175	2,351	1,824
Other Purchased Services	16,200	17,336	3,580	13,756
Supplies	9,500	11,500	6,131	5,369
Supply Assets	2,500	0		0
Total Central Services	<u>85,175</u>	<u>102,112</u>	<u>77,356</u>	<u>24,756</u>
Operation of Plant				
Personnel Services	76,094	75,844	75,844	0
Employee Benefits	30,670	30,502	28,537	1,965
Professional & Tech Services	50	50	0	50
Purchased Property Services	95,910	116,626	81,571	35,055
Other Purchased Services	70,330	62,819	61,051	1,768
Supplies	900	18,000	12,076	5,924
Fixed Assets	0	0	0	0
Supply Assets	3,000	1,000	717	283
Total Operation of Plant	<u>276,954</u>	<u>304,841</u>	<u>259,796</u>	<u>45,045</u>
Student Transportation				
Personnel Services	6,500	7,900	7,900	0
Employee Benefits	1,691	1,775	1,773	2
Other Purchased Services	0	0	0	0
Total Student Transportation	<u>8,191</u>	<u>9,675</u>	<u>9,673</u>	<u>2</u>
Other Services				
Miscellaneous	10,069	476	0	476
Total Other Services	<u>10,069</u>	<u>476</u>	<u>0</u>	<u>476</u>
Total Support Services	<u>\$ 727,810</u>	<u>\$ 800,948</u>	<u>\$ 700,118</u>	<u>\$ 100,830</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Food Service				
Personnel Services	\$ 13,883	\$ 11,446	\$ 9,697	\$ 1,749
Employee Benefits	18,760	14,942	6,095	8,847
Professional & Tech Services	0	600	150	450
Purchased Property Services	0	400	123	277
Supplies	1,000	17,144	2,700	14,444
Total Food Service	<u>33,643</u>	<u>44,532</u>	<u>18,765</u>	<u>25,767</u>
Total Expenditures	<u>2,016,399</u>	<u>2,119,886</u>	<u>1,926,149</u>	<u>193,737</u>
Excess (Deficiency) of Revenues Over Expenditures	(178,857)	(248,584)	(55,248)	193,336
Cash Balance Beginning of Year	<u>198,860</u>	<u>198,860</u>	<u>198,860</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 20,003</u>	<u>\$ (49,724)</u>	<u>\$ 143,612</u>	<u>\$ 193,336</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (55,248)	
Net Change in Taxes Receivable			(469)	
Net Change in Accounts Payables			(948)	
Net Change in Unavailable Revenue			496	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (56,169)</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Fees	\$ 2,971	\$ 2,971	\$ 2,400	\$ (571)
Total Revenues	<u>2,971</u>	<u>2,971</u>	<u>2,400</u>	<u>(571)</u>
Expenditures				
Operation of Plant				
Purchased Property Services	5,800	5,875	3,253	2,622
Other Purchased Services	2,000	2,000	1,000	1,000
Supplies	2,000	2,000	0	2,000
Supply Assets	2,000	2,000	443	1,557
Total Operation of Plant	<u>11,800</u>	<u>11,875</u>	<u>4,696</u>	<u>7,179</u>
Total Expenditures	<u>11,800</u>	<u>11,875</u>	<u>4,696</u>	<u>7,179</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,829)	(8,904)	(2,296)	6,608
Cash Balance Beginning of Year	<u>8,904</u>	<u>8,904</u>	<u>8,904</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 75</u>	<u>\$ 0</u>	<u>\$ 6,608</u>	<u>\$ 6,608</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (2,296)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (2,296)</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 163,954	\$ 198,423	\$ 198,423	\$ 0
Total Revenues	<u>163,954</u>	<u>198,423</u>	<u>198,423</u>	<u>0</u>
Expenditures				
Student Transportation				
Purchased Property Services	13,075	47,544	47,544	0
Other Purchased Services	<u>150,879</u>	<u>150,879</u>	<u>150,879</u>	<u>0</u>
Total Student Transportation	<u>163,954</u>	<u>198,423</u>	<u>198,423</u>	<u>0</u>
Total Expenditures	<u>163,954</u>	<u>198,423</u>	<u>198,423</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 0</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Grady Municipal Schools
 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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 3,602	\$ 4,114	\$ 4,114	\$ 0
Total Revenues	<u>3,602</u>	<u>4,114</u>	<u>4,114</u>	<u>0</u>
Expenditures				
Instruction				
Supplies	<u>13,602</u>	<u>15,754</u>	<u>2,154</u>	<u>13,600</u>
Total Instruction	<u>13,602</u>	<u>15,754</u>	<u>2,154</u>	<u>13,600</u>
Total Expenditures	<u>13,602</u>	<u>15,754</u>	<u>2,154</u>	<u>13,600</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,000)	(11,640)	1,960	13,600
Cash Balance Beginning of Year	<u>11,640</u>	<u>11,640</u>	<u>11,640</u>	<u>0</u>
Cash Balance End of Year	\$ <u>1,640</u>	\$ <u>0</u>	\$ <u>13,600</u>	\$ <u>13,600</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>1,960</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>1,960</u>	

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

State of New Mexico
Grady Municipal Schools
Special Revenue Fund-Title I-24101
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal Grant	\$ 25,792	\$ 25,792	\$ 7,779	\$ (18,013)
Total Revenues	<u>25,792</u>	<u>25,792</u>	<u>7,779</u>	<u>(18,013)</u>
Expenditures				
Instruction				
Personnel Services	6,501	6,501	6,500	1
Employee Benefits	1,554	1,554	1,540	14
Professional & Tech Services	500	500	0	500
Supplies	13,128	13,128	2,309	10,819
Supply Assets	4,000	4,000	0	4,000
Total Instruction	<u>25,683</u>	<u>25,683</u>	<u>10,349</u>	<u>15,334</u>
Total Expenditures	<u>25,683</u>	<u>25,683</u>	<u>10,349</u>	<u>15,334</u>
Excess (Deficiency) of Revenues Over Expenditures	109	109	(2,570)	(33,347)
Cash Balance Beginning of Year	<u>(109)</u>	<u>(109)</u>	<u>(109)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,679)</u>	<u>\$ (2,679)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,570)	
Net Change in Due from Grantor			<u>2,570</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, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Local Revenue	\$ 19,250	\$ 99,714	\$ 99,214	\$ (500)
Total Revenues	<u>19,250</u>	<u>99,714</u>	<u>99,214</u>	<u>(500)</u>
Expenditures				
Instruction				
Other Purchased Services	10,000	12,000	10,000	2,000
Total Instruction	<u>10,000</u>	<u>12,000</u>	<u>10,000</u>	<u>2,000</u>
Support Services				
Operation of Plant				
Purchased Property Services	136,250	214,713	8,255	206,458
Supply Assets	20,000	20,000	4,199	15,801
Total Operation of Plant	<u>156,250</u>	<u>234,713</u>	<u>12,454</u>	<u>222,259</u>
Total Support Services	<u>156,250</u>	<u>234,713</u>	<u>12,454</u>	<u>222,259</u>
Total Expenditures	<u>166,250</u>	<u>246,713</u>	<u>22,454</u>	<u>224,259</u>
Excess (Deficiency) of Revenues Over Expenditures	(147,000)	(146,999)	76,760	223,759
Cash Balance Beginning of Year	<u>122,056</u>	<u>122,056</u>	<u>122,056</u>	<u>0</u>
Cash Balance End of Year	<u><u>\$ (24,944)</u></u>	<u><u>\$ (24,943)</u></u>	<u><u>\$ 198,816</u></u>	<u><u>\$ 223,759</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 76,760	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u><u>\$ 76,760</u></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, 2018

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 63,131
Total Assets	<u>\$ 63,131</u>
Liabilities	
Deposits Held for Others	\$ 63,131
Total Liabilities	<u>\$ 63,131</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

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.

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 Funds

Bond Building (31000). To account for capital improvements funded by a bond issue.

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.

Major 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.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

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

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

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

Entitlement and shared revenues (which include state equalization and state revenue sharing) are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

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

8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of the District has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments

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

(a) bonds or negotiable securities of the United States, the state or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Receivables and Payables

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

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net of debt proceeds received, are reported as debt service expenditures.

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.

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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 6/30/18	Reconciled Balance	<u>Type</u>
Operational	Checking	\$ 688,152	\$ 566,425	Interest
Activity	Checking	72,149	62,529	Non-Interest
Total Deposited		<u>760,301</u>	<u>\$ 628,954</u>	
Less: FDIC Coverage		(250,000)		
Uninsured Amount		510,301		
50% collateral requirement		255,151		
Pledged securities		<u>312,194</u>		
Over (Under) requirement		<u>\$ 57,043</u>		

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	3138M0CQ1	\$ 13,291	09/01/2042	BNY Mellon, NY
FNMA FNMS	3138WMXJ5	17,632	03/01/2043	BNY Mellon, NY
FNMA FNMS	3140F4JS6	281,270	05/01/2031	BNY Mellon, NY
		<u>\$ 312,194</u>		

Citizens Bank of Clovis

<u>Name of Account</u>		Balance Per Bank 6/30/18	Reconciled Balance	<u>Type</u>
Booster Club	Checking	\$ 1,074	\$ 603	Interest
Less: FDIC Coverage		(1,074)		
Uninsured Amount		<u>\$ 0</u>		

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Bank of America-NMFA		Balance Per Bank 6/30/18	Reconciled Balance	Type
<u>Name of Account</u>				
Bond Building	Checking	\$ 96,880	\$ 96,880	Interest

Custodial Credit Risk-Deposits		Bank Balance
<u>Depository Account</u>		
Insured		\$ 347,954
Collateralized:		
Collateral held by the pledging bank in District's name		312,194
Uninsured and uncollateralized		198,107
Total Deposits		\$ 858,255

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, 2018 \$198,108 of the District's bank balance of \$858,255 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, 2018:

	Operational 11000	Debt Service 41000	Other Governmental Funds	Totals
Property Taxes				
Available	\$ 98	\$ 1,308	\$ 413	1,819
Unavailable	115	1,430	483	2,028
Total	\$ 213	\$ 2,738	\$ 896	3,847

Amounts due from other agencies and units of government were as follows as of June 30, 2018:

State	\$ 5,625
Federal	6,657
Total	\$ 12,282

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>		Totals
	Title I 24101	Other Governmental Funds	
Operational Fund	\$ 2,679	\$ 3,978	\$ 6,657

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

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D. Capital Assets

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

	Beginning Balance 6/30/17	Increases	Adjustments	Ending Balance 6/30/18
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	7,504,062	\$ 285,066	0	7,789,128
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	926,262	0	0	926,262
Total Capital Assets, being depreciated	<u>8,430,324</u>	<u>285,066</u>	<u>0</u>	<u>8,715,390</u>
Total Capital Assets	<u>8,454,301</u>	<u>\$ 285,066</u>	<u>0</u>	<u>8,739,367</u>
Less Accumulated Depreciation				
Buildings & Improvement	3,379,817	\$ 181,845	0	3,561,662
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	655,050	44,334	0	699,384
Total Accumulated Depreciation	<u>4,034,867</u>	<u>226,179</u>	<u>0</u>	<u>4,261,046</u>
Capital Assets, net	<u>\$ 4,419,434</u>	<u>\$ 58,887</u>	<u>\$ 0</u>	<u>\$ 4,478,321</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 158,597
Support Servicers	
Students	1,834
General Administration	2,730
Operation of Plant	54,245
Transportation	698
Food Service	8,075
Total depreciation expenses	<u>\$ 226,179</u>

E. Long-Term Liabilities and Other Liabilities

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

	Beginning Balance 6/30/17	Additions	Reductions	Ending Balance 6/30/18	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds Series 2015	\$ 250,000	\$ 0	\$ 35,000	\$ 215,000	\$ 20,000
Bonds Series 2017	0	250,000	0	250,000	31,026
Long-Term Liabilities	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 35,000</u>	<u>\$ 465,000</u>	<u>\$ 51,026</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%	215,000
2017	2030	250,000	1.00%	250,000
				<u>\$ 465,000</u>

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

	Principal	Interest	Total
2019	\$ 51,026	\$ 6,751	\$ 57,777
2020	51,980	5,988	57,968
2021	53,695	5,153	58,848
2022	31,731	4,349	36,080
2023	32,488	3,644	36,132
2024-2028	173,121	7,197	180,318
2029-2030	70,959	70	71,029
	<u>\$ 465,000</u>	<u>\$ 33,152</u>	<u>\$ 498,152</u>

F. Commitments

The District has construction commitments financed by bond issues for various projects campus wide.

G. Retirement Plan

Summary of Significant Accounting Policies

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

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

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

The Plan is a pension trust fund of the State of New Mexico. 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. 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.

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

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

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

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- *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 1.5%. 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 1.7%.

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, 2018 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
2018	7-1-16 to 6-30-17	Over \$20K	10.70%	13.90%	24.60%
2018	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, 2018 and 2017, the District paid employee and employer contributions of \$297,188 and \$299,317 which equal the amount of the required contributions for each fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$4,751,008 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. The roll-forward incorporates the impact of the new assumptions adopted by the Board on April 21, 2017. There were no other significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. Therefore, the District's portion was established as of the measurement date of June 30, 2017. 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, 2017, the District's proportion was 0.04275%, which was an increase of 0.00328% from its proportion measured as of June 30, 2016.

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For the year ended June 30, 2018, the District recognized pension expense of \$836,545. At the June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,529	73,194
Net difference between projected and actual earnings on pension plan investments	0	652
Changes of assumptions	1,386,913	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	236,114	2,068
District's contributions subsequent to the measurement date	167,997	0
	<u>\$ 1,799,553</u>	<u>75,914</u>

\$167,997 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2019	\$ 604,101
2020	629,108
2021	361,554
2022	(39,121)
Total	<u>\$ 1,555,642</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%				
Salary Increases	3.25% composed of 2.50% inflation, plus a 0.75% productivity increase rate, plus a step-rate promotional increase for members with less than 10 years of service.				
Investment Rate of Return	7.25% compounded annually, net of expenses. This is made up of a 2.50% inflation rate and a 4.75 real rate of return.				
Average Expected Remaining Service Lives	Fiscal year	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
	Service Life in Years	3.35	3.77	3.92	3.88
Mortality	Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.				
	Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.				

Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.

Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.

Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.

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

Cost-of-living Increases 1.90% per year, compounded annually.

Payroll Growth 3.00% per year (with no allowance for membership growth).

Contribution Accumulation The accumulated member account balance with interest is estimated at the valuation date by assuming that member contributions increased 5.50% per year for all years prior to the valuation date. Contributions are credited with 4.00% interest, compounded annually, applicable to the account balances in the past as well as the

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

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 April 21, 2017 in conjunction with the six-year actuarial experience study period ending June 30, 2016. At that time, the Board adopted several economic assumption changes, including a decrease in the inflation assumption from 3.00% to 2.50%. The 0.50% decrease in the inflation assumption also led to decreases in the nominal investment return assumption from 7.75% to 7.25%, the assumed annual wage inflation rate from 3.75% to 3.25%, the payroll growth assumption from 3.50% to 3.00%, and the annual assumed COLA from 2.00% to 1.90%.

The long-term expected rate of return on pension plan investments was determined using a building-block approach that includes the following:

- *Rate of return projections that are the sum of current yield plus projected changes in price (valuations,
- *Application of key economic projections (inflation, real growth, dividends, etc.)
- *Structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Equities	33%	
Fixed Income	26%	
Alternatives	40%	
Cash	1%	
	<u>100%</u>	7.25%

Discount rate. A single discount rate of 5.9% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, and a municipal bond rate of 3.56%, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2053. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the 2053 fiscal year, and the municipal bond rate was applied to all benefit payments after that date.

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

Sensitivity of the Net Pension Liability. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90 percent) or 1-percentage-point higher (6.90 percent) than the current rate:

	1% Decrease (4.9%)	Current Discount Rate (5.9%)	1% Increase (6.9%)
The Districts' proportionate share of the net pension liability	\$ 6,184,630	\$ 4,751,008	\$ 3,579,138

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. Other Post-Employment Benefits (OPEB)

Retiree Health Care Plan

The New Mexico Retiree Health Care Authority (the Authority) was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Retiree Health Care Fund (the Fund) under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

Plan Description. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees. Employees of the Authority also participate in the Fund.

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All regular full-time employees of the District are members of the Plan, in addition to certain job share and intermittent employees. Eligible employees become members on the first day they are physically on the job. At June 30, 2017, Plan membership consisted of the following:

Plan membership	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
Total	<u>160,035</u>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<u>97,349</u>

The Authority is an independent agency of the State of New Mexico. The funds administered by the Authority are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. The Authority's financial information is included with the financial presentation of the State of New Mexico.

Because the Authority is a self-funded, mainly self-insured entity pursuant to Section 10-7C NMSA 1978, the Authority is not construed to be transacting insurance activity otherwise subject to the laws of the State of New Mexico that regulate insurance companies and therefore, not subject to minimum statutory reserve requirements.

Employer and employee contributions to the Authority total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the

Current retirees are required to make monthly contributions for individual basic medical coverage. The Board may designate other plans as "optional coverages." See Section 10 7C-13 NMSA 1978 for more details

The Schedules are prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with the standards issued by the Government Accounting Standards Board (GASB). Contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For the purposes of measuring the net OPEB liability, deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Authority and additions to and deductions from Authority's fiduciary net position have been determined on the same basis as they were reported by Authority. Each participating employer's proportionate share of the Fund's net OPEB liability, deferred amounts and OPEB expense is calculated based on the employer's contributions to the Fund as a percentage of total employer contributions received by the Fund during the measurement year.

The preparation of the schedules in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures for the reporting period. Actual results could differ from those estimates.

Benefits Provided

Benefit Types: Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available, but were not included in this valuation, since they are 100% retiree paid. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees.

Duration of Coverage: Employees and dependents are valued for life.

Dependent Benefits: Same as retirees.

Dependent Coverage: Same as retirees.

Retiree Contributions: The retiree contribution is derived on a service based schedule implemented effective 7/1/2001 and updated annually. The table below shows the anticipated retiree paid portion of claims.

Non-Medicare Retiree	33.0%	34.3%	35.5%	36.0%
Non-Medicare Spouse	57.6%	60.5%	63.0%	64.0%
Medicare Retiree	52.7%	50.9%	50.0%	50.0%
Medicare Spouse	79.1%	76.4%	75.0%	75.0%

Retired Before 2020 or in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	6.25%	13	56.25%
6	12.50%	14	62.50%
7	18.75%	15	58.75%
8	25.00%	16	75.00%
9	31.25%	17	81.25%
10	37.50%	18	87.50%
11	43.75%	19	93.75%
12	50.00%	20+	100.00%

Retired After 2019 and Not in Public Safety Pension Plan

Years of Service	Percent of full subsidy based on service	Years of Service	Percent of full subsidy based on service
5	4.76%	16	57.14%
6	9.52%	17	61.90%
7	14.29%	18	66.67%
8	19.05%	19	71.43%
9	23.81%	20	76.19%
10	28.57%	21	80.95%
11	33.33%	22	85.71%
12	38.10%	23	90.48%
13	42.86%	24	95.24%
14	47.62%	25+	100.00%
15	52.38%		

Actuarial Valuation

The total OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. The mortality, retirement, disability, turnover and salary increase assumptions are based on the PERA annual valuation as of June 30, 2016 and the ERB actuarial experience study as of June 30, 2016. The following actuarial assumptions were applied to the actuary's measurement:

Valuation Date	6/30/17
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.25% for PERA members
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation rate 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

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Asset Class	Target Allocation	Long-Term Rate of Return
U.S. core fixed income	20.0%	4.1%
U.S. equity - large cap	20.0%	9.1%
Non U.S. - emerging markets	15.0%	12.2%
Non U.S. - developed	12.0%	9.8%
Private equity	10.0%	13.8%
Credit and structured	10.0%	7.3%
Real estate	5.0%	6.9%
Absolute return	5.0%	6.1%
U.S. equity - small/mid cap	3.0%	9.1%

Discount Rate

The discount rate used to measure the total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 3.81% is the blended discount rate.

Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability, calculated using the discount rate of 3.81%, as well as what the Fund's net OPEB liability would be if it were calculated using a discount rate that is 1-percent lower or 1-percent higher than the current rate:

	1% Decrease (2.81%)	Current Discount Rate (3.81%)	1% Increase (4.81%)
The Districts' proportionate share of the net OPEB liability	\$ 1,558,906	\$ 1,285,182	\$ 1,070,422

The following presents the Net OPEB Liability of NMRHCA as of June 30, 2017, as well as what the Fund's Net OPEB Liability would be if it were calculated using a health cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the health cost trend rates used:

	1% Decrease	Current Trend Rates	1% Increase
The Districts' proportionate share of the net OPEB liability	\$ 1,093,136	\$ 1,285,182	\$ 1,434,931

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$1,285,182 for their proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating institutions, actuarially determined. At June 30, 2017, the District's proportion was 0.02836%, which was an increase of 0% from their proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the District recognized OPEB expense of \$51,095. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	49,318
Net difference between projected and actual earnings on OPEB investments	0	18,488
Changes in assumptions	0	224,698
Changes in proportion and differences between the District's contributions and proportionate share of contributions	0	0
District's contributions subsequent to the measurement date	24,172	0
	<u>\$ 24,172</u>	<u>292,504</u>

\$24,172 reported as deferred outflows of resources related to OPEB resulting from District's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June</u>	
2019	\$ (62,189)
2020	(62,189)
2021	(62,189)
2022	(62,189)
2023	(43,748)
Total	<u>\$ (292,504)</u>

Additional Information. Additional financial information is available at www.nmrhca.org or by contacting New Mexico Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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, 2018, \$99,214 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. Concentrations

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

N. Subsequent Events

Subsequent events were evaluated through October 9, 2018 which is the date the financial statements were available to be issued.

O. Restatement

Net Position was restated \$(1,526,591) for the prior year Other Post Employment Benefits (OPEB) Liability.

Required Supplemental Information

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

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017	2018
		2014	2015	2016	2017
District's proportion of the net pension liability		0.03703%	0.03689%	0.03947%	0.04275%
District's proportionate share of the net pension liability	\$	2,112,823	\$ 2,389,464	\$ 2,840,432	\$ 4,751,008
District's covered-employee payroll	\$	1,048,576	\$ 1,127,273	\$ 1,217,509	\$ 1,208,612
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		201.49%	211.97%	233.30%	393.10%
Plan fiduciary net position as a percentage of the total pension liability		66.54%	63.97%	61.58%	52.95%

*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	2018
Contractually required contribution	\$ 145,752	\$ 156,691	\$ 169,234	\$ 167,997
Contributions in relation to the contractually required contribution	145,752	156,691	169,234	167,997
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	1,048,576	1,127,273	1,217,509	1,208,612
Contributions as a percentage of covered-employee payroll	13.90%	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.

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

Notes to Required Supplementary Information

Changes of benefit terms and assumptions.

The liabilities reflect the impact of Senate Bill 115, signed into law on March 29, 2013, and new assumptions adopted by the Board of Trustees on June 12, 2015 in conjunction with the six-year experience study period ended June 30, 2014. Specifically, the liabilities measured as of June 30, 2016 incorporate the following assumptions:

- * All members with annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and thereafter,
- * Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67,
- * COLAs for most retirees are reduced until NMERB attains a 100% funded status, and
- * For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Schedule of the District's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2018 2017
District's proportion of the net OPEB liability		0.02836%
District's proportionate share of the net OPEB liability	\$	1,285,182
District's covered-employee payroll	\$	1,208,612
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		106.34%
Plan fiduciary net OPEB as a percentage of the total OPEB liability		11.34%

**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 2018, the year the statement's requirements became effective.

Schedule of District's Contributions
Last 10 Fiscal Years*

	June 30, 2018
Contractually required contribution	\$ 24,172
Contributions in relation to the contractually required contribution	24,172
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	1,208,612
Contributions as a percentage of covered-employee payroll	2.00%

**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 2018, the year the statement's requirements became effective.

Notes to Required Supplementary Information

Changes of benefit terms and assumptions. There were no changes in benefit terms from the previous valuation. A description of these benefits may be found at www.nmrhca.org by clicking on Retirees. Assumptions are included in the notes to the financial statements Note H.

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.

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

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

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.

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 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.

Nonmajor Capital Projects Fund

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.

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA-B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 992	\$ 2,785	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	1,822
Inventory	1,816	0	0
Total Assets	<u>\$ 2,808</u>	<u>\$ 2,785</u>	<u>\$ 1,822</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	1,822
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,822</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	1,816	0	0
Restricted for Special Revenue	992	2,785	0
Restricted for Capital Projects	0	0	0
Total Fund Balance	<u>2,808</u>	<u>2,785</u>	<u>0</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>2,808</u>	 <u>\$ 2,785</u>	 <u>\$ 1,822</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, 2018

	Special Revenue		
	Preschool 24109	Fresh Fruit & Vegetables 24118	REAP 25233
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	888	1,268	0
Inventory	0	0	0
Total Assets	\$ 888	\$ 1,268	\$ 0
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	888	1,268	0
Total Liabilities	888	1,268	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
Total Fund Balance	0	0	0
Total Liabilities, Deferred Inflows and Fund Balances	\$ 888	\$ 1,268	\$ 0

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

State of New Mexico
Grady Municipal Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2018

	Special Revenue		
	Dual Credit Instructional Materials 27103	GO Bond Student Library 27107	NM Reads to Lead 27114
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Taxes Receivable	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Liabilities			
Accounts Payables	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for Special Revenue	0	0	0
Restricted for Capital Projects	0	0	0
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, 2018

	<u>Capital Projects</u>	
	Senate Bill Nine-Local 31701	<u>Total</u>
Assets		
Cash and Cash Equivalents	\$ 54,879	\$ 58,656
Receivables		
Taxes Receivable	896	896
Due From Grantor	0	3,978
Inventory	0	1,816
Total Assets	<u>\$ 55,775</u>	<u>\$ 65,346</u>
Liabilities		
Accounts Payables	\$ 2,387	\$ 2,387
Interfund Balance	0	3,978
Total Liabilities	<u>2,387</u>	<u>6,365</u>
Deferred Inflows of Resources		
Unavailable Revenue	483	483
Total Deferred Inflows of Resources	<u>483</u>	<u>483</u>
Fund Balances		
Nonspendable-Inventory	0	1,816
Restricted for Special Revenue	0	3,777
Restricted for Capital Projects	52,905	52,905
Total Fund Balance	<u>52,905</u>	<u>58,498</u>
 Total Liabilities, Deferred Inflows and Fund Balances	 <u>\$ 55,775</u>	 <u>\$ 65,346</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, 2018

	Special Revenue		
	Food Service 21000	Athletics 22000	IDEA-B Entitlement 24106
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	5,341	13,355	0
State & Local Grants	0	0	0
Federal Grants	59,604	0	30,025
Total Revenues	<u>64,945</u>	<u>13,355</u>	<u>30,025</u>
Expenditures			
Current			
Instruction	0	13,106	30,025
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	82,280	0	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>82,280</u>	<u>13,106</u>	<u>30,025</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,335)	249	0
Fund Balances at Beginning of Year	<u>20,143</u>	<u>2,536</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 2,808</u>	<u>\$ 2,785</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, 2018

	Special Revenue		
	Preschool 24109	Fresh Fruit & Vegetables 24118	REAP 25233
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	0	0	0
Federal Grants	968	3,971	20,513
Total Revenues	<u>968</u>	<u>3,971</u>	<u>20,513</u>
Expenditures			
Current			
Instruction	0	0	20,513
Support Services			
Students	968	0	0
Instruction	0	0	0
General Administration	0	0	0
Operation of Plant	0	0	0
Food Services Operation	0	3,971	0
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>968</u>	<u>3,971</u>	<u>20,513</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, 2018

	Special Revenue		
	Dual Credit Instructional Materials 27103	GO Bond Student Library 27107	NM Reads to Lead 27114
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State & Local Grants	713	6,334	49,982
Federal Grants	0	0	0
Total Revenues	<u>713</u>	<u>6,334</u>	<u>49,982</u>
Expenditures			
Current			
Instruction	713	0	49,982
Support Services			
Students	0	0	0
Instruction	0	6,334	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>713</u>	<u>6,334</u>	<u>49,982</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, 2018

	Capital Projects	Senate Bill Nine-Local 31701	Total
Revenues			
Property Taxes	\$ 19,111	\$ 19,111	19,111
Fees	0	18,696	18,696
State & Local Grants	0	57,029	57,029
Federal Grants	0	115,081	115,081
Total Revenues	19,111	209,917	209,917
Expenditures			
Current			
Instruction	0	114,339	114,339
Support Services			
Students	0	968	968
Instruction	0	6,334	6,334
General Administration	178	178	178
Operation of Plant	3,629	3,629	3,629
Food Services Operation	0	86,251	86,251
Capital Outlay	9,962	9,962	9,962
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	13,769	221,661	221,661
Excess (Deficiency) of Revenues Over Expenditures	5,342	(11,744)	(11,744)
Fund Balances at Beginning of Year	47,563	70,242	70,242
Fund Balance End of Year	\$ 52,905	\$ 58,498	58,498

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, 2018

	Beginning Balance 7/1/17	Additions	Deductions	Ending Balance 6/30/18
Assets				
23018 Class of 2018	\$ 12,595	\$ 31,547	\$ 42,679	\$ 1,463
23019 Class of 2019	2,032	19,662	9,149	12,546
23020 Class of 2020	1,180	315	0	1,495
23021 Class of 2021	2,403	815	0	3,217
23022 Class of 2022	1,014	98	128	984
23023 Class of 2023	148	89	113	124
23024 Class of 2024	0	2,118	1,936	182
23050 Elementary Classes	238	1,178	1,299	117
23055 Pre-K & Kindergarten T-Shirts	4	0	0	4
23100 Accelerated Reading	233	0	0	233
23101 Athletics-Girls and Boys	5,459	22,352	18,622	9,190
23107 Box Top Fund	2,057	107	624	1,540
23120 Cafeteria	975	315	985	305
23125 Cheerleaders	270	0	0	270
23127 Custodian & Maintenance	125	0	0	125
23130 Faculty	437	0	0	437
23135 Fellowship of Christian Athletes	252	0	50	202
23145 FFA	6,705	10,385	10,618	6,472
23148 FFA Travel	0	5,000	3,797	1,203
23160 Feed the Hungry	232	0	0	232
23170 Honor Society	174	76	21	228
23175 Journalism	456	0	350	106
23185 Library	1,143	2,425	1,377	2,191
23186 Little League Baseball	207	0	0	207
23198 Science-Recycling	123	0	0	123
23200 Older Classes	1,920	127	1,555	493
23205 Special Education	122	0	0	122
23210 Student & Community	1,599	0	931	668
23215 Student Council	424	30	30	424
23218 Technology EMNR	1,698	2,000	3,698	0
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	910	910	0
23400 401 A Broadway	14,134	1,260	6,401	8,993
23500 401 B Broadway	2,956	1,665	391	4,229
23600 Rental Deposit Account	950	300	0	1,250
23800 EPAC Ads	1,489	640	498	1,631
23900 Booster Club	2,640	21,326	23,363	603
Total Assets	\$ 67,917	\$ 124,739	\$ 129,525	\$ 63,131
Liabilities				
Deposits Held for Others	\$ 67,917	\$ 124,739	\$ 129,525	\$ 63,131
Total Liabilities	\$ 67,917	\$ 124,739	\$ 129,525	\$ 63,131

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, 2018

		Beginning Cash Balance 7/1/17	Revenue	Expenditures	Ending Cash Balance 6/30/18
Operational	11000	\$ 198,860	\$ 1,870,900	\$ 1,926,148	\$ 143,612
Teacherage	12000	8,904	2,400	4,697	6,607
Transportation	13000	0	198,423	198,423	0
Instructional Materials	14000	11,639	4,114	2,154	13,599
Food Service	21000	16,058	60,304	75,370	992
Athletics	22000	3,664	13,355	14,235	2,784
Federal Flowthrough	24000	(7,915)	46,571	45,312	(6,656)
Federal Direct	25000	0	20,513	20,513	0
State Grants	27000	(3,205)	60,234	57,029	(0)
Wind Farm Projects	29134	122,057	99,214	22,454	198,817
Bond Building	31100	94,941	251,991	278,537	68,395
Special Capital Outlay-Local	31300	118,658	0	0	118,658
Senate Bill Nine-State	31700	0	33,974	33,974	0
Senate Bill Nine-Local	31701	47,277	18,984	11,381	54,880
Debt Service	41000	47,464	57,106	42,951	61,619
Activities	23000	67,917	124,739	129,525	63,131
Totals		<u>\$ 726,319</u>	<u>\$ 2,862,822</u>	<u>\$ 2,862,703</u>	<u>\$ 726,438</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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

Independent Auditor's Report

Mr. Wayne Johnson
State Auditor of the State of New Mexico
Board Members of the Grady Municipal Schools

Mr. Johnson 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 and major special revenue funds, of Grady Municipal School (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements, and have issued our report thereon dated October 9, 2018.

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. 2018-001, 2018-002

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; 2018-001, 2018-002, 2018-003

The District's Responses to Findings

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

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

De'Aun Willoughby, CPA, PC

Clovis, New Mexico

October 9, 2018

Prior Year Audit Findings

		Status
2017-001	Receipt Books	Resolved

Current Year Audit Findings

2018-001 ERB-Compliance and Internal Control-Significant Deficiency Condition

The District had two employees setup in Visions as wages greater than \$20,000 instead of less than \$20,000 causing the employees to over pay ERB by \$507.75 and \$383.56 for a total of \$891.31.

Criteria

As per ERB handbook any employee who's wages are greater than \$20,000 is required to contribute 10.70% and employees who's wages are less than \$20,000 are required to contribute 7.90%.

Cause

The District had selected the wrong matrix within Visions when setting up the two employees.

Effect

The employees' net pay was less than it should have been.

Recommendation

We recommend that the District have someone else review benefits after they are entered into the software.

Response

Has been fixed in Visions, and employees have been reimbursed.

**2018-002 Cash Appropriations in Excess of Available Cash Balances-Compliance and Internal Control-
 Significant Deficiency**

Condition

The District maintained a deficit budget in excess of available cash balance in the following funds:

Operational	11000	\$	(49,724)
Wind Farm Projects	29134		(24,943)

Criteria

Section 2.2.2.10. (P) (1), NMAC, requires all school district funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the PED for approval. Cash balances rebudgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Cause

The District does not have a procedure in place to ensure sufficient beginning cash balances exist to absorb budget deficits.

Effect

The District may have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Recommendation

BARS reducing expenditures should be issued shortly after audited cash balances are confirmed if estimated cash balances were more than audited cash balances to balance the budget.

Response

The business manager will contact the pervious business manager, Karla for help on this matter, and issue a BAR into OBMS. The business manager hopes to have this corrected by the end of the curreant fiscal year.

2018-003 Expenditures-Compliance-Other Non-Compliance

Condition

Fund 11000-Of the 56 expenditures reviewed totaling \$91,148.83, \$8,092.43 or 8.88% of expenditures were paid using an after-the-fact purchase order and \$8,092.43 or 8.88% of expenditures were not paid within 30 days of the initial invoice date.

Criteria

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

Cause

The District's personnel have not always followed procedures when making a purchase. The unapproved purchases caused additional time to process payments causing the payment to be beyond 30 days from the invoice date.

Effect

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. Results could be over spending.

Recommendation

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

Response

Visits have been made with staff to ensure that a purchase order must be in place before purchasing any items. If employee spends before a purchase order an Affirmation of unauthorized purchase is signed by the employee and the Superintendent. Invoices will be paid as soon as they come in.

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 9, 2018. Those present were Phillip Borden-Board Vice-President/Audit Committee Member, Michell Edwards-Principal, Tammy Gates-Administrative Secretary, Melissa Garland-Succeeding Business Manager, Elnabeth Grau-Superintendent, and De'Aun Willoughby-CPA.