



State of
New Mexico
Hatch Valley
Public Schools

Annual Financial Report
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
Hatch Valley Public Schools
Annual Financial Report
June 30, 2017
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STATE OF NEW MEXICO
Hatch Valley Public Schools
Official Roster
June 30, 2017

<u>Name</u>	<u>Board of Education</u>	<u>Title</u>
Greg Mitchell		President
Elva Garay		Vice President
Christopher Montez		Secretary
Paul Dulin		Member
Lupe Castillo		Member
	<u>School Officials</u>	
Linda Hale		Superintendent
Larry Marshall		Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
The Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund of Hatch Valley Public Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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 Hatch Valley Public Schools, as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America requires the Schedules I and II and the notes to the Required Supplementary Information on pages 58 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

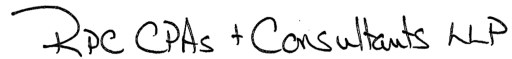
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the combining and individual fund financial statements, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Supporting Schedules III through VI 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 nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VI required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 756,589
Property taxes receivable	201,969
Intergovernmental receivables	644,212
Other receivables	597
Inventory	9,262
Total current assets	1,612,629
Noncurrent assets	
Restricted cash and cash equivalents	1,306,378
Restricted investments	817,109
Capital assets, net of accumulated depreciation	30,875,358
Total noncurrent assets	32,998,845
Total assets	34,611,474
Deferred outflows of resources	
Changes in proportion	195,887
Changes of assumptions	395,788
Net difference between projected and actual investments on pension plan investments	1,160,605
Difference between expected and actual experience	84,352
Employer contributions subsequent to the measurement date	979,600
Total deferred outflows of resources	2,816,232
<i>Total assets and deferred outflows of resources</i>	\$ 37,427,706

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

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 120,002
Accrued payroll	1,115,193
Due to New Mexico Public Education Department	56,542
Accrued compensated absences	46,385
Accrued interest	30,932
Current portion of bonds payable	665,000
	<hr/>
Total current liabilities	2,034,054
	<hr/>
Noncurrent liabilities	
Accrued compensated absences	40,865
Bond premiums, net of accumulated amortization of \$13,991	17,100
Bonds payable	3,970,000
Net pension liability	19,443,324
	<hr/>
Total noncurrent liabilities	23,471,289
	<hr/>
Total liabilities	25,505,343
	<hr/>
Deferred inflows of resources	
Net differences between expected and actuarial experience	184,931
Changes in proportion	408,249
	<hr/>
Total deferred inflows of resources	593,180
	<hr/>
Net position	
Net investment in capital assets	27,122,976
Restricted for:	
Educational purposes	60,632
Capital projects	426,567
Debt service	868,820
Unrestricted	(17,149,812)
	<hr/>
Total net position	11,329,183
	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 37,427,706</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government			
Governmental activities:			
Instruction	\$ 8,416,384	\$ 36,595	\$ 1,746,562
Support services - students	1,422,745	12,673	600,768
Support services - instruction	399,199	1,084	49,548
Support services - general administration	392,291	2,101	102,192
Support services - school administration	743,323	3,931	188,901
Central services	336,669	1,017	46,451
Operation and maintenance of plant	2,253,159	7,454	356,125
Other support services	-	68	6,193
Student transportation	818,771	2,846	566,797
Food services operations	1,128,242	20,561	1,055,283
Interest on long-term debt	72,990	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total governmental activities</i>	<u>\$ 15,983,773</u>	<u>\$ 88,329</u>	<u>\$ 4,718,821</u>

General Revenues:

- State equalization guarantee
- Taxes:
 - Property taxes, levied for operating programs
 - Property taxes, levied for debt services
 - Property taxes, levied for capital projects
- Interest and investment earnings
- Gain on sale assets
- Reversion to other entities
- Miscellaneous

General revenues

Change in net position

Net position - beginning

Net position - ending

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

<u>Program Revenues</u>	<u>Net (Expenses) Revenue and Changes in Net Position</u>
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
\$ 4,886	\$ (6,628,341)
1,681	(807,624)
139	(348,428)
286	(287,713)
529	(549,963)
130	(289,070)
996	(1,888,584)
17	6,280
-	(249,128)
-	(52,398)
-	(72,990)
<u>\$ 8,664</u>	<u>(11,167,959)</u>
	9,004,110
	35,194
	953,605
	63,054
	847
	403,392
	(68,184)
	<u>133,200</u>
	<u>10,525,218</u>
	(642,741)
	<u>11,971,924</u>
	<u>\$ 11,329,183</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund 11000, 12000, 13000, 14000	Bond Building 31100
<i>Assets</i>		
Cash, cash equivalents, and investments	\$ 812,066	\$ 767,554
Property taxes receivable	6,733	-
Intergovernmental receivables	-	-
Other receivables	597	-
Inventory	-	-
Due from other funds	399,596	-
	<u>1,218,992</u>	<u>767,554</u>
<i>Total assets</i>	<u>\$ 1,218,992</u>	<u>\$ 767,554</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>		
<i>Liabilities</i>		
Accounts payable	\$ 81,540	\$ -
Accrued payroll	836,553	-
Due to NM Public Education Department	-	-
Due to other funds	-	-
	<u>918,093</u>	<u>-</u>
<i>Total liabilities</i>	<u>918,093</u>	<u>-</u>
 <i>Deferred inflows of resources</i>		
Unavailable revenue- property taxes	5,938	-
	<u>5,938</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>5,938</u>	<u>-</u>
 <i>Fund balances</i>		
<i>Nonspendable</i>		
Inventory	-	-
<i>Spendable</i>		
<i>Restricted for:</i>		
Educational purposes	93,808	-
Capital acquisitions and improvements	-	767,554
Debt service	-	-
<i>Committed for:</i>		
Subsequent year expenditures	186,181	-
Unassigned (deficit)	14,972	-
	<u>294,961</u>	<u>767,554</u>
<i>Total fund balances</i>	<u>294,961</u>	<u>767,554</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,218,992</u>	<u>\$ 767,554</u>

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

Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ 810,088	\$ 490,368	\$ 2,880,076
164,382	30,854	201,969
-	644,212	644,212
-	-	597
-	9,262	9,262
-	-	399,596
<u>\$ 974,470</u>	<u>\$ 1,174,696</u>	<u>\$ 4,135,712</u>
\$ -	\$ 38,462	\$ 120,002
-	278,640	1,115,193
-	56,542	56,542
-	399,596	399,596
<u>-</u>	<u>773,240</u>	<u>1,691,333</u>
145,081	27,209	178,228
<u>145,081</u>	<u>27,209</u>	<u>178,228</u>
-	9,262	9,262
-	60,632	154,440
-	456,804	1,224,358
829,389	-	829,389
-	-	186,181
-	(152,451)	(137,479)
<u>829,389</u>	<u>374,247</u>	<u>2,266,151</u>
<u>\$ 974,470</u>	<u>\$ 1,174,696</u>	<u>\$ 4,135,712</u>

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

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STATE OF NEW MEXICO
Hatch Valley Public Schools
Governmental Funds

Exhibit B-1
Page 2 of 2

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

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

Fund balances - total governmental funds	\$	2,266,151
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		30,875,358
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities		178,228
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows of resources related to changes of assumptions		395,788
Deferred outflows of resources related to changes in proportion		195,887
Deferred outflows of resources related to employer contribution subsequent to measurement date		979,600
Deferred outflows of resources related to net difference between projected and actual investments on pension plan investments		1,160,605
Deferred outflows of resources related to the net difference between expected and actual experience		84,352
Deferred inflows of resources related to differences between expected and actuarial experience		(184,931)
Deferred inflows of resources related to changes in proportion		(408,249)
Certain liabilities, including bonds payable, net pension liability, and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bond premiums		(17,100)
Accrued interest		(30,932)
Accrued compensated absences		(87,250)
Bonds payable		(4,635,000)
Net pension liability		(19,443,324)
		(19,443,324)
<i>Total net position - governmental funds</i>	\$	<i>11,329,183</i>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General Fund 11000, 12000, 13000, 14000	Bond Building 31100
<i>Revenues</i>		
Property taxes	\$ 33,267	\$ -
Intergovernmental revenue:		
Federal flowthrough	31,223	-
State flowthrough	89,372	-
State direct	9,004,110	-
Local grants	45,078	-
Transportation distribution	566,797	-
Charges for services	28,309	-
Investment income	537	310
Miscellaneous	133,200	-
Total revenues	9,931,893	310
<i>Expenditures</i>		
Current:		
Instruction	5,152,776	-
Support services - students	971,902	-
Support services - instruction	315,900	-
Support services - general administration	272,898	-
Support services - school administration	675,615	-
Central services	300,789	-
Operation and maintenance of plant	1,636,021	151,194
Student transportation	561,957	-
Food services operations	-	-
Capital outlay	-	12,746
Debt service:		
Principal	-	-
Interest	-	-
Total expenditures	9,887,858	163,940
<i>Excess (deficiency) of revenues over expenditures</i>	44,035	(163,630)
<i>Other financing sources (uses)</i>		
Proceeds from sale of assets	-	-
Bond proceeds	-	825,000
Reversion to other entities	(68,184)	-
Total other financing sources (uses)	(68,184)	825,000
<i>Net change in fund balances</i>	(24,149)	661,370
<i>Fund balances - beginning</i>	319,110	106,184
<i>Fund balances - ending</i>	\$ 294,961	\$ 767,554

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

Debt Service 41000	Other Governmental Funds	Total Governmental Funds
\$ 814,378	\$ 153,593	\$ 1,001,238
-	2,830,126	2,861,349
-	1,108,567	1,197,939
-	56,322	9,060,432
-	-	45,078
-	-	566,797
-	60,020	88,329
-	-	847
-	-	133,200
<u>814,378</u>	<u>4,208,628</u>	<u>14,955,209</u>
-	1,862,109	7,014,885
-	331,205	1,303,107
-	57,511	373,411
9,250	90,501	372,649
-	12,950	688,565
-	17,621	318,410
-	285,268	2,072,483
-	92,217	654,174
-	1,098,515	1,098,515
-	437,470	450,216
730,000	-	730,000
79,880	-	79,880
<u>819,130</u>	<u>4,285,367</u>	<u>15,156,295</u>
<u>(4,752)</u>	<u>(76,739)</u>	<u>(201,086)</u>
-	403,392	403,392
-	-	825,000
-	-	(68,184)
-	403,392	1,160,208
(4,752)	326,653	959,122
<u>834,141</u>	<u>47,594</u>	<u>1,307,029</u>
<u>\$ 829,389</u>	<u>\$ 374,247</u>	<u>\$ 2,266,151</u>

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

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STATE OF NEW MEXICO
Hatch Valley Public Schools
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	959,122
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital expenditures recorded in capital outlay		461,509
Depreciation expense		(1,240,906)
<p>In the Statement of Activities, only the loss on the disposition of capital assets is reported. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets disposed.</p>		
		(32,484)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in unavailable revenue related to property taxes receivable		50,615
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>		
District pension contribution		979,600
Pension expense		(1,738,804)
<p>The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:</p>		
Decrease in compensated absences		3,608
Decrease in accrued interest		6,890
Bond proceeds		(825,000)
Amortization of bond premiums		3,109
Principal payments on bonds		730,000
		730,000
<i>Change in net position of governmental activities</i>	\$	(642,741)

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund (11000, 12000, 13000, 14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Exhibit C-1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ 34,502	\$ 34,502	\$ 37,949	\$ 3,447
Intergovernmental revenue:				
Federal flowthrough	23,896	23,896	31,223	7,327
State flowthrough	72,525	72,525	89,372	16,847
Local grants	60,000	60,000	45,078	(14,922)
State direct	9,328,087	9,002,527	9,004,110	1,583
Transportation distribution	649,202	566,797	566,797	-
Charges for services	22,400	22,400	28,309	5,909
Investment income	500	500	537	37
Miscellaneous	90,000	90,000	150,434	60,434
<i>Total revenues</i>	<u>10,281,112</u>	<u>9,873,147</u>	<u>9,953,809</u>	<u>80,662</u>
<i>Expenditures</i>				
<i>Current</i>				
Instruction	5,448,130	5,231,211	5,203,054	28,157
Support services - students	1,089,824	1,010,378	958,550	51,828
Support services - instruction	341,785	331,785	309,224	22,561
Support services - general administration	243,250	270,100	264,234	5,866
Support services - school administration	681,910	679,371	675,615	3,756
Central services	282,519	290,142	303,006	(12,864)
Operation and maintenance of plant	1,767,937	1,718,119	1,602,251	115,868
Student transportation	649,202	619,483	565,744	53,739
Other support services	5,941	5,941	-	5,941
<i>Total expenditures</i>	<u>10,510,498</u>	<u>10,156,530</u>	<u>9,881,678</u>	<u>274,852</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(229,386)</u>	<u>(283,383)</u>	<u>72,131</u>	<u>355,514</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	229,386	283,383	-	(283,383)
Reversion to other entities	-	-	(68,184)	(68,184)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>229,386</u>	<u>283,383</u>	<u>(68,184)</u>	<u>(351,567)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>3,947</u>	<u>3,947</u>
<i>Fund balances - beginning of year,</i>	<u>-</u>	<u>-</u>	<u>1,249,641</u>	<u>1,249,641</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,588</u>	<u>\$ 1,253,588</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 3,947
Adjustments to revenue for property tax accruals and local grant accruals				(21,916)
Adjustments to expenditures for salaries and instruction expenditures				(6,180)
<i>Net change in fund balances (GAAP)</i>				<u>\$ (24,149)</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit D-1

<i>Assets</i>	
Cash and cash equivalents	\$ 149,578
<i>Total assets</i>	<u>\$ 149,578</u>
 <i>Liabilities</i>	
Accounts payable	\$ 7,323
Deposits held in trust for others	<u>142,255</u>
<i>Total liabilities</i>	<u>\$ 149,578</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

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

The school board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates five schools within the District with a total enrollment of approximately 1,300 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

This summary of significant accounting policies of the District is presented to assist in the understanding of the District's financial statements. The financial statements and notes are the representation of the District's management that is responsible for the financial statements. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended June 30, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial)*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. These five Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the District, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the District's financial statements directly; however, the effects on the District's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government’s tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The District’s pension plan does not meet the criteria for exclusion.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

A. Financial Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the District has no component units, and is not a component unit of another governmental agency.

B. Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts – Net investment in capital assets, restricted net position; and unrestricted net position.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The District does not have any enterprise funds.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period; net of estimated refunds and uncollectible amounts for government-wide statements. For fund financial statements these revenues are recognized as revenues when measurable and available. Derived tax revenues are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items (which include state equalization and state revenue sharing) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the *Transportation Fund*, which is used to account for the State Equalization received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the *Instructional Materials Fund*, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

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

The *Debt Service Fund* is used to accumulate resources for payment of principal and interest due on educational technology bonds. Financing is provided by a special tax levy approved by the voters of the county and assessed by the Dona Ana County Assessor and collected and remitted to the District by the Dona Ana County Treasurer.

Additionally, the District reports the following agency fund:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity

Deposits and Investments: 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.

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the Local Government Investment Pool.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

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

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

Restricted Assets: The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest.

Receivables and Payables: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Dona Ana County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2017 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end.

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

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. As of June 30, 2017 the District does not have any prepaid items.

Inventory: Hatch Valley Public Schools values inventory at lower of cost or market value. The method that the District uses is the consumption approach. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The District was a phase II government for purposes of implementing GASB 34. However, the District does not have any infrastructure assets to report.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Library books are not capitalized because the District does not believe they have a life of more than one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

Capital expenditures made on the school district's building construction projects by the New Mexico Public School Facilities Authority are included in the District's capital assets as appropriate.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15-50 years
Equipment	5-50 years
Land improvements	10-50 years

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employee's summer payroll.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category. Accordingly, the items, differences between expected and actual experience \$84,352, Net difference between projected and actual earning on pension plan investments \$1,160,605, changes of assumptions \$395,788, changes in proportion in the amount of \$195,887, and employer contributions subsequent to measurement date in the amount of \$979,600. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

Deferred Inflow of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$178,228 related to property taxes considered "unavailable." In addition, the District has two types of items present on the Statement of Net Position related to the net pension liability. Accordingly, the items, difference in expected and actuarial experience in the amount \$184,931 and changes in proportion in the amount of \$408,249, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences: The District permits administrative employees to accumulate a maximum of 240 hours of earned but unused vacation, which will be paid at the employee's current hourly rate if not used, upon termination from the District. Accumulated sick leave benefits vest with each employee in accordance with District policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability amount is reported in the government funds only if they are due and payable. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by the employees.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after the District implemented GASB 34 in the year ended June 30, 2003, 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 amounts are inconsequential compared to the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Fund Balance Classification Policies and Procedures: The District has implemented GASB No. 54 and has defined the various categories reported in fund balance.

For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

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

Nonspendable Fund Balance: At June 30, 2017, the nonspendable fund balance of the District is comprised of inventory in the food service fund in the amount of \$9,262, of which is considered not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$154,440 for providing education to the students of the District, \$1,224,358 for the renovation and/or expansion of District facilities, \$829,389 for the payment of principal and interest of the future debt service requirements,

Minimum Fund Balance Policy: The District does not have a policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The District had \$899,718 in unspent bond proceeds as of June 30, 2017.
- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 30 and 64-67.
- c. Unrestricted Net Position: All other net positions that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the District are management's estimate of estimated useful lives for depreciable assets, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

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

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each District to ensure that the District's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the District's program cost". A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$9,004,110 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. Dona Ana County collects county, city and school taxes and distributes some to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,001,238 in tax revenues in the governmental fund financial statements during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each School district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$566,797 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various Districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the Public Education Department "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$89,372. Allocations received and utilized are reflected in revenues and expenditures of the General Fund.

SB-9 State Match: The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$397,670 in state SB-9 matching during the year ended June 30, 2017.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used for capital expenditures deemed by the public school capital outlay council (PSCOC) necessary for an adequate educational program per Section 22-24-4(B), core administrative function of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4 (G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L). The District receive \$8,664 PSCOC awards during the year ended June 30, 2017.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as *Special Revenue Funds*. Each program operates under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Public Education Department). The various budgets are approved by the local School Board and the New Mexico Public Education Department.

NOTE 2. Stewardship, Compliance, and Accountability

Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability (continued)

Budgetary Information (continued)

These budgets are prepared on a Non-GAAP cash basis and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that the beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is therefore presented as restricted fund balance.

Actual expenditures may not exceed the budget at function level. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

The District's expenditures are budgeted on a cash basis, with the exception of those expenditures related to payroll. Payroll expenditures are budgeted on the accrual basis and the beginning fund balance and current year actual expenditures on the budgetary comparisons in those funds that have accrued payroll for held checks at year end have been adjusted to account for this requirement.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance, and Accountability (continued)

Budgetary Information (continued)

7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The School Board may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico Administrative Code 6.20.2.9 prohibits a school district from exceeding budgetary control at the function level.

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ (229,386)	\$ (283,383)
Bond Building Fund	\$ -	\$ (105,555)
Debt Service	\$ (892,594)	\$ (892,594)
Nonmajor Funds	\$ (55,271)	\$ (95,837)

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

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

Beginning January 1, 2013, all of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$1,020,878 of the District's bank balance of \$1,373,385 was subject to custodial credit risk. \$956,011 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$64,867 of the District's deposits was uninsured and uncollateralized at June 30, 2017.

	<u>Bank of the West</u>	<u>Wells Fargo</u>	<u>Total</u>
Amount of deposits	\$ 102,507	\$ 1,270,878	\$ 1,373,385
FDIC Coverage	<u>(102,507)</u>	<u>(250,000)</u>	<u>(352,507)</u>
Total uninsured public funds	<u>-</u>	<u>1,020,878</u>	<u>1,020,878</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	<u>-</u>	<u>956,011</u>	<u>956,011</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 64,867</u>	<u>\$ 64,867</u>
Collateral requirement (50% of uninsured funds)	\$ -	\$ 510,439	\$ 510,439
Pledged collateral	<u>-</u>	<u>956,011</u>	<u>956,011</u>
Over (Under) collateralized	<u>\$ -</u>	<u>\$ 445,572</u>	<u>\$ 445,572</u>

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

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

Repurchase Agreement

Custodial Credit Risk – Investments For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the District for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2017, \$1,091,702 of the District’s investment balance was exposed to custodial credit risk because it was collateralized by collateral held by the counterparty, not in the District’s name.

Repurchase Agreement:

	Bank of the West
Repurchase agreements	\$ 1,091,702
Total uninsured public funds	1,091,702
Securities underlying an overnight repurchase agreement	1,091,702
Total investments subject to custodial credit risk	\$ 1,091,702
Collateral requirement for repurchase agreements (102% of value of underlying securities)	\$ 1,113,536
Pledged collateral	1,113,536
Over (Under) collateralized	\$ -

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents per Exhibit A-1	\$	756,589
Restricted cash and cash equivalents per Exhibit A-1		1,306,378
Restricted investments per Exhibit A-1		817,109
Agency funds cash per Exhibit D-1		<u>149,578</u>
 Total cash and cash equivalents		 <u>3,029,654</u>
 Add: outstanding checks and other reconciling items		 335,401
Less: petty cash		(250)
Less: restricted investments with NMFA		(817,109)
Less: restricted cash and cash equivalents with NMFA		<u>(82,609)</u>
 Bank balance of deposits and repurchase agreements	 \$	 <u>2,465,087</u>

NOTE 4. Receivables

Accounts receivable for governmental activities as of June 30, 2017 are as follows:

	<u>General</u>	<u>Bond</u>	<u>Debt Service</u>	<u>Other</u>	<u>Governmental</u>	<u>Total</u>
	<u>Fund</u>	<u>Building</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Total</u>
Property taxes receivable	\$ 6,733	\$ -	\$ 164,382	\$ 30,854		\$ 201,969
Intergovernmental receivables						
State	-	-	-	186,858		186,858
Federal	-	-	-	457,354		457,354
Other receivables	<u>597</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>597</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
 Totals	 <u>\$ 7,330</u>	 <u>\$ -</u>	 <u>\$ 164,382</u>	 <u>\$ 675,066</u>		 <u>\$ 846,778</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$178,228 that were not collected within the period of availability and have been reclassified as deferred inflow of resources in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 5. Interfund Receivables and Payables, and Transfers

The District's fund financial statements include inter-fund receivables and payables to enable the funds to operate until grant monies are received. The composition of inter-fund balances as of June 30, 2017 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major Funds:		
11000 General Fund	\$ 399,596	\$ -
Non-major Funds:		
21000 Food Services	-	44,105
24101 Title I - IASA	-	43,605
24106 Entitlement IDEA-B	-	68,839
24108 New Mexico Autism Project	-	621
24109 Preschool IDEA-B	-	788
24119 21st Century CLC	-	70,671
24124 School Improvements	-	17,911
24153 English Language Acquisition	-	40,520
24154 Title IIA Teacher/Principal Training & Recruiting	-	-
24160 Rural & Low Income Schools	-	54
24162 Title I School Improvement	-	3,478
24163 Immigrant Funding Title III	-	-
24201 Title I - IASA Federal Stimulus	-	-
27107 GO Bond Student Library	-	11
27141 Truancy Initiative PED	-	5,905
27149 Pre-K Initiative	-	13,056
27166 Kindergarten Three Plus	-	52,668
27168 After School Enrichment Program	-	-
27194 Social Workers for Middle Schools	-	5,973
28189 GRADS	-	-
28190 Child Care	-	21,997
29102 Sloan-Prince Grant	-	730
31200 Public School Capital Outlay	-	8,664
	<u>\$ 399,596</u>	<u>\$ 399,596</u>

All interfund balances are to be repaid within one year.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 6. Capital Assets

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 817,369	\$ -	\$ -	\$ -	\$ 817,369
Construction in progress	28,502	(28,502)	44,843	-	44,843
Total capital assets not being depreciated	<u>845,871</u>	<u>(28,502)</u>	<u>44,843</u>	<u>-</u>	<u>862,212</u>
Capital assets being depreciated:					
Buildings and improvements	40,011,924	28,502	147,561	-	40,187,987
Equipment	2,649,110	-	269,105	-	2,918,215
Land improvements	3,993,647	-	-	34,557	3,959,090
Total capital assets being depreciated	<u>41,886,959</u>	<u>28,502</u>	<u>416,666</u>	<u>34,557</u>	<u>47,065,292</u>
Total capital assets	<u>42,704,328</u>	<u>-</u>	<u>461,509</u>	<u>34,557</u>	<u>47,927,504</u>
Less accumulated depreciation:					
Buildings and improvements	12,321,570	-	894,703	-	13,216,273
Equipment	1,848,499	-	182,743	-	2,031,242
Land improvements	1,643,244	-	163,460	2,073	1,804,631
Total accumulated depreciation	<u>16,350,306</u>	<u>-</u>	<u>1,240,906</u>	<u>2,073</u>	<u>17,052,146</u>
Total capital assets, net of depreciation	<u>\$ 26,382,524</u>	<u>\$ -</u>	<u>\$ (779,397)</u>	<u>\$ 32,484</u>	<u>\$ 30,875,358</u>

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

Direct instruction	\$ 898,237
Support services-students	53,739
Operation and maintenance of plant	147,107
Student transportation	130,534
Food service operations	11,289
Total	<u>\$ 1,240,906</u>

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$6,850,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

Bonds outstanding at June 30, 2017 are comprised of the following:

	<u>Series 2008</u>	<u>Series 2009</u>	<u>Series 2011</u>
Original Issue:	\$ 600,000	\$ 950,000	\$ 750,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	2.60%-3.7%	3.0%-3.5%	.64%-2.69%
Maturity Date:	August 2016	August 2018	August 2020
	<u>Series 2012</u>	<u>Series 2012B</u>	<u>Series 2013</u>
Original Issue:	\$ 550,000	\$ 1,000,000	\$ 650,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	.70%-2.03	2%	.2 to 2.8%
Maturity Date:	August 2021	August 2022	August 2023
	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016</u>
Original Issue:	\$ 725,000	\$ 800,000	\$ 825,000
Principal:	August 1	August 1	August 1
Interest:	August 1	August 1	August 1
	February 1	February 1	February 1
Interest Rates:	.2 to 2.8%	.214%-2.464%	.236%-1%
Maturity Date:	August 2024	August 2025	August 2026

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 7. Long-term Debt (continued)

The following is a summary of the long-term debt and the related activity for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds					
Series 8/1/2008	\$ 110,000	\$ -	\$ 110,000	\$ -	\$ -
General obligation bonds					
Series 8/1/2009	700,000	-	200,000	500,000	240,000
General obligation bonds					
Series 8/1/2011	555,000	-	100,000	455,000	100,000
General obligation bonds					
Series 8/1/2012	440,000	-	50,000	390,000	50,000
General obligation bonds					
Series 8/1/2012B	700,000	-	100,000	600,000	100,000
General obligation bonds					
Series 8/1/2013	540,000	-	25,000	515,000	50,000
General obligation bonds					
Series 8/1/2014	695,000	-	60,000	635,000	50,000
General obligation bonds					
Series 8/1/2015	800,000	-	85,000	715,000	45,000
General obligation bonds					
Series 8/1/2016	-	825,000	-	825,000	30,000
Compensated Absences	90,858	54,110	57,718	87,250	46,385
Total Long-Term Debt	\$ 4,630,858	\$ 879,110	\$ 787,718	\$ 4,722,250	\$ 711,385

The annual requirements to amortize all general obligation bonds outstanding as June 30, 2017, including interest payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2018	\$ 665,000	\$ 66,772	\$ 731,772
2019	735,000	50,886	785,886
2020	585,000	37,007	622,007
2021	605,000	26,365	631,365
2022	475,000	17,659	492,659
2023-2027	1,570,000	19,341	1,589,341
	<u>\$ 4,635,000</u>	<u>\$ 218,030</u>	<u>\$ 4,853,030</u>

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, the long-term portion of compensated absences decreased \$3,608 over the prior year accrual. Compensated absences are usually paid from the general fund. See Note 1 for more details.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 8. Risk Management

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

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible for contents and \$10,000 deductible for each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$500,000 per occurrence for Faithful Performance. A limit of \$500,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit Fund Balances: The following funds maintained a deficit fund balance at June 30, 2017:

Nonmajor Funds

Food Services Special Revenue Fund - 21000	\$ 99,909
Truancy Initiative PED - 27141	14,343
Social Workers for Middle Schools - 27194	5,973
GRADS Instruction Special Revenue Fund - 28190	21,997
Sloan-Prince Grant - 29102	967

The District incurred more expenditures than revenues received in these funds in the current year. The District anticipates these fund balances will not be in a deficit state in subsequent years from transfers from other funds.

- B. Excess of expenditures over appropriations: The District had the following funds with line item expenditures in excess of budget for the year ended June 30, 2017:

Nonmajor Funds

Pre-K Initiative	\$ (6,636)
Debt Services	(750)

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 9. Other Required Individual Fund Disclosures (continued)

C. Designated cash appropriations in excess of available balance: There was one fund of the District exceeded the budget cash appropriations for the year ended June 30, 2017.

<u>Special Revenue Funds</u>	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriation in Excess of Available Cash</u>
Sloan-Prince Grant	\$ 1,000	\$ -	\$ 1,000
SB9 Local Match	50,255	-	50,255

NOTE 10. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

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

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

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member’s age and earned service credit add up to the sum of 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member’s age and earned service credit add up to the sum of 80 or more; the member is at least sixty- seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

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

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2017 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning 20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 continued contributing at an amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$979,600 for the year ended June 30, 2017.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District reported a liability of \$19,443,324 for its proportionate share of the net pension liability. The District’s proportion of the net pension liability is based on the employer contributing entity’s percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2016, the District’s proportion was 0.27709 percent, which was a decrease of 0.00271 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,738,804. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 84,352	\$ 184,931
Net difference between projected and actual earnings on pension plan investments	1,160,605	-
Changes of assumptions	395,788	-
Changes in proportion	195,887	408,249
District’s contributions subsequent to the measurement date	979,600	-
Total	\$ 2,816,232	\$ 593,180

\$979,600 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$	(317,618)
2019		(183,653)
2020		(459,158)
2021		(283,023)

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2016 and thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increase	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table’s base year of 2012

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. ERB’s investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted on August 26, 2016, as well as the prior allocation policy targets.

Comparative Schedule of Target Investment Allocation

<u>Asset Class</u>	Target Allocation	
	After 8/26/2016	Prior to 8/26/2016
<i>Domestic Equities</i>		
Large cap equities	16%	18%
Small- mid cap equities	3%	2%
<i>Total domestic</i>	19%	20%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
<i>Total international</i>	14%	15%
Total equities	33%	35%
Fixed Income		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	26%	28%
Alternatives		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	40%	36%
Cash	1%	1%
Total	100%	100%

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on pension plan investments were 2.68% and 4.06%, respectively.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016 and June 30, 2015. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2016. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
District’s proportionate share of the net pension liability	<u>\$ 25,752,231</u>	<u>\$ 19,443,324</u>	<u>\$ 14,208,714</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial statements as of and for the year ended June 30, 2016, which is publicly available at www.nmerb.org.

Payables to the pension plan. The District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15th day of the month following the month for which contributions are withheld. At June 30, 2017, the District owed the ERB \$300,980 for the contributions withheld in the month of June 2017.

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

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$140,995, \$154,663, and \$157,365 respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 12. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial. The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 13. Concentrations

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

NOTE 14. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 10, 2017 which is the date on which the financial statements were issued.

The District entered into Series 2017 General Obligation Bonds in the amount of \$625,000. The closing date was August 18, 2017. Principal is due August 1 with a maturity date of August 1, 2027. The GO Bonds have an interest rate of 0.20683% to 0.1.32610%.

NOTE 15. Commitments

The District has various projects including the concession at the high school totaling approximately \$67,018 as of June 30, 2017.

NOTE 16. Restricted Net Position

The government-wide statement of net position reports \$1,356,019 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue, debt service and capital projects, see pages 30 and 64-67.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 17. Joint Powers Agreements and MOU's

Ben Archer Health Center

Participants – Ben Archer Health Center
Hatch Valley Public Schools

Responsible party – Ben Archer Health Center and Hatch Valley Public Schools

Description – To establish behavioral health services at Hatch Valley Public Schools

Beginning date – June 18, 2013

Ending date – Until withdrawn

Estimated amount of project – none

Amount contributed – No charges exchanged

Audit responsibility – Hatch Valley Public Schools

Fiscal agent – No charges exchanged

School Resource Officer

Participants – Village of Hatch
Hatch Valley Public Schools

Responsible party – Village of Hatch

Description – To provide and manage a School Resource Officer Program in the District.

Beginning date – August 11, 2014

Ending date – Until withdrawn

Estimated amount – \$45,000

Audit responsibility – Hatch Valley Public Schools

Fiscal agent – Village of Hatch and Hatch Valley Public Schools

NOTE 18. Tax Abatements

While the District does not negotiate property tax abatements, Dona Ana County does on an individual basis. There is one tax abatement agreement that affects the District as of June 30, 2017. The agreement is with SunEdison for the construction and operation of an approximately 12 megawatt (MW) photovoltaic generating station within the County. The agreement began in 2012 and has a life of 10 years. The amount of property taxes abated during 2017 \$131,988.

This agreement was negotiated under the New Mexico's Community Development Incentive Act. Statute 3-64-1 through 3-64-5 NMSA 1978 to promote trade, industry, and other forms of economic development. Each abatement is a local agreement between a taxpayer and a taxing unit that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. There is a provision, that in the event that the Project permanently ceases operation prior to the date that is twenty-five (25) years after the commencement of commercial operations of the Project, commercial personal property taxes that were previously abated...shall become due and payable on a proportionate basis

The District has not made any commitments as part of the agreements other than those made by the County. The District is subject to those tax abatements agreement entered into by Dona Ana County.

NOTE 19. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District does not expect this pronouncement to have a material effect on the financial statements as they do not participate in such a plan.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to the Financial Statements
June 30, 2017

NOTE 19. Subsequent Pronouncements (continued)

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is still evaluating how this pronouncement will affect the financial statements.

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

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Proportionate Share of the Net Pension Liability
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

Schedule I

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of and	Date (As of and	Date (As of and
	for the Year	for the Year	for the Year
	Ended June 30,	Ended June 30,	Ended June 30,
	2016)	2015)	2014)
Hatch Valley Public School's proportion of the net pension liability (asset)	0.2702%	0.2771%	0.2798%
Hatch Valley Public Schools proportionate share of the net pension liability (asset)	\$ 19,443,324	\$ 17,947,843	\$ 15,963,485
Hatch Valley Public Schools covered-employee payroll	7,702,999	7,876,832	7,295,766
Hatch Valley Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	252%	228%	219%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	63.97%	66.34%

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

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Contributions
Educational Retirement Board (ERB) Pension Plan
Last 10 Fiscal Years*

Schedule II

	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contribution	\$ 979,600	\$ 1,070,717	\$ 1,094,880
Contributions in relation to the contractually required contribution	<u>979,600</u>	<u>1,070,717</u>	<u>1,094,880</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hatch Valley Public Schools covered-employee payroll	7,047,483	7,702,999	7,876,832
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

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

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms.

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

Changes of assumptions.

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) Maintain in current 3.00% inflation assumption
- 5) Retain net 4.75% real return assumption
- 6) Retain 7.75% nominal return assumption
- 7) No change to COLA assumption of 2.00% per year
- 8) Maintain current payroll growth assumption of 3.50%
- 9) Maintain experience-based rates for members who joined NMERB by June 30, 2010
- 10) Remove population growth assumption for projections
- 11) Lower population growth from .50% to zero (no impact on valuation results)

Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS

Food Services (21000) – This fund is used to is utilized to account for Federal and Local sources of income relating to the food service programs. The Food Service Fund is segregated into two categories, one being the Federal funds and the other being Non-Federal funds. Federal funds consist of National School Lunch Program, which is administered by the State of New Mexico for the purpose of making breakfast and lunch available to all school children and to encourage the domestic consumption of agricultural commodities and other food components. Authority for the creation of this fund is NMSA 22-13-13.

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

Title I – IASA Special Revenue Fund (24101) is used to provide supplemental educational opportunity for academically disadvantaged children residing in the area. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383.

Migrant Children Education (24103) – To account for federal sources administered by the State Public Education Department to provide for special education needs of children of migratory agricultural workers. Authority for the creation of this fund is (P.L. 100-297).

Entitlement IDEA-B (24106) – The IDEA-B Entitlement/Competitive program is to provide grants to states that flow-through to schools, to assist them in providing a free appropriate public education to all children with disabilities. The program is funded by the United States government, under the Individuals with Disabilities Education Act, Part B, Sections 611-617, and part D, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

Discretionary IDEA-B (24107) – The purpose of this program is to provide administrators and program directors with information and strategies that will support licensed and waived teachers in the areas of special education with day-to-day functions of the classroom. Authority for creation of this fund is Individuals with Disabilities Education Act (IDEA), Part B, Sections 611-617, and Part D, Section 674 as amended, 20 U.S.C. 1411-1417 and 1420, Public Law 105-17.

New Mexico Autism Project (24108) – The purpose of this fund is to support the District’s implementation of the New Mexico Autism Project (NMAP) to improve the outcomes for students with Autism Spectrum Disorders. The intention of this funding may include, but is not limited to NMAP professional development, NMAP curriculum materials, travel expenses related to NMAP trainings, and supplies related to NMAP. Authority for creation of this fund is Part-B Individuals with Disabilities Education Act Special Education Grants to States.

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all handicapped children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (Continued)

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

Title I 1003g Grant (24124) – To account for funds administered through the State Public Education Department to assist schools identified for improvement, corrective actions, and restructuring.

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authority for creation of this fund is the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, and Sections 3101, 3129.

Teacher IIA Teacher/Principal Training & Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for the creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d).20 U.S.C. 777a and 797a.

Rural & Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Title I School Improvement (24162) – To account for funds used specifically to improve student achievement in Title I schools with a status of priority or focus. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), as amended, Title I, Part A, 20 U.S.C 6301 et seq.

Headstart (25127) – To account for federal resources administered by the U.S. Department of Health and Human Services to provide comprehensive early childhood development for disadvantaged preschool children and their families. (Community Opportunities, Accountability and Training Act of 1998) Hatch Valley Public Schools' Headstart funding flows through Las Cruces Public School District.

Title XIX - Medicaid 3/21 Years (25153) – To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369; Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100-202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485; Public Law 100-647; Public Law 101-166; Public Law 101-234; Public Law 101-239; Public Law 101-508; Public Law 101-517; Public Law 102-234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113; Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law 110-28.

Dual Credit Instructional Materials/ HB2 (27103) – To account for House Bill 2, 2009 which makes an appropriation for Dual Credit Instructional materials. The dual credit instructional materials must be for a course approved by Higher Education Department and through a college/university for which the District has an approved agreement.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (Continued)

2012 GO Bond Student Library (27107) – This award allows schools to acquire library books, equipment and library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

New Mexico Reads to Lead K-3 Reading Initiative (27114) – The purpose of this grant is to provide funding for reading initiative activities for grades K-3. Funds accounted for in this fund are received from the State of New Mexico. Authority for the creation of this fund is the New Mexico Public Education Department.

Truancy Initiative PED (27141) – To hire Truancy and Dropout Prevention Coaches with appropriate state licensure. The coaches will monitor and report on the performance of each school assigned a coach. The reporting will include information about truancy and dropout statistics, as well as documentation about various events and programming provided by the school as related to truancy and dropout prevention.

Pre-K Initiative (27149) – To account for funds received to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system – Pre-Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

Beginning Teacher Mentoring Program (27154) – The objective of this program is to provide beginning teachers an effective transition into the teaching profession, retain capable teachers, improve the achievement of students and improve the overall success of the school. Funding is provided by the New Mexico Board of Education. Authority for creation of this fund is NMSA 22-2-8-10.

Kindergarten Three Plus (27166) – Funds allow for an extended school year for Kindergarten through third grade students. The program focuses on acclimating young students to the structure of a classroom environment and spending additional time to prepare them for the next grade. Authority for the creation of this fund is the New Mexico Public Education Department.

2013 School Bus (27178) – Funds to public school districts to replace public school buses. Authority for the creation of this fund is Senate Bill 60, Severance Tax Bond Projects 2013.

Social Workers for Middle Schools (27194) – This funding is to be used to hire a Middle School Social Worker. Authority for the creation of this fund is the New Mexico Public Education Department, Special Appropriation Fund.

Teachers Hard to Staff (27195) - The purpose of this initiative is to provide stipends to effective, highly effective, and exemplary STEM (grades 6-12), special education (K-12), bilingual (K-12), or other hard-to-staff teaching positions to serve in low performing (D/F) schools. These funds can be used as a stipend to recruit these hard-to-staff experts to teach in hard-to-staff schools or to attract and retain these teachers in low-performing schools. The goal is to provide all students with high-quality education in STEM, special education, bilingual, and other hard to staff areas that promote 21st century skills for college and career readiness. Authority for the creation of this fund is the New Mexico Public Education Department.

NM Highway Dept (Road) (28120) - To account for funding received through the New Mexico Department of Transportation specifically for Hatch Valley Public Schools to excavate and repave 6 areas, including subgrade prep, base course, Garfield Elementary, Bear Avenue intersection with Rio Grande Elementary bus loop, Bear Avenue at intersection with E. Herrera Road, Rio Grande Elementary Cafeteria Road, and the bus yard. Authorization for the creation of this fund is the New Mexico Public Education Department with approval from the NM Department of Transportation Commission.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (Continued)

Healthier Schools DOH (28155) – This grant is an MOA with the New Mexico Department of Health and Hatch Valley Public Schools to implement at least one youth-led Community transformation Grant (CTG) for strategic direction in the education system to encourage healthy eating among elementary school age children and to implement at least one youth-led CTG strategic direction in the food system to encourage healthy eating.

GRADS Child Care (28189) – To account for a program funded by the Public Education Department for the purpose to establish and maintain an in-school, family and consumer science instructional and intervention program for pregnant and parenting students, which focuses on knowledge and skills related to positive self, pregnancy, parenting and economic independence. Special Revenue fund established by the local school board.

GRADS Instruction (28190) – To provide grants to States, Territories, or Tribes to assist needy families with children so that children can be cared for in their own homes; reduce dependency by promoting job preparation, work, and marriage; to reduce and prevent out-of-wedlock pregnancies; and to encourage the formation and maintenance of two-parent families. Social sectary act, Title IV, Part A, as amended; Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Public Law 104-193.

GRADS Plus (28203) - To account for a program as an instructional component for teenage parents to be used for summer case management and GRADS case management period. Special Revenue fund established by the local school board.

Sloan-Price Grant (29102) – To account for local grants awarded to provide additional funding for specific projects.

CAPITAL FUNDS PROJECT

Public School Capital Outlay (31200) – The purpose of this fund is to account for funds received from the local ad valorem tax levy for use in remodeling and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

Special Capital Outlay (31300) – To account for resources received by revenue generated local sources for the purpose of remodeling and improvements on existing structures. Funding authority is the New Mexico Public Education Department.

SB-9 Capital Improvements (31700) – To account for resources received through Senate Bill 9 obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

SB-9 Capital Improvements Local Match (31701) – To account for resources received through Senate Bill 9 local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Food Services 21000	Athletics 22000	Title I - IASA 24101	Migrant Children Education 24103
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 2,930	\$ -	\$ -
Property taxes receivable	-	-	-	-
Intergovernmental receivables	7,427	-	179,882	-
Inventory	9,262	-	-	-
<i>Total assets</i>	\$ 16,689	\$ 2,930	\$ 179,882	\$ -
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 27,316	\$ -	\$ -	\$ -
Accrued payroll	45,177	-	111,499	-
Due to NM Public Education Department	-	-	24,778	-
Due to other funds	44,105	-	43,605	-
<i>Total liabilities</i>	116,598	-	179,882	-
<i>Deferred inflows of resources</i>				
Unavailable revenue- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	-	-	-	-
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	9,262	-	-	-
<i>Spendable</i>				
<i>Restricted for:</i>				
Educational purposes	-	2,930	-	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	(109,171)	-	-	-
<i>Total fund balances</i>	(99,909)	2,930	-	-
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	\$ 16,689	\$ 2,930	\$ 179,882	\$ -

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

Special Revenue

Entitlement IDEA-B 24106	Discretionary IDEA-B 24107	New Mexico Autism Project 24108	Preschool IDEA-B 24109	21st Century CLC 24119	School Improvements 24124
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
105,648	-	3,799	2,821	76,462	17,911
-	-	-	-	-	-
<u>\$ 105,648</u>	<u>\$ -</u>	<u>\$ 3,799</u>	<u>\$ 2,821</u>	<u>\$ 76,462</u>	<u>\$ 17,911</u>
\$ 54	\$ -	\$ 1,482	\$ -	\$ 4,884	\$ -
36,755	-	519	2,033	907	-
-	-	1,177	-	-	-
68,839	-	621	788	70,671	17,911
<u>105,648</u>	<u>-</u>	<u>3,799</u>	<u>2,821</u>	<u>76,462</u>	<u>17,911</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 105,648</u>	<u>\$ -</u>	<u>\$ 3,799</u>	<u>\$ 2,821</u>	<u>\$ 76,462</u>	<u>\$ 17,911</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	English Language Acquisition 24153	Title IIA Teacher/ Principal Training & Recruiting 24154	Rural & Low Income Schools 24160	Title I School Improvement 24162
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 2,102	\$ -	\$ -
Property taxes receivable	-	-	-	-
Intergovernmental receivables	40,610	19,262	54	3,478
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 40,610</u>	<u>\$ 21,364</u>	<u>\$ 54</u>	<u>\$ 3,478</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 90	\$ 1,955	\$ -	\$ -
Accrued payroll	-	11,541	-	-
Due to NM Public Education Department	-	7,868	-	-
Due to other funds	40,520	-	54	3,478
<i>Total liabilities</i>	<u>40,610</u>	<u>21,364</u>	<u>54</u>	<u>3,478</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Educational purposes	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 40,610</u>	<u>\$ 21,364</u>	<u>\$ 54</u>	<u>\$ 3,478</u>

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

Special Revenue

Headstart 25127	Title XIX Medicaid 3/21 Years 25153	Dual Credit Instructional Materials/HB2 27103	2012 GO Bond Student Library Fund 27107	New Mexico Reads to Lead K- 3 Reading Initiative 27114	Truancy Initiative PED 27141
\$ 22,719	\$ 18,305	\$ -	\$ -	\$ 921	\$ -
-	-	-	-	-	-
-	-	-	11	-	2,852
-	-	-	-	-	-
<u>\$ 22,719</u>	<u>\$ 18,305</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 921</u>	<u>\$ 2,852</u>
\$ -	\$ 808	\$ -	\$ -	\$ -	\$ -
-	15,739	-	-	-	11,290
22,719	-	-	-	-	-
-	-	-	11	-	5,905
<u>22,719</u>	<u>16,547</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>17,195</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,758	-	-	921	-
-	-	-	-	-	-
-	-	-	-	-	(14,343)
<u>-</u>	<u>1,758</u>	<u>-</u>	<u>-</u>	<u>921</u>	<u>(14,343)</u>
<u>\$ 22,719</u>	<u>\$ 18,305</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 921</u>	<u>\$ 2,852</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue			
	Pre-K Initiative 27149	Beginning Teacher Mentoring Program 27154	Kindergarten Three Plus 27166	2013 School Bus 27178
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Property taxes receivable	-	-	-	-
Intergovernmental receivables	75,992	-	56,524	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 75,992</u>	<u>\$ -</u>	<u>\$ 56,524</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	52,071	-	(9,128)	-
Due to NM Public Education Department	-	-	-	-
Due to other funds	13,056	-	52,668	-
<i>Total liabilities</i>	<u>65,127</u>	<u>-</u>	<u>43,540</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Educational purposes	10,865	-	12,984	-
Capital acquisitions and improvements	-	-	-	-
Unassigned (deficit)	-	-	-	-
<i>Total fund balances</i>	<u>10,865</u>	<u>-</u>	<u>12,984</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 75,992</u>	<u>\$ -</u>	<u>\$ 56,524</u>	<u>\$ -</u>

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

Special Revenue

Social Workers for Middle Schools 27194	Teachers Hard to Staff Stipend 27195	NM Highway Dept (Road) 28120	Healthier Schools DOH 28155	GRADS Child Care 28189	GRADS Instruction 28190
\$ -	\$ -	\$ -	\$ 6,321	\$ 2,125	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,321</u>	<u>\$ 2,125</u>	<u>\$ -</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,973	-	-	-	-	21,997
<u>5,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,997</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,321	2,125	-
-	-	-	-	-	-
<u>(5,973)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(21,997)</u>
<u>(5,973)</u>	<u>-</u>	<u>-</u>	<u>6,321</u>	<u>2,125</u>	<u>(21,997)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,321</u>	<u>\$ 2,125</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>GRADS Plus 28203</u>	<u>Sloan-Prince Grant 29102</u>	<u>Public School Capital Outlay 31200</u>	<u>Special Capital Outlay 31300</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 22,854	\$ -	\$ -	\$ 344,579
Property taxes receivable	-	-	-	-
Intergovernmental receivables	-	-	8,664	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 22,854</u>	<u>\$ -</u>	<u>\$ 8,664</u>	<u>\$ 344,579</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 126	\$ -	\$ -	\$ -
Accrued payroll	-	237	-	-
Due to NM Public Education Department	-	-	-	-
Due to other funds	-	730	8,664	-
<i>Total liabilities</i>	<u>126</u>	<u>967</u>	<u>8,664</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue- property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Educational purposes	22,728	-	-	-
Capital acquisitions and improvements	-	-	-	344,579
Unassigned (deficit)	-	(967)	-	-
<i>Total fund balances</i>	<u>22,728</u>	<u>(967)</u>	<u>-</u>	<u>344,579</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 22,854</u>	<u>\$ -</u>	<u>\$ 8,664</u>	<u>\$ 344,579</u>

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

Capital Projects

SB-9 Capital Improvements 31700	SB-9 Capital Improvements - Local Match 31701	Total Nonmajor Governmental Funds
\$ 47,772	\$ 19,740	\$ 490,368
-	30,854	30,854
42,815	-	644,212
-	-	9,262
<u>\$ 90,587</u>	<u>\$ 50,594</u>	<u>\$ 1,174,696</u>
\$ -	\$ 1,747	\$ 38,462
-	-	278,640
-	-	56,542
-	-	399,596
<u>-</u>	<u>1,747</u>	<u>773,240</u>
<u>-</u>	<u>27,209</u>	<u>27,209</u>
<u>-</u>	<u>27,209</u>	<u>27,209</u>
-	-	9,262
-	-	60,632
90,587	21,638	456,804
-	-	(152,451)
<u>90,587</u>	<u>21,638</u>	<u>374,247</u>
<u>\$ 90,587</u>	<u>\$ 50,594</u>	<u>\$ 1,174,696</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Food Services 21000	Athletics 22000	Title I - IASA 24101	Migrant Children Education 24103
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	1,055,283	-	944,366	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	20,561	39,459	-	-
<i>Total revenues</i>	<u>1,075,844</u>	<u>39,459</u>	<u>944,366</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	-	34,999	816,195	-
Support services - students	-	-	56,588	-
Support services - instruction	-	-	48,280	-
Support services - general administration	-	-	23,303	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	1,098,515	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,098,515</u>	<u>34,999</u>	<u>944,366</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(22,671)</u>	<u>4,460</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(22,671)	4,460	-	-
<i>Fund balances - beginning</i>	<u>(77,238)</u>	<u>(1,530)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ (99,909)</u>	<u>\$ 2,930</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue

Entitlement IDEA-B 24106	Discretionary IDEA-B 24107	New Mexico Autism Project 24108	Preschool IDEA-B 24109	21st Century CLC 24119	School Improvements 24124
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
303,634	-	7,635	13,173	173,758	17,911
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>303,634</u>	<u>-</u>	<u>7,635</u>	<u>13,173</u>	<u>173,758</u>	<u>17,911</u>
198,737	-	7,635	13,173	140,756	17,911
54,684	-	-	-	-	-
-	-	-	-	-	-
50,213	-	-	-	3,981	-
-	-	-	-	11,400	-
-	-	-	-	17,621	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>303,634</u>	<u>-</u>	<u>7,635</u>	<u>13,173</u>	<u>173,758</u>	<u>17,911</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	English Language Acquisition 24153	Title IIA Teacher/ Principal Training & Recruiting 24154	Rural & Low Income Schools 24160	Title I School Improvement 24162
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	56,609	86,114	28,353	46,507
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	-	-	-	-
Total revenues	56,609	86,114	28,353	46,507
<i>Expenditures</i>				
Current:				
Instruction	56,446	84,159	28,353	46,507
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	163	405	-	-
Support services - school administration	-	1,550	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	56,609	86,114	28,353	46,507
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

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

Special Revenue

Headstart 25127	Title XIX Medicaid 3/21 Years 25153	Dual Credit Instructional Materials/HB2 27103	2012 GO Bond Student Library Fund 27107	New Mexico Reads to Lead K- 3 Reading Initiative 27114	Truancy Initiative PED 27141
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	96,783	-	-	-	-
-	-	3,237	8,799	-	54,831
-	-	-	-	-	-
-	-	-	-	-	-
-	96,783	3,237	8,799	-	54,831
-	-	3,237	-	-	-
-	106,257	-	-	-	69,174
-	-	-	8,799	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	106,257	3,237	8,799	-	69,174
-	(9,474)	-	-	-	(14,343)
-	-	-	-	-	-
-	-	-	-	-	-
-	(9,474)	-	-	-	(14,343)
-	11,232	-	-	921	-
\$ -	\$ 1,758	\$ -	\$ -	\$ 921	\$ (14,343)

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue			
	Pre-K Initiative 27149	Beginning Teacher Mentoring Program 27154	Kindergarten Three Plus 27166	2013 School Bus 27178
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	386,113	-	152,939	83,959
State direct	-	-	-	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>386,113</u>	<u>-</u>	<u>152,939</u>	<u>83,959</u>
<i>Expenditures</i>				
Current:				
Instruction	253,674	-	128,147	-
Support services - students	27,618	-	1,390	-
Support services - instruction	-	-	432	-
Support services - general administration	9,943	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	84,464	-	7,753	-
Food service operations	-	-	-	-
Capital outlay	-	-	-	83,959
<i>Total expenditures</i>	<u>375,699</u>	<u>-</u>	<u>137,722</u>	<u>83,959</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,414</u>	<u>-</u>	<u>15,217</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	10,414	-	15,217	-
<i>Fund balances - beginning</i>	<u>451</u>	<u>-</u>	<u>(2,233)</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ 10,865</u>	<u>\$ -</u>	<u>\$ 12,984</u>	<u>\$ -</u>

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

Special Revenue

Social Workers for Middle Schools 27194	Teachers Hard to Staff Stipend 27195	NM Highway Dept (Road) 28120	Healthier Schools DOH 28155	GRADS Child Care 28189	GRADS Instruction 28190
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	12,355	-	-	-	-
-	-	33,270	-	3,000	-
-	-	-	-	-	-
-	12,355	33,270	-	3,000	-
-	12,355	-	-	3,000	11,147
5,973	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	33,270	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,973	12,355	33,270	-	3,000	11,147
(5,973)	-	-	-	-	(11,147)
-	-	-	-	-	-
-	-	-	-	-	-
(5,973)	-	-	-	-	(11,147)
-	-	-	6,321	2,125	(10,850)
<u>\$ (5,973)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,321</u>	<u>\$ 2,125</u>	<u>\$ (21,997)</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>GRADS Plus 28203</u>	<u>Sloan-Prince Grant 29102</u>	<u>Public School Capital Outlay 31200</u>	<u>Special Capital Outlay 31300</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
State flowthrough	-	-	8,664	-
State direct	20,052	-	-	-
Charges for services	-	-	-	-
<i>Total revenues</i>	<u>20,052</u>	<u>-</u>	<u>8,664</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	4,711	967	-	-
Support services - students	9,521	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	8,664	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Capital outlay	-	-	-	86,234
<i>Total expenditures</i>	<u>14,232</u>	<u>967</u>	<u>8,664</u>	<u>86,234</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,820</u>	<u>(967)</u>	<u>-</u>	<u>(86,234)</u>
<i>Other financing sources (uses)</i>				
Proceeds from sale of assets	-	-	-	403,392
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>403,392</u>
<i>Net change in fund balances</i>	5,820	(967)	-	317,158
<i>Fund balances - beginning</i>	<u>16,908</u>	<u>-</u>	<u>-</u>	<u>27,421</u>
<i>Fund balances - ending</i>	<u>\$ 22,728</u>	<u>\$ (967)</u>	<u>\$ -</u>	<u>\$ 344,579</u>

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

Capital Projects

SB-9 Capital Improvements 31700	SB-9 Capital Improvements - Local Match 31701	Total Nonmajor Governmental Funds
\$ (24,818)	\$ 178,411	\$ 153,593
-	-	2,830,126
397,670	-	1,108,567
-	-	56,322
-	-	60,020
<u>372,852</u>	<u>178,411</u>	<u>4,208,628</u>
-	-	1,862,109
-	-	331,205
-	-	57,511
-	2,493	90,501
-	-	12,950
-	-	17,621
89,054	154,280	285,268
-	-	92,217
-	-	1,098,515
<u>267,277</u>	<u>-</u>	<u>437,470</u>
<u>356,331</u>	<u>156,773</u>	<u>4,285,367</u>
<u>16,521</u>	<u>21,638</u>	<u>(76,739)</u>
<u>-</u>	<u>-</u>	<u>403,392</u>
<u>-</u>	<u>-</u>	<u>403,392</u>
16,521	21,638	326,653
<u>74,066</u>	<u>-</u>	<u>47,594</u>
<u>\$ 90,587</u>	<u>\$ 21,638</u>	<u>\$ 374,247</u>

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

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GENERAL FUND

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Balance Sheet
General Fund
June 30, 2017

Statement B-1

	General Fund				Total General Fund
	Operational 11000	Teacherage 12000	Pupil Transportation 13000	Instructional Materials 14000	
<i>Current assets</i>					
Cash and cash equivalents	\$ 667,297	\$ 15,684	\$ 108,362	\$ 20,723	\$ 812,066
Property taxes receivable	6,733	-	-	-	6,733
Other receivables	597	-	-	-	597
Due from other funds	441,522	-	-	-	441,522
<i>Total assets</i>	<u>\$ 1,116,149</u>	<u>\$ 15,684</u>	<u>\$ 108,362</u>	<u>\$ 20,723</u>	<u>\$ 1,260,918</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 81,252	\$ -	\$ 288	\$ -	\$ 81,540
Accrued payroll	785,880	-	50,673	-	836,553
Due to special revenue funds	41,926	-	-	-	41,926
<i>Total liabilities</i>	<u>909,058</u>	<u>-</u>	<u>50,961</u>	<u>-</u>	<u>960,019</u>
<i>Deferred inflows of resources</i>					
Unavailable revenue - property taxes	5,938	-	-	-	5,938
<i>Total deferred inflows of resources</i>	<u>5,938</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,938</u>
<i>Fund balances</i>					
<i>Spendable</i>					
<i>Restricted for:</i>					
Educational purposes	-	15,684	57,401	20,723	93,808
<i>Committed for:</i>					
Subsequent years expenditures	186,181	-	-	-	186,181
Emergency reserves	-	-	-	-	-
Unassigned	14,972	-	-	-	14,972
<i>Total fund balances</i>	<u>201,153</u>	<u>15,684</u>	<u>57,401</u>	<u>20,723</u>	<u>294,961</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,116,149</u>	<u>\$ 15,684</u>	<u>\$ 108,362</u>	<u>\$ 20,723</u>	<u>\$ 1,260,918</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
General Fund
For the Year Ended June 30, 2017

Statement B-2

	General Fund				
	Operational 11000	Teacherage 12000	Pupil Transportation 13000	Instructional Materials 14000	Total General Fund
<i>Revenues</i>					
Property taxes	\$ 33,267	\$ -	\$ -	\$ -	\$ 33,267
Intergovernmental revenue:					
Federal flowthrough	31,223	-	-	-	31,223
State flowthrough	-	-	-	89,372	89,372
State direct	9,004,110	-	-	-	9,004,110
Local grants	45,078	-	-	-	45,078
Transportation distribution	-	-	566,797	-	566,797
Charges for services	24,809	3,500	-	-	28,309
Investment income	537	-	-	-	537
Miscellaneous	133,200	-	-	-	133,200
<i>Total revenues</i>	<u>9,272,224</u>	<u>3,500</u>	<u>566,797</u>	<u>89,372</u>	<u>9,931,893</u>
<i>Expenditures</i>					
Current:					
Instruction	5,084,127	-	-	68,649	5,152,776
Support services - students	971,902	-	-	-	971,902
Support services - instruction	315,900	-	-	-	315,900
Support services - general administration	272,898	-	-	-	272,898
Support services - school administration	675,615	-	-	-	675,615
Central services	300,789	-	-	-	300,789
Operation and maintenance of plant	1,636,021	-	-	-	1,636,021
Student transportation	-	-	561,957	-	561,957
Capital outlay	-	-	-	-	-
<i>Total expenditures</i>	<u>9,257,252</u>	<u>-</u>	<u>561,957</u>	<u>68,649</u>	<u>9,887,858</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>14,972</u>	<u>3,500</u>	<u>4,840</u>	<u>20,723</u>	<u>44,035</u>
<i>Other financing sources (uses)</i>					
Transfers in/(out)	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Reversion to other entities	-	-	(52,686)	(15,498)	(68,184)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(52,686)</u>	<u>(15,498)</u>	<u>(68,184)</u>
<i>Net change in fund balances</i>	14,972	3,500	(47,846)	5,225	(24,149)
<i>Fund balances - beginning</i>	<u>186,181</u>	<u>12,184</u>	<u>105,247</u>	<u>15,498</u>	<u>319,110</u>
<i>Fund balances - ending</i>	<u>\$ 201,153</u>	<u>\$ 15,684</u>	<u>\$ 57,401</u>	<u>\$ 20,723</u>	<u>\$ 294,961</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Operational (11000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-3

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ 34,502	\$ 34,502	\$ 37,949	\$ 3,447
Intergovernmental revenue:				
Federal flowthrough	23,896	23,896	31,223	7,327
Federal direct	-	-	-	-
State flowthrough	2,565	2,565	-	(2,565)
State direct	9,328,087	9,002,527	9,004,110	1,583
Local grants	60,000	60,000	45,078	(14,922)
Charges for services	20,000	20,000	24,809	4,809
Investment income	500	500	537	37
Miscellaneous	90,000	90,000	150,434	60,434
Total revenues	9,559,550	9,233,990	9,294,140	60,150
<i>Expenditures</i>				
Current:				
Instruction	5,378,170	5,159,940	5,133,094	26,846
Support services - students	1,089,824	1,010,378	958,550	51,828
Support services - instruction	341,785	331,785	309,224	22,561
Support services - general administration	243,250	270,100	264,234	5,866
Support services - school administration	681,910	679,371	675,615	3,756
Central services	282,519	290,142	290,142	-
Operation and maintenance of plant	1,753,353	1,703,535	1,615,115	88,420
Other support services	5,941	5,941	-	5,941
Community services operations	-	-	-	-
Total expenditures	9,776,752	9,451,192	9,245,974	205,218
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(217,202)</u>	<u>(217,202)</u>	<u>48,166</u>	<u>265,368</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	217,202	217,202	-	(217,202)
Sale of capital assets	-	-	-	-
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	217,202	217,202	-	(217,202)
<i>Net change in fund balances</i>	-	-	48,166	48,166
<i>Fund balances - beginning of year</i>	-	-	1,060,653	1,060,653
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,108,819</u>	<u>\$ 1,108,819</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 48,166
Adjustments to revenue for property tax accrual and local sources accrual				(21,916)
Adjustments to expenditures for various function accruals				(11,278)
<i>Net change in fund balances (GAAP)</i>				<u>\$ 14,972</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Teacherage (12000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
Local grants	-	-	-	-
Oil and gas taxes	-	-	-	-
Charges for services	2,400	2,400	3,500	1,100
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,400</u>	<u>2,400</u>	<u>3,500</u>	<u>1,100</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	14,584	14,584	-	14,584
Other support services	-	-	-	-
Community services operations	-	-	-	-
<i>Total expenditures</i>	<u>14,584</u>	<u>14,584</u>	<u>-</u>	<u>14,584</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,184)</u>	<u>(12,184)</u>	<u>3,500</u>	<u>15,684</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	12,184	12,184	-	(12,184)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>12,184</u>	<u>12,184</u>	<u>-</u>	<u>(12,184)</u>
<i>Net change in fund balances</i>	-	-	3,500	3,500
<i>Fund balances - beginning of year</i>	-	-	12,184	12,184
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,684</u>	<u>\$ 15,684</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 3,500
No adjustments to revenues				-
No adjustments to expenditures				-
<i>Net change in fund balances (GAAP)</i>				<u>\$ 3,500</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Pupil Transportation (13000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	649,202	566,797	566,797	-
Local grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>649,202</u>	<u>566,797</u>	<u>566,797</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	649,202	619,484	565,744	53,740
<i>Total expenditures</i>	<u>649,202</u>	<u>619,484</u>	<u>565,744</u>	<u>53,740</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(52,687)</u>	<u>1,053</u>	<u>53,740</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	52,687	-	(52,687)
Reversion to other entities	-	-	(52,686)	(52,686)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>52,687</u>	<u>(52,686)</u>	<u>(105,373)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(51,633)</u>	<u>(51,633)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>159,995</u>	<u>159,995</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,362</u>	<u>\$ 108,362</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ (51,633)
No adjustments for revenue accruals				-
Adjustments to expenditures for student transportation accruals				3,787
<i>Net change in fund balances (GAAP)</i>				<u>\$ (47,846)</u>

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

STATE OF NEW MEXICO
Hatch Valley Public Schools
General Fund - Instructional Materials (14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	69,960	69,960	89,372	19,412
State direct	-	-	-	-
Local grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>69,960</u>	<u>69,960</u>	<u>89,372</u>	<u>19,412</u>
<i>Expenditures</i>				
Current:				
Instruction	69,960	71,271	69,960	1,311
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	<u>69,960</u>	<u>71,271</u>	<u>69,960</u>	<u>1,311</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,311)</u>	<u>19,412</u>	<u>20,723</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	1,311	-	(1,311)
Reversion to other entities	-	-	(15,498)	(15,498)
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,311</u>	<u>(15,498)</u>	<u>(16,809)</u>
<i>Net change in fund balances</i>	-	-	3,914	3,914
<i>Fund balances - beginning of year</i>	-	-	16,809	16,809
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,723</u>	<u>\$ 20,723</u>
Net change in fund balances (non-GAAP budgetary basis)				\$ 3,914
No adjustments for revenue accruals				-
Adjustments to expenditures for student transportation accruals				1,311
<i>Net change in fund balances (GAAP)</i>				<u>\$ 5,225</u>

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

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Hatch Valley Public Schools
Agency Funds
Schedule of Changes in Fiduciary Assets and Liabilities
For the Year Ended June 30, 2017

Schedule III

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<i>Assets</i>				
Cash and cash equivalents				
Hatch Elementary School	\$ 11,601	\$ 24,347	\$ 25,118	\$ 10,830
Garfield Elementary School	3,733	16,496	14,580	5,649
Rio Grande Elementary School	10,781	30,301	29,378	11,704
Hatch Middle School	11,390	26,562	27,406	10,546
Hatch High School	64,369	77,689	34,519	107,539
Athletics	6,150	11,876	14,716	3,310
<i>Total Assets</i>	<u>\$ 108,024</u>	<u>\$ 187,271</u>	<u>\$ 145,717</u>	<u>\$ 149,578</u>
<i>Liabilities</i>				
Accounts payable	\$ 136	\$ 7,323	\$ 136	\$ 7,323
Deposit held in trust for others	107,888	187,407	153,040	142,255
<i>Total Liabilities</i>	<u>\$ 108,024</u>	<u>\$ 194,730</u>	<u>\$ 153,176</u>	<u>\$ 149,578</u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Collateral Pledged by Depository For Public Funds
June 30, 2017

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2017</u>
Bank of the West				
	G2SF MA3596 3.000	4/20/2046	36179R7H6	\$ 213,376
	G2SF MA3596 3.000	4/20/2046	36179R7H6	488,361
	G2SF MA3596 3.000	4/20/2046	36179R7H6	<u>411,799</u>
	Total Bank of the West			<u>1,113,536</u>
Name and location of safekeeper for above pledged collateral: 2527 Camino Ramon, San Ramon, CA 94583				
Wells Fargo				
	FNMA CONV 30 YR SF	9/1/2042	3138MAKS6	332,085
	FNMA FNMS 3.000%	9/1/2026	3138EG4S0	24,311
	FNMA FNMS 3.500%	7/1/1943	3138WZXX5	425,985
	FNMA FNMS 2.500%	4/1/2031	3140EU5W5	133,758
	FNMA FNMS 3.000%	9/1/2026	31416Y5M6	<u>39,872</u>
	Total Wells Fargo Bank			<u>956,011</u>
Name and location of safekeeper for above pledged collateral: BNY Mellon, One Wall Street, Fourth Floor, New York, NY 10286				
	<i>Total Pledged Collateral</i>			<u><u>\$ 2,069,547</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Cash Reconciliation
June 30, 2017

	Operational Fund 11000	Teacherage Fund 12000	Transportation Fund 13000	Instructional Materials Fund 14000
Cash, June 30, 2016	\$ 190,372	\$ 12,184	\$ 110,825	\$ 16,809
Add:				
Receipts	9,295,241	3,500	566,797	89,372
Transfer in	-	-	-	-
Payroll liabilities	823,081	-	49,691	-
Loans from other funds	-	-	-	-
Adjustments per PED cash report	-	-	-	-
Total cash available	10,308,694	15,684	727,313	106,181
Less:				
Expenditures	(9,195,624)	-	(566,265)	(69,960)
Reversion to other entities	-	-	(52,686)	(15,498)
Transfers out	-	-	-	-
Loans to other funds	(629,292)	-	-	-
Cash, June 30, 2017	<u>\$ 483,778</u>	<u>\$ 15,684</u>	<u>\$ 108,362</u>	<u>\$ 20,723</u>
Plus:				
Audit adjustments	(4,251)	-	-	-
Loans for negative cash	(462,289)	-	-	-
District recorded loans for RFRs	629,292	-	-	-
Audit recorded held checks	-	-	-	-
Cash per financial statement	<u>\$ 646,530</u>	<u>\$ 15,684</u>	<u>\$ 108,362</u>	<u>\$ 20,723</u>

See independent auditors' report.

Food Services Fund 21000	Athletics Fund 22000	Federal Flowthrough Fund 24000	Federal Direct Fund 25000	State Flowthrough Fund 27000
\$ (47,081)	\$ -	\$ (399,784)	\$ 33,951	\$ (198,333)
1,016,611	38,259	1,624,599	96,783	768,081
-	-	-	-	-
45,177	-	142,118	15,738	55,155
7,427	-	435,019	-	135,368
-	-	-	-	-
1,022,134	38,259	1,801,952	146,472	760,271
(1,058,810)	(34,999)	(1,662,071)	(105,447)	(692,768)
-	-	-	-	-
-	-	-	-	-
<u>\$ (36,676)</u>	<u>\$ 3,260</u>	<u>\$ 139,881</u>	<u>\$ 41,025</u>	<u>\$ 67,503</u>
(2)	(330)	8,827	(1)	(8,827)
44,105	-	290,515	-	88,903
(7,427)	-	(435,019)	-	(135,368)
-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ 4,204</u>	<u>\$ 41,024</u>	<u>\$ 12,211</u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Cash Reconciliation
June 30, 2017

	State Direct Fund 28000	Local or State Fund 29000	Bond Building Fund 31100	Public School Capital Outlay 31200
Cash, June 30, 2016	\$ 33,103	\$ -	\$ 105,555	\$ -
Add:				
Receipts	46,822	-	825,310	-
Transfer in	-	-	-	-
Payroll liabilities	-	-	-	-
Loans from other funds	-	-	-	8,664
Adjustments per PED cash report	-	-	-	-
Total cash available	79,925	-	930,865	8,664
Less:				
Expenditures	(56,875)	(967)	(163,313)	-
Reversion to other entities	-	-	-	(8,664)
Transfers out	-	-	-	-
Loans to other funds	-	-	-	-
Cash, June 30, 2017	<u>\$ 23,050</u>	<u>\$ (967)</u>	<u>\$ 767,552</u>	<u>\$ -</u>
Plus:				
Audit adjustments	(13,747)	237	2	-
Loans for negative cash	29,372	730	-	8,664
District recorded loans for RFRs	-	-	-	(8,664)
Audit recorded held checks	-	-	-	-
Cash per financial statement	<u>\$ 38,675</u>	<u>\$ -</u>	<u>\$ 767,554</u>	<u>\$ -</u>

See independent auditors' report.

Spec. Cap. Outlay-State Fund 31300	Cap. Improve. SB-9 State Fund 31700	Cap. Improve. SB-9 Local Fund 31701	Debt Service Fund 41000	Total
\$ 27,421	\$ (40,332)	\$ -	\$ 704,138	\$ 548,828
403,392	354,855	174,765	925,080	16,229,467
-	-	-	-	-
-	-	-	-	1,130,960
-	42,815	90,587	-	719,880
-	-	-	-	-
430,813	357,338	265,352	1,629,218	18,629,135
(86,234)	(357,338)	(155,027)	(819,131)	(15,024,829)
-	(90,587)	-	-	(167,435)
-	-	-	-	-
-	-	-	-	(629,292)
<u>\$ 344,579</u>	<u>\$ (90,587)</u>	<u>\$ 110,325</u>	<u>\$ 810,087</u>	<u>\$ 2,807,579</u>
-	4,957	2	1	(13,132)
-	-	-	-	-
-	133,402	(90,587)	-	85,629
-	-	-	-	-
<u>\$ 344,579</u>	<u>\$ 47,772</u>	<u>\$ 19,740</u>	<u>\$ 810,088</u>	<u>\$ 2,880,076</u>

See independent auditors' report.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Deposits
June 30, 2017

Schedule VI

<u>Bank Account</u>	<u>Checking</u> <u>Bank of the West</u>	<u>Checking</u> <u>Wells Fargo Bank</u>	<u>Money Market</u> <u>NMFA</u>	<u>Totals</u>
Operational Account	\$ 30,000	\$ -	\$ -	\$ 30,000
Sweep Account	403,725	-	-	403,725
Cafeteria Account	-	52,914	-	52,914
Payroll Account	30,000	-	-	30,000
Sweep Account	478,785	-	-	478,785
Capital Projects Account	32,507	-	-	32,507
Budgetary Clearing Account	10,000	-	-	10,000
Sweep Account	209,192	-	-	209,192
Debt Service Account	-	808,985	-	808,985
Energy Efficient Account	-	248,491	-	248,491
Office Account	-	362	-	362
Direct Deposit Clearing	-	1,511	-	1,511
Athletics	-	20,984	-	20,984
Activity Account	-	137,631	-	137,631
School Improvements	-	-	815,505	815,505
Building Improvements	-	-	84,214	84,214
Total Deposits	1,194,209	1,270,878	899,719	3,364,806
Reconciling Items	(335,402)	-	-	(335,402)
<i>Reconciled Balance June 30, 2017</i>	<u><u>\$ 858,807</u></u>	<u><u>\$ 1,270,878</u></u>	<u><u>\$ 899,719</u></u>	<u><u>3,029,404</u></u>
Plus: Petty Cash				250
Less: Fiduciary Funds Cash				(149,578)
Less: restricted investments per Exhibit A-1				(817,109)
<i>Cash and cash equivalents per Government-wide Financial Statements</i>				<u><u>\$ 2,062,967</u></u>
Cash and cash equivalents per Exhibit A-1				\$ 756,589
Restricted cash and cash equivalents per Exhibit A-1				<u><u>1,306,378</u></u>
				<u><u>\$ 2,062,967</u></u>

See independent auditors' report.

COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the General Fund of the Hatch Valley Public Schools (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described on the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompany schedule of findings and questioned costs as FS 2016-001 and FS 2017-001 that we consider to be a material weaknesses.

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*. See items FA 2017-001 and FA 2017-002 in the accompanying schedule of findings and questioned costs.

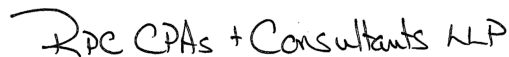
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2016-001, NM 2016-002, NM 2017-001, NM 2017-002, NM 2017-003, NM 2017-004, NM 2017-005, NM 2017-006, NM 2017-007, NM 2017-008, NM 2017-009, and NM 2017-010.

District's Responses to Findings

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

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

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FEDERAL FINANCIAL ASSISTANCE



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

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Hatch Valley Public Schools
Hatch, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Hatch Valley Public Schools, (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items FA 2017-001 and FA 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as FA 2017-001 and FA 2017-002 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 10, 2017

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Passthrough Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds provided to subrecipients</u>	<u>Noncash Assistance</u>
U.S. Department of Education					
<i>Passed through New Mexico Public Education Department</i>					
Title I Grants to Local Educational Agencies					
	24101	84.010	\$ 944,366	\$ -	\$ -
Migrant Children Education					
	24103	84.011	-	-	-
Special Education Grants to States					
	24106	84.027	(1) 303,634	-	-
	24108	84.027	(1) 7,635	-	-
Special Education Preschool Grants					
	24109	84.173	(1) 13,173	-	-
21st Century Community Living and Learning Center					
	24119	84.287	173,758	-	-
School Improvement Grants					
	24124	84.377	17,911	-	-
English Language Acquisition State Grants					
	24153	84.365A	56,609	-	-
Supporting Effective Instruction State Grants					
	*	24154	84.367A	86,114	-
Rural Education					
	24160	84.358B	28,353	-	-
Title I Grants to Local Educational Agencies					
	24162	84.010A	46,507	-	-
Total U.S. Department of Education			<u>1,678,060</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture					
<i>Federal Direct Payments</i>					
Schools and Roads - Grants to States					
	11000	10.665	31,223	-	-
<i>Passed through State of New Mexico</i>					
National School Lunch Program					
	*	21000	10.553 and 10.555	1,098,515	- 62,960
Total U.S. Department of Agriculture			<u>1,129,738</u>	<u>-</u>	<u>62,960</u>
Total Federal Financial Assistance			<u>\$ 2,807,798</u>	<u>\$ -</u>	<u>\$ 62,960</u>

* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

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

Notes to Schedule of Expenditures of Federal Awards1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Hatch Valley Public Schools (The District) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

2. 10% de Minimus Indirect Cost Rate

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

3. Loans

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

4. Federally Funded Insurance

The District has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,807,798
Total expenditures funded by other sources	<u>12,348,497</u>
<i>Total expenditures</i>	<u><u>\$ 15,156,295</u></u>

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STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------|------------|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | Yes |

4. Identification of major programs:

CFDA Number	Federal Program
10.553 and 10.555	National School Lunch Program
84.367A	Supporting Effective Instruction State Grants

- | | |
|-----------------------------------------------------------------------------|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

SECTION II – FINANCIAL STATEMENT FINDINGS

FS 2016-001 – Capital Assets - Material Weakness (repeated and modified)

Condition: The District is maintaining a capital assets listing, however, the capital asset inventory listing was not being reviewed for additions, deletions and dates in service.

- The capital assets listing contained 6 assets from prior years with a cost value of \$175,642 and accumulated depreciation of \$87,804 which the District no longer owned.
- The capital asset listing did not tie to the prior year ending balance for accumulated depreciation by the amount \$1,237,962 which was the correction made in the prior year to the lives of assets.

The District did subsequently identify these errors and proposed entries to correct these balances.

The District hired a new Business Manager in December of 2016. The new Business Manager was unaware of this finding and subsequent resolution had not been implemented as of June 30, 2016. The Business Manager has conducted a trial run of this import process in the provisional database and will work/train with the Accounts Payable individual to implement. As of December 2017, the Accounts Payable individual has conducted the physical audit of assets tied to Fleet and Maintenance. The Fixed Asset module is currently being scrubbed to correct Service Dates, asset type (GFA / Non-GFA), and asset values. The District anticipates a clean fixed asset database by the end of February 2018.

Criteria: Per section 2.20.1.18 D of NMAC, all disposition must be recorded in the fixed asset inventory records. Appropriate entries must also be made in the financial accounts to reflect the disposition of property. Gains or losses on disposal must be recorded in funds where such accounting is required. Per section 2.20.1.10 A of NMAC depreciation is a set of methods for allocating the cost of an asset over its economic life. Per section 2.20.1.12 B of NMAC, depreciation normally should not be recorded until the asset is ready for use.

Effect: The District was incorrectly including assets which were no longer owned by the District and incorrectly calculating depreciation based on in service dates, which could cause the financial statements to misrepresent the balances reported as capital assets.

Cause: The District did not verify the capital asset listing for dates in service and dispositions.

Auditors' Recommendation: We recommend the District reconcile deletions of capital assets to the general ledger yearly.

Views of Responsible Officials and Planned Corrective Actions. By the 15th of each month, the District's Business Office Accounts Payable individual will import the preceding month's activity from the Visions Purchasing and Payables module into the Fixed Asset module. This information will be reviewed for appropriate record detail, asset classification (GFA vs Non GFA), and accuracy as a baseline for the physical audit forms. The first import will be done by December 15, 2017. The physical audit will commence and terminate in August of each year.

FS 2017-001 – Internal Controls Over Non-Standard Journal Entries – Material Weakness

Condition: The District's internal controls require manual journal entries to be reviewed by someone other than the person preparing and entering the manual journal entries. However, during the 2016-2017 fiscal year, five of five manual journal entries tested were not reviewed by someone other than the preparer.

Criteria: State Board of Education Title 6, section 6.20.2.11 states that Policies and Procedures document administrative and accounting controls. Sound business practice recommends review and approval of all non-standard journal entries.

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

FS 2017-001 – Internal Controls Over Non-Standard Journal Entries – Material Weakness (continued)

Effect: The lack of proper review of journal entries may result in errors or irregularities going undetected and cause financial statements to be misstated. The District may be at risk for fraudulent activity without a proper review process over journal entries.

Cause: The District did not follow through with internal controls over the review of manual journal entries.

Auditors' Recommendations: The District ensure that policies and procedures regarding the review and approval of manual journal entries are being followed for all manual journal entries.

Views of Responsible Officials and Planned Corrective Actions: Within one week after month end, the District's Business Manager will pull journal detail reporting from Vision that will identify JE approval workflow to ensure workflow review compliance. In the rare occurrence where JE approval is required outside the established procedures due to unforeseen circumstances, a physical signed copy of the JE approval will be created. These occurrences will be identified through the monthly report review. This was implemented November 2017.

SECTION III – FEDERAL AWARD FINDINGS

FA- 2017-001- Internal Controls over Financial Statements Reporting and Controls over Compliance-Significant Deficiency

Federal Program Information:

Funding Agency: Department of Agriculture
Title: School Nutrition Cluster
CFDA Number: 10.555 & 10.550
Award Year: 2016-2017
Grant Year: 2016-2017

Condition: During our testwork, the following documentations was found to be missing or did not follow internal controls or compliance procedures:

- In 6 out of 30 samples selected for testwork, the invoices and or PO's were not stamped paid in the amount of \$10,715.54.
- In 1 out of 25 samples selected for testwork, the packing slip did not contain a signature for receiving goods in the amount of \$7,498.42.
- In 2 out of 25 samples selected for testwork in the amount of \$4,060.36, the samples could not be found, however they were recreated, but lacked adequate documentation. The two samples lacked electronic approval logs, PO's and Invoices did not match, and PO and or Invoice did not contain stamped paid.
- All samples selected for testwork were not tested for vendor eligibility on sam.gov in the amount of \$69,129.93.

Criteria: 2 CFR part 180 requires that a non-Federal entity must verify suspension or debarment from the excluded parties list system regarding compliance. Per District policy D-2950 payment procedures, the Superintendent will implement procedures for the review of purchase invoices to determine that items or services are among those budgeted, itemized goods or services have been satisfactorily supplies, funds are available to cover payment, and invoices are in order and for the contracted amount.

SECTION III – FEDERAL AWARD FINDINGS (continued)

FA- 2017-001- Internal Controls over Financial Statements Reporting and Controls over Compliance - Significant Deficiency (continued)

Effect: If invoices are not stamped paid, they may inadvertently be paid multiple times, if packing slips are not signed by the appropriate party, the District may pay for items that have not in fact been received, if adequate support is not received, the District may pay for items which were not properly approved or received by the District, and if a vendor has been disbarred from receiving Federal funds, the District may be liable to pay for the amount and not be reimbursed.

Cause: The District did not follow proper Federal or District policies related to payment procedures.

Auditors' Recommendation: The auditor recommends that the District review all payments being distributed for proper requirements from Federal and District policies.

Views of Responsible Officials and Planned Corrective Actions: Annually, by July 30, the District's Accounts Payable individual will compile a listing of expenditures by vendor (regardless of funding) for the preceding fiscal year to determine if expenditures exceed the 2 CFR 180.220 thresh-hold (\$25,000) requirement for debarment certification. In those instances where this threshold is exceeded, the Business Office will conduct a search on SAM. The results of this search will be kept in a binder as confirmation of said search. Monthly, the District's Business Manager will pull random samples to ensure appropriate documentation is included as well as verifying invoices are stamped as paid. This was implemented in November 2017.

FA 2017-002 Internal Controls over Financial Statements Reporting and Controls over Compliance - Significant Deficiency

Federal Program Information:

Funding Agency: Department of Agriculture
Title: School Nutrition Cluster
CFDA Number: 10.555 & 10.550
Award Year: 2016-2017
Grant Year: 2016-2017

Condition: For one of the three months tested, one snack and twenty lunches were excluded from the monthly meal counts submitted to the New Mexico Public Education department (PED)

Criteria: Under 7 U.S. Code of Federal Regulations part 210.8, School Food Authorities shall establish internal controls which ensure the accuracy of meal counts prior to the submission of the monthly Claim for Reimbursement to the state agency (PED).

Effect: The District was undercompensated from PED by one snack and twenty lunches.

Cause: A typo was made when entering meal count data into the PED online claim form.

Recommendation: We recommend the District improve review procedures to ensure that accurate meal count data is submitted to PED.

Views of Responsible Officials and Planned Corrective Actions: The Business manager will continue to review this process with the food service vendor to ensure the monthly submission accurately reflects actual activity. This was implemented in November 2017.

SECTION IV – SECTION 12-6-5 NMSA FINDINGS

NM 2016-001 – Recording of Revenue – Finding that does not rise to the level of a Significant Deficiency (repeated and modified)

Condition: During testwork performed to verify reimbursement basis funds’ expenditures tie to revenues, RPC noted the following:

- two deposits made during the fiscal year to fund 24106 instead of 24160 in the amounts of \$22,966 and \$571.
- one deposit made during the fiscal year to fund 27154 instead of 24154 in the amount of \$8,826.
- one deposit made during the fiscal year to fund 11000 instead of 21890 and 28190 in the amount of \$3,000 and 6,500 respectively.
- one deposit made during the fiscal year to fund 28120 was to object 43202 instead of 43203 in the amount of \$33,270.

The District hired a new Business Manager in December of 2016. The new Business Manager was unaware of this finding and subsequent resolution had not been implemented as of June 30, 2016.

Criteria: Per NMAC 6.20.2.13C, all school districts shall prepare, maintain, and report budget and financial information utilizing a standard and uniform chart of accounts. The District recorded the deposits to the incorrect funds according to the uniform chart of accounts.

Effect: The District was incorrectly utilizing the chart of accounts, which could cause the financial statements to misrepresent revenue types and mismatch revenues and expenditures in each fund.

Cause: The District did not verify against proper documentation as to the source and reason for the received funds prior to recording.

Auditors’ Recommendation: We recommend the District require all deposit entry documents to be accompanied by the reimbursement request form to ensure the correct fund is credited for the revenue received.

Views of Responsible Officials and Planned Corrective Actions: As part of the month end schedule of activities, within one week after month end, the District’s Business Manager will generate reporting activity for deposits via Visions. This activity will be reviewed against outstanding receivables to confirm correct allocation. Where applicable and available, the Business Office will include any supporting documentation. The Business Manager has implemented the formal process in November 2017. Prior activity for FY18 is currently in review.

NM 2016-002 – Cash Appropriations in Excess of Available Cash Balances – Finding that does not rise to the level of a Significant Deficiency (repeated and modified)

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

<u>Special Revenue Funds</u>	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriation in Excess of Available Cash</u>
Sloan-Prince Grant	\$ 1,000	\$ -	\$ 1,000
SB9 Local Match	50,255	-	50,255

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

NM 2016-002 – Cash Appropriations in Excess of Available Cash Balances – Finding that does not rise to the level of a Significant Deficiency (repeated and modified) (continued)

The District hired a new Business Manager in December of 2016. The new Business Manager was unaware of this finding and subsequent resolution had not been implemented as of June 30, 2016.

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 Public Education Department for approval. Cash balances rebudgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

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

Cause: The District has internal controls in place to monitor budget versus available cash, however this fund was missed in the process. The District did not budget revenue for this fund.

Auditors' Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

Views of Responsible Officials and Planned Corrective Actions: Fund 29102 – Sloan - Prince should have been picked up as a year-end receivable. This was a new grant for FY17 through the NM Dept. of Game and Fish. Revenue was budgeted in object code 43103. Reimbursement was received July 20, 2017.

Fund 31701 – SB9 Local – The District believes it has identified resolution (correcting allocation across both 31700 / 31701 per State split memo dated 8/16/17) and will work with PED for resolution.

Moving forward, the Business Manager will review the year-end cash balance estimates in greater detail to ensure that no fund is forecasted to end the year in a deficit. Anticipated resolution is expected by the end of January 2018.

NM 2017-001– Bank Reconciliations– Finding that does not rise to the level of significant deficiency

Condition: The District is not completing timely bank reconciliations. During our review of the District's bank reconciliations, which was completed on August 1, 2017, the bank reconciliations for April 2017 and onward had not been completed by the District for the fiscal year ended June 30, 2017.

Criteria: Section 6.20.2.14 K NMAC, all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration. A bank reconciliation is used to explain the difference between the bank/cash balance in the organization's bank statement, as provided by the bank, and the corresponding amount shown in the organization's own accounting records at a particular point in time. The New Mexico Public Education Department issued regulation 6.20.2 NMAC governing budgeting and accounting for New Mexico public schools. This regulation applies to public school districts, charter schools and regional education cooperatives in the State of New Mexico. Per Section 6.20.2.14.K. NMAC, "all bank accounts shall be reconciled on a monthly basis. Reconciled bank statements are to be reviewed by the business manager and/or assistant superintendent for business administration". Also, per Section 6.20.14.L NMAC "the school district shall submit cash reports to the department by the last working day of the month following the end of the reporting period, unless extended to a later date by the secretary of education".

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

NM 2017-001– Bank Reconciliations– Finding that does not rise to the level of significant deficiency (continued)

Effect: The District may not be able to discover issues/differences with the cash balances presented in the District's records or the bank statement if proper reconciliations are not prepared and is unable to rely on the bank reconciliations and may not have a clear picture of the current cash position of the District. This may lead to poor management and financial decisions and also raises the risk that errors and/or irregularities may go undetected.

Cause: The District experience turnover in management, who is unfamiliar with the reconciliation of pooled accounts.

Auditors' Recommendations: We recommend that the District perform bank reconciliations on a monthly basis by ensuring all transactions on the general ledger and the bank statement are accounted for in each reconciliation. All reconciling items must be supported by adequate documentation and maintained in each monthly file. In addition, we recommend all bank reconciliation be reviewed timely by a member of management and this review be documented in the form of initialing each reconciliation.

Views of Responsible Officials and Planned Corrective Actions: Monthly reconciliations are currently housed outside the Visions program and completed utilizing a 4 Column Excel spreadsheet. The Business Manager recognizes the necessity of timely reconciliations and will implement a strategy to move away from the complexity of this process and utilize the reconciliation component of Visions. The Business Manager understands and recognizes the need for strict adherence to the scheduling of these reconciliations. The Business Manager is currently looking for outside consultancy to assist with compliance. Resolution is expected by June 30, 2018.

NM 2017-002-Travel and Per Diem (Other Noncompliance)

Condition: During our testwork over travel and per diem, we noted the following item in 1 out of 5 samples tested:

- Purchase order was dated after check date in the amount of \$149.91.
- No proper documentation approving expenditures.

Criteria: According to the District's Travel Policy, mileage will only be paid if there are no school vehicles available. In addition, the Transportation Department and Central Office must give prior Approval for Mileage.

Effect: The District reimbursed an employee for actual expenditures for fuel without proper approval and created a purchase order of the approval after the reimbursement check was issued. The District is not in compliance with its internal policies and procedures.

Cause: The District did not follow their own Travel Policy when processing travel and per diem expenditures.

Auditors Recommendation: The District should implement a procedure to review all travel and per diem expenditures prior to payment and ensure all reimbursements are in compliance with internal travel policies.

Views of Responsible Officials and Planned Corrective Actions: The District has policy in place to ensure compliance. Requested travel and per diem forms require prior authorization. The Superintendent/Program Director/Business Manager will approve all travel before the date of travel. This will be enforced beginning in January 2018.

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

NM 2017-003— Election of Chief Procurement Officer - Other Matter

Condition: The District did not register a Chief Procurement Officer after former Chief Procurement Officer retired in December 2016.

Criteria: Chapter 13 Article 1 Section 95.2A, NMSA 1978, requires all local public bodies to elect and register a Chief Procurement Officer on or before January 1, 2014.

Effect: The District is in violation of the procurement code.

Cause: The District is aware of the requirement but the Chief Procurement Officer has yet to complete the certification and register as the District's CPO.

Auditors' Recommendations: We recommend that the District elect and register a Chief Procurement Officer as well as review the requirement set out in Chapter 13 Article 1 Section 95.2A to ensure no other timeline or requirement is missed in regards to this new requirement.

Views of Responsible Officials and Planned Corrective Actions: The District has identified and secured a district registered Chief Procurement Officer. The District is in the process of executing an MOU with SWREC. Resolution is expected by June 30, 2018.

NM 2017-004 – Posting of Financial Reporting - Other Matter

Condition: The District has not posted the financial reports on the District's website.

Criteria: Per NMSA 22-8-13.2. Financial reporting. (A) Each local superintendent or person in charge of the fiscal management of a charter school shall provide quarterly reports on the financial position of the school district or charter school, as applicable, to the local school board of the school district or the governing body of the charger school for use in reviewing the financial status of the school district or charger shoo. The department shall develop the forms to be used for the financial reporting required under this section. The forms shall provide for at least the following: (1) a report on the budget status of the local school district or charter school, including the approved operating budget for revenues and expenses compared with year-to-date actual revenue and expenses; (2) a statement of any budget adjustment requests; (3) cash reports, including revenue, expenses, temporary loans and cash balance for operational, state and federal grants, capital outlay and debt service funds; (4) voucher reports, including a list of issued warrants or checks; (5) reports listing procurement, travel or gas card expenses; and (6) investment reports. (B) School district and charger schools shall post the reports required under subsection A of this section on the school district's or charter schools' web site.

Effect: There is lack of transparency related to public information.

Cause: The District was unaware of this requirements.

Recommendation: We recommend that the District ensure that all of the required reports that are reviewed by the governing body be posted on the District's website once approved.

Views of Responsible Officials and Planned Corrective Actions: The District Business Office is now aware of this requirement and the Business Manager will post required reports on its website. Resolution is expected by June 30, 2018.

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

NM 2017-005 – Budgetary Condition – Other Matter

Condition: The District had expenditure function where actual expenditures exceeded budgetary authority:

Nonmajor Funds

Pre-K Initiative	\$ (6,636)
Debt Services	(750)

Criteria: Per NMAC 6.20.2.9(A) every school district shall follow budget requirements stated in Suctions 22-8-5 through 22-8-12.2 NMSA 1978, and procedures of the department in preparing, submitting, maintaining and reporting budgetary information.

Per NMAC 6.20.2.10.B, School districts shall submit budget adjustment requests for the operating budget to the department for budget increases, budget decreases, transfers between functional categories, and transfers from the emergency reserve account. Expenditures shall not be made by the school district until budget authority has been established and approval received from the department. Budget adjustments shall not be incorporated into the school district’s accounting system until approval is received by the department.

Effect: The District had expenditures that were in a function that was not properly budgeted.

Cause: The District did not review the budget verse actual and prepare the appropriate budget adjustments. Proper approval was not received from New Mexico Public Education Department (PED).

Recommendation: We recommend the District establish a policy of budgetary review at the end of each quarter and have the board and PED approve the necessary budgetary adjustments to ensure that expenditures do not exceed functions budgeted.

Views of Responsible Officials and Planned Corrective Actions: The District Business Office understands the necessity to review the budget at the function level on a monthly basis and submit any budget adjustments through the proper channels and makes every effort to ensure this is accomplished on a regular basis. The Business Manager will coordinate and schedule these quarterly reviews within two weeks after quarter end. Resolution is expected by June 30, 2018.

NM 2017-006 — Travel and Per Diem (Other Matter)

Condition: During testwork regarding compliance with the Per Diem and Mileage Act, the following were noted in the five samples totaling \$334.65 that were tested:

- In one out of five transactions totaling \$149.91, the travel was not approved prior to the date of travel.
- In one out of five transaction total \$149.91 no support was maintained for the reimbursement.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management’s responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements.

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

NM 2017-006 — Travel and Per Diem (Other Matter) (continued)

The Per Diem and Mileage Act, Section 10-8-1 to 10-8-8, NMSA 1978 documents the requirements required by the Act. Such requirements include:

- 1) With prior written approval of the superintendent or the superintendent's designee or the local public body, a nonsalaried public officer of a state agency or local public body, a salaried public officer of a state agency of local public body, or a salaried employee of a state agency or local public body is entitled to per diem expenses under this subsection and shall receive:
 - a. Reimbursement for actual expenses for lodging; and
 - b. Reimbursement for actual expenses for meals not to exceed \$30.00 per day for in-state travel and \$45.00 per day for out of state travel

Effect: Unauthorized travel and per diem expenditures may be processed and paid without proper approval and rate calculation.

Cause: The District did not follow the Mileage and Per Diem Act when processing travel and per diem expenditures.

Auditors' Recommendation: The District should implement a procedure to review all travel and per diem expenditures prior to payment and ensure all reimbursements are in compliance with State Statutes and the District's policy.

Views of Responsible Officials and Planned Corrective Actions: The District has a policy in place to ensure compliance. Requested travel and per diem forms require prior authorization. The Superintendent/Program Director/Business Manager will approve all travel before the date of travel. This will be enforced beginning in January 2018.

NM 2017-007 Procurement – Other Matter

Condition: During testwork regarding compliance with the Procurement Code, the following was noted in the sample tested:

- The evaluation committee was only a member of one for an RFP in the amount of \$234,512.

Criteria: The Procurement Code NMAC 1.4.1.38 states the District shall appoint an evaluation committee prior to the due date for receipt of proposals. The size of the committee should be manageable and include both user and technical support representatives.

Effect: Proposals may not be properly evaluated if there is only one member on the evaluation committee.

Cause: The District did not select multiple member for the evaluation committee.

Auditors' Recommendation: The District should implement a procedure to select evaluation committees before the due date for the receipt of proposals to ensure that the District is in compliance with the Procurement Code.

Views of Responsible Officials and Planned Corrective Actions: The District has identified and secured a district registered Chief Procurement Officer. The District is in the process of executing an MOU with SWREC. Resolution is expected by June 30, 2018.

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

NM 2017-008 Adjustments to Client Provided Information – Other Matter

Condition: During the performance of audit procedures related to accrual accounts, the following was noted:

- The management of the District prepared the accounts payable listing which improperly included \$9,870, which was discovered during subsequent disbursement testwork.

Criteria: 2011 GAO-12-331G Government Accounting standards section 3.51, states the District is required to prepare accurate account balance for financial presentation.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in it financial statement is limited.

Cause: The District did not have proper controls in place to ensure all accrual adjustments were properly accounted for.

Recommendation: We recommend that the District develop and implement policies and procedure to ensure that all accrual adjustments are complete and accurate.

Views of Responsible Officials and Planned Corrective Actions: As part of the FY17 audit process, the District provided anticipated receivables and payables accrual information. The District Business Manager erroneously included this amount in the accruals. The Business Manager will review all receivable and payable accrual information before it is submitted. Resolution is expected by June 30, 2018.

NM 2017-009 Stale Dated Checks – Other Matter

Condition: The District had 7 checks in the budgetary clearing account cash account that were over 1 year old. The total amount of the stale checks was \$1,568. The District has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation, requires local public bodies to cancel or void any checks that are unpaid for one year after it is written. The District has not reported the payees or turned over the funds to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Effect: The District is not in compliance with Section 6-10-57, NMSA 1978. The County's cash balance may be misstated by the amount of the stale checks.

Cause: The District does not have a procedure to track and void stale dated checks, though District management is aware of the requirement to remit stale dated check funds to the New Mexico Taxation and Revenue Department.

Auditors' Recommendation: We recommend that the outstanding checks be voided as soon as possible and that a procedure to track and void stale dated checks be implemented. We also recommend that the District remit the stale-dated check funds to the New Mexico Taxation and Revenue Department.

Views of Responsible Officials and Planned Corrective Actions: The Business Manager will implement a process to identify stale dated checks and take appropriate corrective action, whether that's a reissue of the check or establishing the necessary escheatment fund and related activity associated with remitting these funds to the State. The Business Manager has yet to coordinate with PED to determine appropriate course of action. The Business Manager will initiate this process in the month of January 2018.

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

NM 2017-010 Annual Inventory Certification – Other Matter

Condition: During testwork of capital assets it was noted that:

- The District has not performed an annual capital asset inventory certification of their fixed asset listing timely.

Criteria: According to State Audit Rule 2.2.2.10 V Capital Asset Inventory: (2) Section 12-20-1-16 NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

Effect: Items could be present on the capital assets listing that do not exist or items could exist that are not on the listing. As well as the listing could be misstated.

Cause: The District was aware of the requirement but due to turnover within management the due date for the annual certification was overlooked.

Auditors' Recommendations: We recommend that once the annual inventory has been completed, the District has it certified by the District's Board of Education.

Views of Responsible Officials and Planned Corrective Actions: By the 15th of each month, the District's Business Office Accounts Payable individual will import the month's activity from the Visions Purchasing and Payables module into the Fixed Asset module. This information will be reviewed for appropriate record detail, asset classification (GFA vs Non GFA), and accuracy as a baseline for the physical audit forms. The physical audit will commence and terminate in August of each year. The Business Manager will submit certification of the Fixed Asset audit to the Board of Education at the subsequent month's Board meeting. Resolution is expected by September 2018.

STATE OF NEW MEXICO
Hatch Valley Public Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION V – PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

FS 2016-001 – Capital Assets – Material Weakness – Repeated and modified

FA 2016-001 – Internal Controls over Documentation of Personnel Expenses for Title I – Significant Deficiency – Resolved

NM 2016-001 Recording of Revenue – Finding that does not rise to the level of a Significant Deficiency – Repeated and modified

NM 2016-002 Cash Appropriations in Excess of Available Cash Balances - Finding that does not rise to the level of a Significant Deficiency – Repeated and modified

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STATE OF NEW MEXICO
Hatch Valley Public Schools
Other Disclosures
For the Year Ended June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 10, 2017. The following individuals were in attendance:

Hatch Valley Public Schools

Linda Hale – Superintendent
Larry Marshall – Business Manager
Martha Villegas – Community Member
Elva J. Garay – Board Vice President
Paul Dulin – Board Member

RPC CPAs + Consultants, LLP

Ray Roberts, CPA – Managing Partner

Auditor Prepared Financials

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Hatch Valley Public Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.