



Hobbs Municipal Schools

State of New Mexico  
Hobbs Municipal School District #33  
Annual Financial Report  
For the Year Ended June 30, 2017



## INTRODUCTORY SECTION

(This page intentionally left blank.)

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
June 30, 2017

OFFICIAL ROSTER  
June 30, 2017

**Name**

**Board of Education**

**Title**

Gary Eidson

Board President

Peggy Appleton

Board Vice President

Patricia D. Jones

Board Secretary

Joe Calderon

Board Member

Terry O'Brain

Board Member

**Administrative Officials**

T.J. Parks

Superintendent

Kerri Gray, CPA

Director of Finance

Debbie Cooper

Assistant Superintendent for  
Instruction

Eppie Calderon

Deputy Asst. Superintendent for  
Secondary Instruction

Amy Rhoads

Deputy Asst. Superintendent for  
Elementary Instruction

Will Hawkins

Asst. Superintendent for Human  
Resources

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended  
June 30, 2017

	<u>Exhibit</u>	<u>Page</u>
<b>INTRODUCTORY SECTION</b>		
Official Roster		4
Table of Contents		5
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report		8
Management's Discussion and Analysis		10
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	A-1	24
Statement of Activities	A-2	26
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	28
Reconciliation of the Balance Sheet to the Statement of Net Position		30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		33
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
General Fund	C-1	34
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Title I IASA Special Revenue Fund	C-2	36
IDEA B Special Revenue Fund	C-3	37
Statement of Fiduciary Net Position and Assets and Liabilities	D-1	38
Statement of Changes in Fiduciary Net Position	D-2	39
Notes to the Financial Statements		40
<b>SUPPLEMENTARY INFORMATION</b>		
Combining and Individual Fund Statements and Schedules:	<u>Statement/ Schedule</u>	
Combining Balance Sheet – General Fund	A-1	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund	A-2	84
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Operational General Fund	A-3	85
Pupil Transportation General Fund	A-4	87
Instructional Materials General Fund	A-5	88

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT NO. 33**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended  
June 30, 2017

	<u>Statement/ Schedule</u>	<u>Page</u>
Nonmajor Fund Descriptions		89
Combining Balance Sheet – Nonmajor Governmental Funds	B-1	94
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	B-2	102
Fiduciary Funds Descriptions		111
Statement of Changes in Assets and Liabilities – Agency Funds	C	112
 <b>SUPPORTING SCHEDULES</b>		
Schedule of Collateral Pledged by Depository	I	114
Schedule of Deposit and Investment Accounts	II	115
Cash Reconciliation	III	117
Schedule of Net Pension Liability	IV	121
Schedule of ERB Contributions	V	122
Notes to the Required Supplementary Information		123
 <b>COMPLIANCE SECTION</b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		125
 <b>FEDERAL FINANCIAL ASSISTANCE</b>		
Independent Auditors’ Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance		128
Schedule of Expenditures of Federal Awards	VI	130
Schedule of Findings and Questioned Costs	VII	132
 <b>OTHER DISCLOSURES</b>		 138

**FINANCIAL SECTION**



# JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Board of Education  
Hobbs Municipal School District #33  
Hobbs, 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 and major special revenue funds of Hobbs Municipal School District #33 (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 misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 22 and Schedules IV and V and the notes to those schedules as listed on page 123 in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic

2626 JBS Parkway  
Suite A-200  
Odessa, Texas 79761  
(432)362-3800

Two Fasken Center  
550 West Texas Avenue  
Midland Texas 79701  
(432) 683-1835

225 East Bender Boulevard  
P.O. Drawer 220  
Hobbs, New Mexico 88241  
(575) 393-2171



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 operation, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during 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 District's financial statements that collectively comprise the District's basic 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), the accompanying financial information listed as Statement C and supporting Schedules I through III in the table of contents required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 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.

**Johnson, Miller & Co., CPA's**



Hobbs, New Mexico  
November 8, 2017

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

Within the Management Discussion and Analysis of the fiscal performance of the Hobbs Municipal Schools (the "District") for the period ending June 30, 2017, the reader will see two statements – a Statement of Net Position and a Statement of Activities. The discussion and analysis, as well as the two statements, provide a review of the District's *overall* financial activities, using the accrual basis of accounting, for the year ending June 30, 2017. Governmental fund financial statements are reported on a modified accrual basis of accounting. Rather than look at specific areas of performance, this discussion and analysis focuses on the financial performance of the District as a whole. Whenever possible this discussion and analysis will provide the reader multi-year pictures of financial performance and other pertinent information through the use of tables and other graphics.

This annual report consists of a series of detailed, audited financial statements and the notes to those statements. Also included is the Independent Auditors' Report, 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, Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance, Schedule of Expenditures of Federal Awards, and a Schedule of Findings and Questioned Costs. These statements and information were included in past reporting by the District.

**Hobbs Municipal School District #33 Accounting and Finance**

We believe this written analysis and the accompanying financial reporting will indicate to the reader that the District is in good financial health. Indicators to the reader such as fund balances, cash on hand, and budget management all are indicators of a positive financial direction and management. The District maintains a financial and accounting staff with strong levels of technical experience.

Staffing levels and expertise are adequate to meet daily workload demands and to provide the necessary level of internal controls demanded of an organization the size of the District. Financial policies and procedures are in place to guide staff through the daily business routines.

As an integral part of the District's accountability process, the District's School Board is active in the monitoring of expenditures and budgets through a formal, monthly reporting process to the School Board. This reporting is provided at public meetings and becomes a part of the School Board's permanent, public record. These reports are public documents and, through this public process, the financial reporting information is provided to and is open to public inspection.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Significant Financial Highlights for the Year Ending June 30, 2017**

- Capital Outlay expenditures were \$4,691,033 for the year ending June 30, 2017.
- For assets over \$5,000 current depreciation of \$7,197,676 was recorded resulting in accumulated depreciation of \$99,282,089 as of June 30, 2017.
- Total net position decreased from \$2,395,067 as of June 30, 2016 to \$(387,967) as of June 30, 2017 resulting in a (\$2,783,034) decrease between the two fiscal years.
- The overall Fund Balance decreased from \$35,547,602 as of June 30, 2016, to \$22,081,617 as of June 30, 2017 resulting in a (\$13,465,985) decrease between the two fiscal years.
- Total revenues increased from \$94,500,768 for the year ended June 30, 2016, to \$98,688,326 for the year ended June 30, 2017 resulting in a \$4,187,558 increase between the two fiscal years.
- Based on the 40<sup>th</sup>-day count for the school year 2015-16, the District saw a decrease of 139 students in 16-17.
- Other significant events during the past few years include the passage of the \$25 million general obligation school building bond issue in September of 2013, there was a \$47 million general obligation school building bond issue on April 17, 2008. The first \$9.5 million of these bonds were sold during July 2008, the second \$9.5 million installment was issued on April 15, 2010 and the final \$8 million installment on September 15, 2010.
- Additional bonds of \$7,615,000 were issued in 2016-17 in order to fund capital projects and refund bonds already issued.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**GOVERNMENT WIDE FINANCIAL STATEMENTS**

**Statement of Net Position**

This overall Statement of Net Position is prepared using the accrual method of accounting. This statement shows that as of June 30, 2017, the District has total net position of \$(387,967).

	<u>June 30,</u> <u>2014</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2017</u>
<b>Assets</b>				
Cash & cash equivalents	\$ 29,053,097	\$ 22,312,311	\$ 19,359,833	\$ 21,382,769
Other current assets	11,669,953	14,262,669	9,058,737	4,103,978
Capital assets	199,314,849	226,951,815	231,147,006	232,583,776
Less: accumulated dep.	(83,336,349)	(87,008,336)	(92,832,848)	(99,282,089)
Bond issuance cost, net	-	-	-	-
Restricted cash and investments	<u>11,507,862</u>	<u>12,789,916</u>	<u>14,109,570</u>	<u>-</u>
Total assets	<u>168,209,412</u>	<u>189,308,376</u>	<u>180,842,298</u>	<u>158,788,434</u>
<b>Deferred outflows</b>	<u>-</u>	<u>8,399,151</u>	<u>14,334,023</u>	<u>18,000,882</u>
<b>Liabilities</b>				
Current liabilities	11,624,987	15,531,372	27,540,463	9,094,287
Long-term liabilities	<u>68,384,267</u>	<u>166,471,407</u>	<u>161,653,788</u>	<u>162,219,315</u>
Total liabilities	80,009,254	182,002,779	189,194,251	171,313,602
<b>Deferred inflows</b>	-	10,280,729	3,587,003	5,863,681
<b>Net Position</b>				
Net investment in capital assets	63,896,385	69,750,717	75,456,049	74,656,707
Restricted	11,440,085	5,123,845	2,201,084	3,650,142
Unrestricted	<u>12,863,688</u>	<u>(69,450,544)</u>	<u>(75,262,066)</u>	<u>(78,694,816)</u>
Total net positions	<u>\$ 88,200,158</u>	<u>\$ 5,424,018</u>	<u>\$ 2,395,067</u>	<u>\$ (387,967)</u>

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Statement of Activities**

The Statement of Activities is prepared using the accrual method of accounting. This report compliments the Statement of Net Position by showing the overall change in the District's net position for the fiscal year ending June 30, 2017.

**Governmental  
Activities**

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total government activities	\$ 84,048,263	\$ 94,850,799	\$ 96,948,160	\$ 101,471,360
Less charges for services	1,463,254	1,551,735	1,356,603	1,344,428
Less operating grants and contributions	10,757,055	11,737,485	12,055,381	12,702,448
Less capital grants and contributions	<u>2,653,801</u>	<u>1,451,950</u>	<u>108,618</u>	<u>169,377</u>
	<u>\$ 69,174,153</u>	<u>\$ 80,109,629</u>	<u>\$ 83,427,558</u>	<u>\$ 87,255,107</u>
 <b>Total governmental activities</b>				
 <b>General revenues</b>				
Property and oil & gas taxes	69,174,153	14,714,883	13,926,812	18,744,730
State of New Mexico equalization grant	59,167,520	65,277,566	66,102,370	64,501,711
Local sources	-	-	-	-
Investment earnings	419,796	474,588	499,092	78,255
Miscellaneous	4,568	147,718	252,893	1,180,815
Gain/(Loss) on disposition of	7,980	(218,814)	(382,560)	(33,438)
Special item - donated	-	-	-	-
Reversion to PED	<u>(56,136)</u>	<u>(43,280)</u>	<u>-</u>	<u>-</u>
<b>Total general revenues</b>	<u>75,080,864</u>	<u>80,352,661</u>	<u>80,398,607</u>	<u>84,472,073</u>
 <b>Increase (Decrease) in Net Position</b>	 5,906,711	 243,032	 (3,028,951)	 (2,783,034)
<b>Net Position Beginning</b>	82,473,396	88,200,158	5,424,018	2,395,067
Restatement	(179,949)	(83,019,172)	-	-
<b>Net Position Beginning - As Restated</b>	<u>82,293,447</u>	<u>5,180,986</u>	<u>5,424,018</u>	<u>2,395,067</u>
 <b>Net Position Ending</b>	 <u>\$ 88,200,158</u>	 <u>\$ 5,424,018</u>	 <u>\$ 2,395,067</u>	 <u>\$ (387,967)</u>

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**GOVERNMENT FUND FINANCIAL STATEMENTS**

**Statement of Revenues and Expenditures**

Governmental fund financial statements are based on a modified accrual basis of accounting. The Statement of Revenues, Expenditures and Changes in Fund Balances is *not* new to the District's annual financial reports. This report guides the reader to a meaningful overall view for the district revenues, expenditures, and changes in fund balances. Total revenues from state, local and federal sources were \$98,765,115. Total expenditures for the District were \$112,354,063. The total ending fund balance was \$22,081,617, a decrease of (\$13,465,985) from the prior year.

**Multi-Year District Revenues and Expenditures**

Revenue increased in the current fiscal year due to an increase in property tax revenue and an increase in oil and gas revenue because of the increase in oil prices. Expenditures increase due to the payment of the \$14,900 QZAB bond that was paid in October 2016. Below is a table showing the changes in revenues and expenditures over the past decade.

<u>Year</u>	<u>Total Revenues</u>	<u>Change %</u>	<u>Total Expenses</u>	<u>Change %</u>
2001/2002	\$ 47,464,938	2%	\$ 47,637,911	7%
2002/2003	\$ 66,091,861	39%	\$ 60,093,986	26%
2003/2004	\$ 54,451,621	-18%	\$ 57,648,551	-4%
2004/2005	\$ 60,578,291	11%	\$ 68,280,722	18%
2005/2006	\$ 63,574,800	5%	\$ 61,603,162	-10%
2006/2007	\$ 66,725,318	5%	\$ 66,327,854	8%
2007/2008	\$ 70,771,387	6%	\$ 69,350,569	5%
2008/2009	\$ 76,006,004	7%	\$ 77,589,231	12%
2009/2010	\$ 77,543,714	2%	\$ 87,947,149	13%
2010/2011	\$ 79,051,222	2%	\$ 99,624,451	13%
2011/2012	\$ 81,971,310	4%	\$ 82,430,565	-17%
2012/2013	\$ 84,685,786	3%	\$ 81,287,818	-1%
2013/2014	\$ 89,931,378	6%	\$ 89,352,931	10%
2014/2015	\$ 95,100,273	6%	\$ 118,042,189	32%
2015/2016	\$ 94,500,768	-.6%	\$ 97,945,875	-17%
2016/2017	\$ 98,765,115	5%	\$ 112,354,063	15%

**The Budget**

Budgets for the District reflect the same changes as seen in the revenue and expenditures of the District. The State of New Mexico school budget process is defined under New Mexico State Statutes (Section 22) and the New Mexico Administrative Code (Section 6). To enhance the process of developing a budget at the school district level, the Hobbs Municipal School District #33 utilizes goals and objectives defined by the local School Board, community input meetings, long term plans, and input from various staff groups to develop the budget. District priorities are well defined through this process.

GASB 34 does not require a statement presenting the overall result of the budget for each year; however, all major budgetary funds are required to be reported as a separate statement. The New Mexico State Auditor requires budget results to be reported for all funds, including non-major funds. These statements are presented as required supplementary information.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**The Budget (continued)**

The following table examines the summary budget performance of the funds for the fiscal year ended June 30, 2017. Detail budget performance is examined through the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual for each fund.

**Funds Revenue Budget Performance for Major Funds Only**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
General Fund	\$ 69,862,855	\$ 67,700,594	\$ 67,824,442	\$ 123,848
Title I IASA	-	1,928,715	1,579,488	(349,227)
Entitlement IDEA B	-	4,048,720	1,949,487	(2,099,233)
SB-9 Capital Improvements Local	10,760,304	10,760,304	8,766,458	(1,993,846)
Debt Service	8,028,805	8,028,805	9,352,156	1,323,351
Totals	<u>\$ 88,651,964</u>	<u>\$ 92,467,138</u>	<u>\$ 89,472,031</u>	<u>\$ (2,995,107)</u>

**Funds Expenditure Budget Performance for Major Funds Only**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
General Fund	\$ 75,862,855	\$ 76,765,145	\$ 71,088,192	\$ 5,676,953
Title I IASA	-	1,928,715	1,647,396	281,319
Entitlement IDEA B	-	4,048,720	1,694,821	2,353,899
SB-9 Capital Improvements Local	3,586,768	4,066,456	2,886,307	1,180,149
Debt Service	23,729,752	23,729,752	22,136,543	1,593,209
Totals	<u>\$ 103,179,375</u>	<u>\$ 110,538,788</u>	<u>\$ 99,453,259</u>	<u>\$ 11,085,529</u>

The General Fund represents a majority of the total funds budgeted dollar amount. This fund provides the salary and benefits for the significant majority of the Instructional, Instructional Support, and School Support, Maintenance and Administrative staff as well as classroom materials, special education consulting staff, and fixed utility costs.

Revenue from this fund is substantially derived from the State Equalization Guarantee, which is the funding formula appropriated for education by the State Legislature. The General Fund is explored later in this Management's Discussion and Analysis.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**The General Fund**

Because the General Fund revenues represent \$67,845,584 of the total \$98,765,115 of District revenues, the impact of this fund must be kept in context. The General Fund began the year with an initial budget of \$69,862,855 and had a final budget of \$67,700,594. The increase in budgeted revenues was primarily attributable to an increase in property tax and oil and gas revenue.

The General Fund is predominately funded by revenues from the State of New Mexico Equalization Guarantee Formula. This fund pays for teaching staff, teaching support staff, special education support staff, maintenance staff, and administrative staff as well as pupil transportation and instructional materials. The General Fund provides the predominant funding for athletics and summer school.

Except for fiscal year 2010 and 2017, the General Fund has seen significant increases in revenues, exclusive of Capital Outlays, as seen in the following table: The decrease in 2017 was due to a decrease in SEG. This was due to a small decrease in enrollment, a cash balance credit taken by PED and a decrease in the unit value.

**GENERAL FUND REVENUES**

Year	Total Revenues	Change %
2001/2002	\$ 36,297,243	3.0%
2002/2003	\$ 37,354,618	2.9%
2003/2004	\$ 38,633,543	3.4%
2004/2005	\$ 41,663,268	7.8%
2005/2006	\$ 45,172,062	8.4%
2006/2007	\$ 47,964,173	6.2%
2007/2008	\$ 51,651,782	7.7%
2008/2009	\$ 56,125,943	8.7%
2009/2010	\$ 50,028,588	-10.9%
2010/2011	\$ 52,888,136	5.7%
2011/2012	\$ 55,328,628	4.6%
2012/2013	\$ 59,094,120	6.8%
2013/2014	\$ 62,432,342	5.6%
2014/2015	\$ 68,972,889	10.5%
2015/2016	\$ 69,303,163	0.5%
2016/2017	\$ 67,845,584	-2.1%

The General Fund is the primary fund whose expenditures are significantly related to the educational process. \$70,901,598 was expended during the year ended June 30, 2017. The most significant inter-fund expenditure was for the function noted as "Instruction." This expenditure was \$46,625,823 or 65.76% of all General Fund expenditures. Expenditures included in this function are compensation for regular and special education teachers and instructional assistants, substitute teachers, employee benefits, payroll taxes, school supplies, professional development, and miscellaneous instructional-related contract services. More than 80% of all General Fund expenditures are for employee salaries, payroll taxes, and benefits.

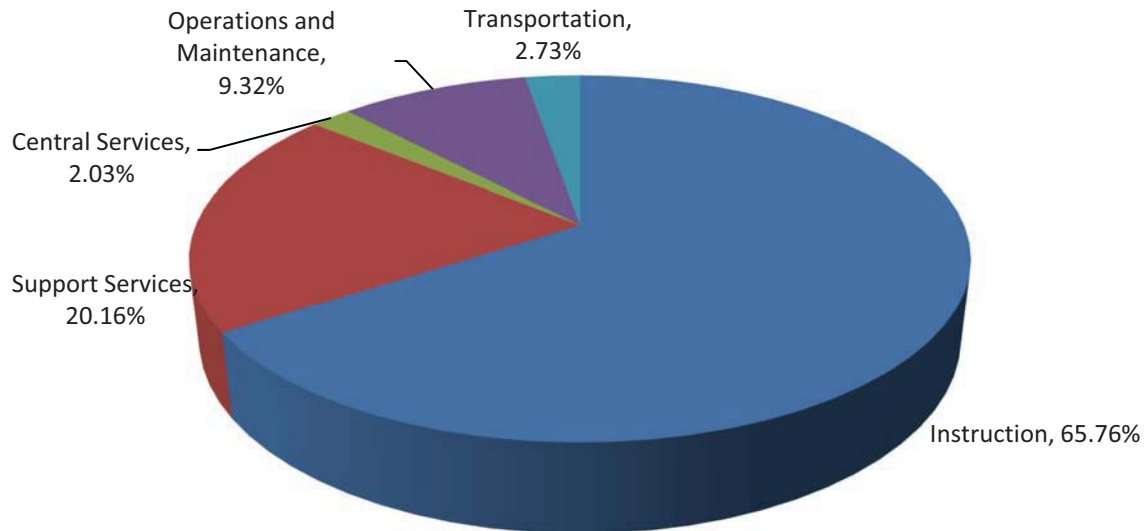


**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**The General Fund (continued)**

Support Services represents 20.16% of General Fund expenditures and account for expenditures for compensation, employee benefits, and payroll taxes for school principals, program coordinators, counselors, school nursing staff, librarians, special education ancillary staff, and significant support to special education programs through contract ancillary support staff and contract programs. The Office of the Superintendent and the Business Office represent the overhead support for the entire operations of the District; these programs combined represent 2.03% of the total General Fund expenditures. Maintenance and Operations account for 9.32% of the General Fund expenditures. Included in the Maintenance and Operations expenditures are salaries and benefits for maintenance staff, school custodians, fixed utility costs, risk/property insurance, maintenance and repairs, maintenance supplies, and school custodial supplies. Additional support for repairs and maintenance along with capital projects comes from the voter- approved Two-Mill and Four-Mill Levy Funds. Student Transportation accounts for 2.73% of General Fund expenditures; these expenditures are primarily for the flow through of the transportation funds for bus transporting the students to and from school each day. The General Fund also supports expenditures for school athletics and summer school.

### General Fund by Expenditures



**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Capital Assets**

GASB 34 rules require public entities to depreciate capital assets. This statement includes an adjusted accumulated depreciation of the District's capital assets in the amount of \$7,197,676 as of June 30, 2017. The District utilizes a "straight line" depreciation method in all cases and standardized lifetime tables in calculating this depreciation.

In 2015 and 2016, many projects to update aging facilities were done, and two new schools completed. These projects were completed and therefore show no CIP for 2017.

The primary decrease of approximately \$5 million to capital assets (net) for the year was primarily due to an increase in depreciation.

The following table recounts the balances for the District's investment in all capital assets:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:				
Land	3,973,517	\$ 3,988,738	3,988,738	3,988,738
Construction in process	<u>3,088,161</u>	<u>27,897,110</u>	<u>20,525,207</u>	<u>-</u>
Total capital assets not being depreciated	7,061,678	31,885,848	24,513,945	3,988,738
Capital assets being depreciated:				
Buildings & improvements	164,510,543	168,079,072	178,713,840	200,764,127
Equipment	22,243,794	21,255,615	21,211,305	21,016,334
Land improvements	<u>5,498,834</u>	<u>5,731,280</u>	<u>6,707,916</u>	<u>6,814,577</u>
Total capital assets being depreciated	<u>192,253,171</u>	<u>195,065,967</u>	<u>206,633,061</u>	<u>228,595,038</u>
Less accumulated depreciation for:	68,192,141	72,841,649	77,524,161	83,055,576
Equipment	13,893,853	12,647,293	13,506,011	14,091,954
Land improvements	<u>1,250,355</u>	<u>1,519,394</u>	<u>1,802,676</u>	<u>2,134,559</u>
Total accumulated depreciation	<u>83,336,349</u>	<u>87,008,336</u>	<u>92,832,848</u>	<u>99,282,089</u>
Total capital assets being depreciated, net	108,916,822	108,057,631	113,800,213	129,312,949
Governmental activity capital assets, net	<u>115,978,500</u>	<u>\$ 139,943,479</u>	<u>\$ 138,314,158</u>	<u>\$ 133,301,687</u>

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Long-Term Liabilities**

Article IX, Section 11 of the New Mexico Constitution limits the powers of a school district to incur general obligation debt beyond a school year. The District can incur such debt for "the purpose of erecting, remodeling, making additions, and furnishing buildings or purchasing or improving schools grounds or purchasing computer software or hardware for student use in public classrooms or any combination of these purposes." The approval of the debt is subject to a vote of the local electors and may not exceed 6% of the assessed valuation of the taxable property within the District.

On May 24, 2005, the District issued General Obligation Bonds in the amount of \$420,000 with staggered maturity dates. The last maturity date is August 1, 2015.

The District issued General Obligation School Building Bonds on June 15, 2002, in the amount of \$7,000,000 with staggered maturity dates. On May 26, 2011, \$2,105,000 of the \$2,740,000 balance of this bond was set to be refunded via a New Mexico Finance Authority (NMFA) Loan on which there was \$40,000 of issuance costs rolled into the balance to arrive at a total loan balance of \$2,145,000. Final payment on the NMFA loan is scheduled for July 1, 2014. On July 1, 2011, NMFA remitted \$2,105,000 and the District remitted \$635,000 toward the bond balance of \$2,740,000 to fully extinguish this debt.

The District sold Qualified Zone Academy Bonds (QZAB's) on September 5, 2002, in the amount of \$14,930,000. The District had to meet certain requirements to qualify to issue QZAB's. Certain banks, insurance companies, and corporations actively engaged in lending money are eligible for a tax credit as an incentive to hold these bonds. The QZAB bonds bear no interest to the District, thus reducing the cost to taxpayers by a little more than \$2.5 million. The QZAB's agreement also included a Forward Delivery Agreement which states that the District must annually deposit a minimum of \$841,071 into a sinking fund account beginning October 1, 2003 and ending October 1, 2006 and \$841,605 beginning October 1, 2007 and ending October 1, 2016. The purpose of the sinking fund is to manage investments by increasing the predictability of its cash flow from earnings on investments in order to meet the required repayment of the bonds on October 15, 2016. The agreement also establishes a guaranteed rate of return of 3.55% on funds deposited in the sinking fund. The final payment was made and the sinking fund was used to pay off the bond in October 2016..

The District issued General Obligation School Building Bonds on July 15, 2008, in the amount of \$9,500,000. The District issued General Obligation School Building Bonds on April 15, 2009, in the amount of \$9,500,000. The bonds were defeased with an advance refunding of General Obligation School Building Bonds issued on December 16, 2014 in the amount of \$17,055,000.

The District issued General Obligation School Building Bonds on April 15, 2010, in the amount of \$20,000,000 with staggered maturity dates. The last maturity date is April 15, 2026.

The District issued General Obligation School Building Bonds on September 15, 2010, in the amount of \$8,000,000 with staggered maturity dates. The last maturity date is September 15, 2028.

The District issued General Obligation School Building Bonds on December 10, 2013 in the amount of \$9,000,000 with staggered maturity dates. The last maturity date is January 15, 2023.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Long-Term Liabilities (continued)**

The District issued General Obligation School Building Bonds on December 16, 2014 in the amount of \$9,000,000 with staggered maturity dates. The last maturity date is September 2028.

The District issued General Obligation School Building Bonds on December 16, 2014 in the amount of \$17,500,000 with staggered maturity dates. The last maturity date is September 2023.

The District issued General Obligation School Building Bonds on May 24, 2015 in the amount of \$7,000,000 with staggered maturity dates. The last maturity date is September 15, 2025.

The District issued General Obligation School Building Bonds on August 24, 2016 in the amount of \$7,615,000.

The follow schedule shows the District's combined annual debt service requirement to maturity for long term debt as of June 30, 2016.

<b>Fiscal year ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirement</b>
2018	\$ 4,900,000	\$ 2,143,550	\$ 7,043,550
2019	5,075,000	1,988,325	7,063,325
2020	4,615,000	1,825,525	6,440,525
2021	5,395,000	1,617,800	7,012,800
2022	4,970,000	1,109,600	6,079,600
2023-2027	25,635,000	3,838,625	29,473,625
2028-2029	8,325,000	331,988	8,656,988
	<u>\$ 58,915,000</u>	<u>\$ 12,855,413</u>	<u>\$ 71,770,413</u>

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Agency Funds**

The District, as a custodian, maintains and monitors special funds on behalf of the schools and various school activity groups. Agency funds maintained by the School District are to benefit a specific activity or interest and are generally raised by students for student use.

While each school site is responsible for the administration of the agency funds, the custody and use of these funds are in accordance with New Mexico Public Education Department Regulations and School District Policy. The Statement of Fiduciary Net Position for the year ended June 30, 2017, shows the accumulated assets of all agency funds was \$1,079,330 and accumulated assets of the fiduciary Eagle Trust of \$7,878.

**STATE OF NEW MEXICO**  
Hobbs Municipal School District #33 Management's  
Discussion and Analysis  
For the Year Ended June 30, 2017  
Unaudited

**Future trends**

The Economy and Public School Funding: Hobbs is beginning to see some positive movement both as a community and within the school district. This is primarily due to the rebounding of the oil and gas industry. For fiscal year 2018, the state allowed for an increase in the unit value affecting the State Equalization Guarantee (SEG). Hobbs Municipal schools also anticipates growth in the 2017-2018 year which impacts SEG. School districts receive the majority of their funding from the State based on the SEG formula. Therefore, local districts are greatly dependent upon the decisions made at the state level, and those decisions are affected by the revenue streams previously mentioned.

More information regarding the District including an update of the various 2014 bond building projects is available at [www.hobbsschools.net](http://www.hobbsschools.net).

**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**STATEMENT OF NET POSITION**  
June 30, 2017

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 15,512,775
Investments	5,869,994
Receivables	
Property taxes	530,442
Oil and gas taxes	1,071,358
Due from other governments	2,060,690
Inventory	<u>441,488</u>
Total current assets	25,486,747
Noncurrent assets	
Capital assets	232,583,776
Less: accumulated depreciation	<u>(99,282,089)</u>
Total noncurrent assets	<u>133,301,687</u>
<b>DEFERRED OUTFLOWS</b>	
Deferred outflows related to pensions	<u>18,000,882</u>
Total assets and deferred outflows	<u><u>\$ 176,789,316</u></u>

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



	<b>Primary Government Governmental Activities</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 263,975
Accrued payroll	2,925,218
Accrued interest	712,554
Accrued compensated absences	292,540
Current portion of bonds payable	<u>4,900,000</u>
Total current liabilities	<u>9,094,287</u>
Noncurrent liabilities	
Accrued compensated absences	49,943
Bonds payable	54,015,000
Bond premium, net of accumulated amortization of \$1,370,730	3,856,460
Net pension liability	<u>104,297,912</u>
Total noncurrent liabilities	<u>162,219,315</u>
Total liabilities	<u>171,313,602</u>
<b>DEFERRED INFLOWS</b>	
Deferred inflows related to bond refunding	1,420,472
Deferred inflows related to pensions	<u>4,443,209</u>
Total deferred inflows	<u>5,863,681</u>
<b>NET POSITION</b>	
Net invested in capital assets	74,656,707
Restricted for:	
Debt service	45,086
Capital projects	2,066,604
Other purposes - special revenue	1,538,452
Unrestricted	<u>(78,694,816)</u>
Total net position	<u>(387,967)</u>
Total liabilities, deferred inflows and net position	<u>\$ 176,789,316</u>

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
Instruction	\$ 56,464,211	\$ 266,096	\$ 4,992,706	\$ -
Support services - students	9,354,033	-	1,099,062	-
Support services - instruction	3,048,777	-	2,431	-
Support services - general admin.	1,280,575	-	151,561	-
Support services - school admin.	5,723,530	-	1,081,091	-
Central services	4,167,176	-	47,475	-
Operation and maintenance of plant	7,985,465	-	63,168	-
Student transportation	1,996,284	-	1,917,891	-
Food service operations	4,441,203	1,078,332	3,347,063	-
Facilities acquisition and construction	4,860,410	-	-	169,377
Interest and other charges	2,149,696	-	-	-
Total primary government	<u>\$ 101,471,360</u>	<u>\$ 1,344,428</u>	<u>\$ 12,702,448</u>	<u>\$ 169,377</u>

**General Revenues:**

Property taxes levied for:  
General purposes  
Capital projects  
Debt service  
Oil and gas taxes  
State equalization guarantee  
Investment income  
Miscellaneous income  
Loss on capital assets  
Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

**Net (Expenses) Revenue ar  
Changes in Net Position**

**Primary Government**

**Governmental  
Activities**

\$	(51,205,409)
	(8,254,971)
	(3,046,346)
	(1,129,014)
	(4,642,439)
	(4,119,701)
	(7,922,297)
	(78,393)
	(15,808)
	(4,691,033)
	(2,149,696)
	<u>(87,255,107)</u>

	364,673
	5,545,378
	6,313,595
	6,521,084
	64,501,711
	78,255
	1,180,815
	(33,438)
	<u>84,472,073</u>

(2,783,034)

2,395,067

\$ (387,967)

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2017

	General	Title I IASA	IDEA B Entitlement	Capital Improvement SB-9 Local
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 5,916,007	\$ 188,456	\$ -	\$ 789,777
Investments	5,640,555	-	-	-
Accounts receivable				
Taxes	55,811	-	-	246,649
Due from other governments	-	545,454	429,074	-
Interfund receivables	4,141,751	736,002	6,303	-
Inventory	362,258	-	-	-
	<u>\$ 16,116,382</u>	<u>\$ 1,469,912</u>	<u>\$ 435,377</u>	<u>\$ 1,036,426</u>
<i>Total assets</i>				
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 59,211	\$ 20,522	\$ -	\$ 56,301
Accrued expenses	2,636,153	65,336	43,251	-
Interfund payables	128,293	1,391,820	480,670	630,006
	<u>2,823,657</u>	<u>1,477,678</u>	<u>523,921</u>	<u>686,307</u>
<i>Total liabilities</i>				
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - delinquent property taxes	6,870	-	-	36,611
	<u>6,870</u>	<u>-</u>	<u>-</u>	<u>36,611</u>
<i>Total deferred inflows of resources</i>				
<i>Fund balances</i>				
Fund Balance:				
Nonspendable				
Inventory	362,258	-	-	-
Spendable				
Restricted for:				
Transportation	4,960	-	-	-
Instructional materials	420,085	-	-	-
Food services	-	-	-	-
Education	-	-	-	-
Extracurricular activities	-	-	-	-
Capital acquisitions and improvements	-	-	-	313,508
Debt service	-	-	-	-
Committed for:				
Subsequent year's expenditures	6,000,000	-	-	-
Unassigned	6,498,552	(7,766)	(88,544)	-
	<u>13,285,855</u>	<u>(7,766)</u>	<u>(88,544)</u>	<u>313,508</u>
<i>Total fund balances</i>				
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 16,116,382</u>	<u>\$ 1,469,912</u>	<u>\$ 435,377</u>	<u>\$ 1,036,426</u>

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,289,201	\$ 4,329,334	\$ 15,512,775
226,772	2,667	5,869,994
806,045	493,295	1,601,800
-	1,086,162	2,060,690
-	544,406	5,428,462
-	79,230	441,488
<u>\$ 5,322,018</u>	<u>\$ 6,535,094</u>	<u>\$ 30,915,209</u>
\$ -	\$ 127,942	\$ 263,976
-	180,479	2,925,219
-	2,797,673	5,428,462
<u>-</u>	<u>3,106,094</u>	<u>8,617,657</u>
99,235	73,219	215,935
<u>99,235</u>	<u>73,219</u>	<u>215,935</u>
-	79,230	441,488
-	-	4,960
-	-	420,085
-	1,333,783	1,333,783
-	115,401	115,401
-	89,268	89,268
-	1,913,286	2,226,794
5,222,783	-	5,222,783
-	-	6,000,000
-	(175,187)	6,227,055
<u>5,222,783</u>	<u>3,355,781</u>	<u>22,081,617</u>
<u>\$ 5,322,018</u>	<u>\$ 6,535,094</u>	<u>\$ 30,915,209</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**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:

	District
Fund balances - total governmental funds	\$ 22,081,617
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	133,301,687
Deferred outflows of resources related to pensions are not financial resources, and, therefore, are not reported in the funds	18,000,882
Other assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	215,935
Other liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(712,554)
Bond premium liability (net of amortization)	(3,856,460)
Long-term liabilities, including bonds payable, bond deposit, net pension liability, and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statement	(163,555,393)
Deferred inflows of resources related to pensions and bond refunding are not financial resources, and therefore, are not reported in the fund	(5,863,681)
Net Position of Governmental Activities in the Statement of Net Position	\$ (387,967)

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	General	Title I IASA	IDEA B Entitlement	Capital Improvement SB-9 Local
<i>Revenues:</i>				
Taxes - property	\$ 366,627	\$ -	\$ -	\$ 1,859,517
Taxes - oil and gas	261,335	-	-	1,048,342
Federal flowthrough	59,706	1,647,391	1,603,222	-
Federal direct	-	-	-	-
Local grants	-	-	-	212,704
State flowthrough	65,196,939	-	-	-
Transportation distribution	1,858,416	-	-	-
Charges for services	15,840	-	-	-
Investment income	43,358	-	-	-
Miscellaneous	43,363	-	-	460,291
<i>Total revenues</i>	<u>67,845,584</u>	<u>1,647,391</u>	<u>1,603,222</u>	<u>3,580,854</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	46,625,823	1,442,943	259,860	-
Support services - students	6,788,447	-	545,594	-
Support services - instruction	2,449,268	-	-	-
Support services - general admin.	760,174	29,346	-	18,461
Support services - school admin.	4,296,462	175,143	889,367	-
Central services	1,442,368	-	-	-
Operation and maintenance of plant	6,605,400	-	-	684,293
Student transportation	1,933,656	-	-	-
Food service operations	-	-	-	-
Facilities acquisition and construction	-	-	-	2,201,109
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond costs	-	-	-	-
<i>Total expenditures</i>	<u>70,901,598</u>	<u>1,647,432</u>	<u>1,694,821</u>	<u>2,903,863</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,056,014)</u>	<u>(41)</u>	<u>(91,599)</u>	<u>676,991</u>
<i>Other financing sources (uses)</i>				
Other financing source-refunding bonds	-	-	-	-
Other financing use - payment to refunded bond escrow agent	-	-	-	-
Bond premium	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(3,056,014)</u>	<u>(41)</u>	<u>(91,599)</u>	<u>676,991</u>
<i>Fund balances - beginning of year</i>	16,345,856	(7,725)	3,055	(38,745)
<i>Prior period restatement (Note 18)</i>	<u>(3,987)</u>	<u>-</u>	<u>-</u>	<u>(324,738)</u>
<i>Fund balances - beginning of year, as restated</i>	<u>16,341,869</u>	<u>(7,725)</u>	<u>3,055</u>	<u>(363,483)</u>
<i>Fund balances - end of year</i>	<u>\$ 13,285,855</u>	<u>\$ (7,766)</u>	<u>\$ (88,544)</u>	<u>\$ 313,508</u>

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

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 6,301,239	\$ 3,725,025	\$ 12,252,408
3,120,723	2,090,684	6,521,084
-	5,187,298	8,497,617
-	584,152	584,152
-	106,726	319,430
-	931,571	66,128,510
-	-	1,858,416
-	1,328,588	1,344,428
34,858	39	78,255
427,401	249,760	1,180,815
<u>9,884,221</u>	<u>14,203,843</u>	<u>98,765,115</u>
-	2,809,964	51,138,590
-	592,956	7,926,997
-	-	2,449,268
62,059	234,924	1,104,964
-	88,776	5,449,748
-	46,515	1,488,883
-	6,463	7,296,156
-	59,427	1,993,083
-	4,229,872	4,229,872
-	4,877,944	7,079,053
19,855,000	-	19,855,000
2,219,487	-	2,219,487
122,962	-	122,962
<u>22,259,508</u>	<u>12,946,841</u>	<u>112,354,063</u>
<u>(12,375,287)</u>	<u>1,257,002</u>	<u>(13,588,948)</u>
7,615,000	-	7,615,000
(7,670,176)	-	(7,670,176)
178,139	-	178,139
<u>-</u>	<u>-</u>	<u>-</u>
<u>122,963</u>	<u>-</u>	<u>122,963</u>
(12,252,324)	1,257,002	(13,465,985)
17,475,107	1,770,054	35,547,602
-	328,725	-
<u>17,475,107</u>	<u>2,098,779</u>	<u>35,547,602</u>
<u>\$ 5,222,783</u>	<u>\$ 3,355,781</u>	<u>\$ 22,081,617</u>



**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**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**

Exhibit B-2  
(Page 2 of 2)

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

	District
Net change in fund balances - total governmental funds	\$ (13,465,985)
Government 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:	
Capital expenditures	2,218,643
Depreciation expense	(7,197,676)
Disposal of capital assets	(33,438)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	(28,762)
Accounts receivable from other governments not reported as revenue in the prior year on a modified accrual basis	
Federal and state reimbursements	(14,590)
Accrued compensated absences not due and payable	(10,250)
Accrued interest payable	70,925
Bond refunding	(105,848)
Bond premiums	319,735
Proceeds on bond refunding	(215,000)
Principal payments on bonds	19,855,000
Expense reported in the governmental funds which require the use of current resources, but are recorded as deferred in flows on the Statement of Activities since they will be recognized in a different period	(4,175,788)
Change in Net Position of Governmental Activities in the Statement of Activities	\$ (2,783,034)

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**GENERAL FUND**

Exhibit C-1  
 (Page 1 of 2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 372,408	\$ 372,408	\$ 363,920	\$ (8,488)
Taxes - oil and gas	433,618	433,618	234,950	(198,668)
Taxes - gross receipts	-	-	-	-
Federal flowthrough	30,000	30,000	59,706	29,706
Federal direct	-	-	-	-
Local grants	50,000	50,000	-	(50,000)
State flowthrough	67,241,636	64,934,152	65,204,439	270,287
State direct	-	-	-	-
Combined local/state	-	-	-	-
Transportation distribution	1,713,193	1,858,416	1,858,416	-
Charges for services	7,000	7,000	16,290	9,290
Investment income	15,000	15,000	43,358	28,358
Miscellaneous	-	-	43,363	43,363
<i>Total revenues</i>	<u>69,862,855</u>	<u>67,700,594</u>	<u>67,824,442</u>	<u>123,848</u>
<i>Expenditures:</i>				
Current:				
Instruction	51,757,408	49,495,475	46,825,068	2,670,407
Support services - students	6,007,474	7,332,474	6,788,447	544,027
Support services - instruction	2,834,017	3,165,017	2,428,280	736,737
Support services - general admin.	993,932	1,088,932	751,069	337,863
Support services - school admin.	3,802,639	4,553,639	4,296,462	257,177
Central services	1,614,246	1,764,246	1,440,369	323,877
Operation and maintenance of plant	6,989,946	7,306,946	6,624,841	682,105
Student transportation	1,763,193	1,958,416	1,933,656	24,760
Other support services	100,000	100,000	-	100,000
Food service operations	-	-	-	-
Enterprise operations	-	-	-	-
Community service operations	-	-	-	-
Facilities acquisition and construction	-	-	-	-
<i>Total expenditures</i>	<u>75,862,855</u>	<u>76,765,145</u>	<u>71,088,192</u>	<u>5,676,953</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,000,000)</u>	<u>(9,064,551)</u>	<u>(3,263,750)</u>	<u>5,800,801</u>

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**GENERAL FUND**

Exhibit C-1  
 (Page 2 of 2)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL  
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Excess (deficiency) of revenues over expenditures</i>	(6,000,000)	(9,064,551)	(3,263,750)	5,800,801
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	6,000,000	9,064,551	-	(9,064,551)
Reversion to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	6,000,000	9,064,551	-	(9,064,551)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	(3,263,750)	(3,263,750)
<i>Fund balances - beginning of year</i>	-	-	21,469,007	21,469,007
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 18,205,257	\$ 18,205,257
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (3,056,014)	
(Increase) decrease in accounts receivable			(19,188)	
(Increase) decrease in inventory			(56,114)	
Increase (decrease) in accounts payable			(86,923)	
Increase (decrease) in accrued expenses			(43,557)	
Increase (decrease) in deferred inflows			(1,954)	
Change in fund balance - budgetary basis			\$ (3,263,750)	

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**TITLE I IASA SPECIAL REVENUE FUND**  
**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-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ -	\$ 1,928,715	\$ 1,579,488	\$ (349,227)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,928,715</u>	<u>1,579,488</u>	<u>(349,227)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	1,682,290	1,442,900	239,390
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general admin.	-	48,228	29,353	18,875
Support services - school admin.	-	198,197	175,143	23,054
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,928,715</u>	<u>1,647,396</u>	<u>281,319</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(67,908)</u>	<u>(67,908)</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>(67,908)</u>	<u>(67,908)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(338,397)</u>	<u>(338,397)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (406,305)</u>	<u>\$ (406,305)</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (41)	
(Increase) decrease in accounts receivable			(67,903)	
Increase (decrease) in accounts payable			<u>36</u>	
Change in fund balance - budgetary basis			<u>\$ (67,908)</u>	

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**ENTITLEMENT IDEA-B SPECIAL REVENUE FUND**  
**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-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Federal flowthrough	\$ -	\$ 4,048,720	\$ 1,949,487	\$ (2,099,233)
Federal direct	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>4,048,720</u>	<u>1,949,487</u>	<u>(2,099,233)</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	264,442	259,860	4,582
Support services - students	-	820,440	545,597	274,843
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	2,926,301	889,364	2,036,937
Central services	-	37,537	-	37,537
Operation and maintenance of plant	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>4,048,720</u>	<u>1,694,821</u>	<u>2,353,899</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>254,666</u>	<u>254,666</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Permanent transfers to PED	-	-	-	-
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	<u>-</u>	<u>-</u>	<u>254,666</u>	<u>254,666</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(681,467)</u>	<u>(681,467)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (426,801)</u>	<u>\$ (426,801)</u>
Change in fund balance - GAAP Basis			\$ (91,599)	
(Increase) decrease in accounts receivable			<u>346,265</u>	
Change in fund balance - budgetary basis			<u>\$ 254,666</u>	

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**STATEMENT OF FIDUCIARY NET POSITION AND ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
June 30, 2017

Exhibit D-1

	Eagle Trust	Agency Funds
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 7,878	\$ 577,138
Investments	-	502,192
<i>Total assets</i>	\$ 7,878	\$ 1,079,330
 <b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ -	\$ 4,147
Accrued payroll	-	6,046
Due to student organizations	-	1,069,137
<i>Total liabilities</i>	-	1,079,330
 <b>NET POSITION</b>		
Restricted for other purposes	7,878	-
<i>Total net position</i>	7,878	-
<i>Total liabilities and net position</i>	\$ 7,878	\$ 1,079,330

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

**STATE OF NEW MEXICO**  
 HOBBS MUNICIPAL SCHOOL DISTRICT #33  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 AGENCY FUNDS  
 June 30, 2017

Exhibit D-2

	Eagle Trust
<b>ADDITIONS</b>	
Donations	\$ <u>7,866</u>
<i>Total additions</i>	<u>7,866</u>
<b>DEDUCTIONS</b>	
Supplies and materials	<u>24,638</u>
<i>Total deductions</i>	<u>24,638</u>
<i>Change in net position</i>	(16,772)
<i>Total beginning net position</i>	<u>24,650</u>
<i>Total ending net position</i>	\$ <u><u>7,878</u></u>

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

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies**

Hobbs Municipal School District #33 (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 City of Hobbs. 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 sources.

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 seventeen schools within the District with a total enrollment of approximately 9,700 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the District 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 Hobbs Municipal School District #33's management who is responsible for their integrity and objectivity. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

During the year ended June 30, 2017, the District adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of 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*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 79, *Certain External Investment Pools and Pool Participants*. These new statements did not significantly impact the District's financial statements for the fiscal year ending June 30, 2017. In April 2015, GASB Statement No. 77, *Tax Abatement Disclosures*, was issued. The provisions of the statement are effective for financial statement periods beginning after December 15, 2015. The District has evaluated any potential effects this statement would have on the financial statements. The potential abating agency has been contacted and have confirmed there were no abatements involving the District.

**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. 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



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

A. *Financial Reporting Entity (continued)*

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 for inclusion or exclusion from the reporting entity is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion in the reporting entity.

Based upon the application of these criteria, the Eagle Trust Fund is not a component unit of the District, as defined by GASB Statement No. 14, as amended by GASB Statement Nos. 39 and 61, and is presented as an agency fund in the Statement of Fiduciary Net Position, and Statement of Changes in Fiduciary Net Position. The Trust does not issue separate financial statements.

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 interfund 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.

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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 like state and federal grants. 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 are reported as separate columns in the fund financial statements.

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

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies** (continued)

B. *Measurement focus, basis of accounting, and financial statement presentation* (continued)

in the year for which they are billed. 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.

Property taxes, franchise taxes, licenses, 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. Property tax receivables are recognized in the period for which the taxes are levied, net of estimated refunds and uncollectible amounts. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

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

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 special revenue fund Title I IASA (24101) is used to account for the revenues and expenditures of the Title I program which is used to provide supplemental educational opportunity for academically disadvantaged children in the area of residing. 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 Schools through the New Mexico Public

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
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 (continued)*

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.

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

The capital projects fund *SB-9 Capital Improvements Local* (31701) is used to separate school districts schools Senate Bill 9 state match and local ad-valorem taxes. Authority for the creation of this fund is the New Mexico Public Education Department.

The *Debt Service Fund* (41000) is used to account for financial resources accumulated and payments made for principal and interest on long-term general obligation and QZab's of governmental funds. Authority for the creation of this fund is the New Mexico Public Education Department.

Additionally, the government reports the following Fiduciary funds:

The *Agency 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.

The *Eagle Trust Fund* accounts for assets held by the District in a fiduciary capacity used to account for donations and charitable contributions received for the purpose of providing scholarships to eligible graduates of the District and for the general support of the Hobbs Municipal School District.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements except for indirect costs. 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, Liabilities, Deferred Inflows and Net Position or 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 State Treasurer's Investment Pool.

Investments for the District are reported at fair value. 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.

**Receivables and Payables:** Interfund activity is reported as 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

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Receivables and Payables (continued):** 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 cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Lea 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 Lea 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.

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.

**Inventory:** The District's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed. Inventory is valued at cost and consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items 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.

**Capital Assets:** Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (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 Statement No. 34. The District does not have any infrastructure.

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.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Capital Assets (continued):**

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Equipment	5-20
Land improvements	5-20

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.

**Deferred Outflows of Resources:** The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The District has three items that qualify for reporting in this category on the government-wide statement of net position. These are the District's contributions subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period, the change in the District's proportion of the net liability in the relation to other school districts in New Mexico and the change in proportion after reallocation of inactive employers.

**Deferred Inflows of Resources:** The District's governmental funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The District will not recognize the related revenues until a future event occurs. The District has five items, of which two items deferred property taxes and unavailable grant revenue, arises only under a modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, the items, deferred property taxes and deferred federal or state grants, are reported in the governmental funds balance sheet. Two of the five items, net difference between projected and actual investment earnings on pension plan investments and the differences between expected and actuarial experience related to the pension plan are also deferred inflows. These amounts will be amortized and recognized in future years. The last item, net difference between the reacquisition price and the net carrying amount of the refunded debt are also deferred inflows.

**Compensated Absences:** The District permits administrative employees to accumulate a limited amount of earned but unused vacation, which will be paid 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 for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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.

**Long-term Obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or the straight-line method if the difference from the effective interest method is minimal.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balance Classification Policies and Procedures:** The District has implemented GASB Statement 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.

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 balances in the general fund and food service fund are made up of inventory in the amounts of \$362,258 and \$79,230, respectively, that are 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 \$1,963,497 for providing transportation, instructional materials, food services, education, and extracurricular activities to the students of the District, \$2,226,794 for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, \$5,222,783 for the payment of principal and interest of the future debt service requirements, and \$6,000,000 for subsequent years expenditures.



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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.
- b. Restricted Net Position: Consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, capital projects, and debt service" are described on pages 44-45 and 91-95.
- c. Unrestricted Net Position: All other net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

**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 depreciation on assets over their estimated useful lives and the current portion of accrued compensated absences.

E. *Revenues*

**State Equalization Guarantee:** School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to ensure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program costs."

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 \$64,501,711 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. 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 \$12,252,408 in property tax revenues in the governmental fund financial

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

E. *Revenues* (continued)

statements during the year ended June 30, 2017. The District also recognized \$6,521,084 in oil and gas 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. 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 12 attending public school within the school district. The District received \$1,858,416 in transportation distributions during the year ended June 30, 2017.

**Instructional Materials:** The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. The District received \$687,728 in instructional materials revenue from the State for the year ended June 30, 2017.

**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.

**Public School Capital Outlay:** The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate educational program per Section 22-24- 4(B); core administrative functions 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).

Money in the fund shall be disbursed by warrant of the Department of Finance and Administration on vouchers signed by the Secretary of Finance and Administration following certification by the council that the application has been approved.

During the year ended June 30, 2017, the District received \$6,423 in state flow-through capital outlay funds.



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 1. Summary of Significant Accounting Policies (continued)**

E. *Revenues* (continued)

**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.

F. *Pensions*

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

**NOTE 2. Stewardship, Compliance and Accountability**

*Budgetary Information*

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

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

Actual expenditures may not exceed the budget at the function (or "series") 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 the Public School Finance Division.

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.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

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

*Budgetary Information (continued)*

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.
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 District from exceeding budgetary control at the function level.

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted funds:		
General Fund	\$ (6,000,000)	\$ (9,064,551)
Title I IASA Special Revenue Fund	\$ -	\$ -
IDEA B Entitlement Special Revenue Fund	\$ -	\$ -
Capital Improvements SB-9 Local	-	(479,688)
Debt Service Fund	\$ (15,700,947)	\$ (15,700,947)
Other Governmental Funds	\$ -	\$ (5,417,364)

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

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

*Budgetary Information (continued)*

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

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund 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. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

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 as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule I 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 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate. Separately, all demand deposits owned by a public unit and held by the public unit's official custodian in an insured depository institution within the State in which the public unit is located are added together and insured up to \$250,000.

*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, \$18,414,085 of the District's bank balance of \$19,164,085 was subject to custodial credit risk. \$17,462,144 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the District's name. \$951,941 of the District's deposits was uninsured and uncollateralized at June 30, 2017.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

	Lea County State Bank	Wells Fargo Bank	Western Commerce Bank	Total
Total amount of deposits	\$ 9,159,137	\$ 7,487,089	\$ 2,517,859	\$ 19,164,085
FDIC coverage	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>750,000</u>
Total uninsured public funds	8,909,137	7,237,089	2,267,859	18,414,085
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the District's name	<u>8,377,230</u>	<u>6,929,263</u>	<u>2,155,651</u>	<u>17,462,144</u>
Uninsured and uncollateralized	<u>\$ 531,907</u>	<u>\$ 307,826</u>	<u>\$ 112,208</u>	<u>\$ 951,941</u>
Collateral requirement (50% of uninsured public funds)	3,087,209	3,618,545	1,133,930	7,839,684
Collateral requirement for repurchase agreement - 102%	2,789,414	-	-	2,789,414
Pledged securities	<u>8,377,230</u>	<u>6,929,263</u>	<u>2,155,651</u>	<u>17,462,144</u>
Over (under) collateralization	<u>\$ 2,500,607</u>	<u>\$ 3,310,718</u>	<u>\$ 1,021,721</u>	<u>\$ 6,833,046</u>

The collateral pledged is listed on Schedule I 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, or revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for 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, the District's investment balances were exposed to custodial credit risk as follows:

<u>Overnight Repurchase Agreements</u>	Lea County State Bank	Total
Total amount of investments	\$ 2,734,720	\$ 2,734,720
FDIC coverage	-	-
Total uninsured public funds	2,734,720	2,734,720
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	2,734,720	2,734,720
Uninsured and uncollateralized	\$ -	\$ -
Collateral requirement (102% of uninsured - repurchase)	\$ 2,789,414	\$ 2,789,414
Pledged securities	2,789,414	2,789,414
Over (under) collateralization	\$ -	\$ -

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

As of June 30, 2017, the District had the following investments and maturities:

Investments	Weighted Average Maturity	Fair Value	Rating* **
<i>New MexiGROW</i> LGIP	53 days	\$ 478,720	AAAm
Negotiable Certificates of Deposit*	1 year	2,500,535	Unrated
Wells Fargo Money Market Mutual Funds**	< 1 year	3,392,931	AAAm
		<u>\$ 6,372,186</u>	
	Less: agency investments		
	New MexiGrow LGIP	(502,192)	
	Total investments per Exhibit B-1	<u>\$ 5,869,994</u>	

\* Subject to FDIC coverage

\*\* Wells Fargo Money Market Mutual Fund Account consist of U.S. Treasury obligations and repurchase agreements collateralized by U.S. Treasury obligations

\*\*\* Based off Standard & Poor's rating

The investments are listed on Schedule II of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule. At June 30, 2017, the District held negotiable Certificates of Deposits in agency funds in the amount of \$502,192 and reported them in investments at Exhibit D-1.

*Interest Rate Risk – Investments.* The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

*Concentration Credit Risk – Investments.* For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in the Negotiable Certificates of Deposits and Wells Fargo Money Market Mutual Funds represent 43% and 58% of the District’s investment portfolio. Since the District only purchases investment with high credit ratings, the additional concentration is not viewed to be an additional risk by the District. The District’s policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Pooled Accounts

The District utilized internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheets as of June 30, 2017. Funds 24106 through 25153 are federal funds and 27107 through 28189 are nonfederal.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 3. Deposits and Investments (continued)**

The following individual funds had negative cash balance as of June 30, 2017.

24106	Entitlement IDEA-B	\$ (13,357)
24109	Preschool IDEA-B	(29,912)
24119	21st Centry Community Learning Centers	(383,947)
24153	English Language Acquisition	(280,049)
24163	Immigrant Funding Title III	(5,092)
24174	Carl Perkins Secondary	(14,065)
24176	Carl Perkins Secondary-Redistribution	(8,756)
26109	J.F Maddox Foundation	(15,579)
27114	New Mexico Reads to Lead	(88,134)
27155	Breakfast for Elementary Students	(5,712)
27166	Kindergarten - Three Plus	(33,085)
27189	College Advisor Initiative	(9,623)
		<u>\$ (887,311)</u>

Reconciliation to the Statement of Net Position

The carrying amounts of deposits shown above are included in the District's statement of net position as follows:

Cash and cash equivalents per Exhibit A-1	\$ 15,512,775
Investments per Exhibit A-1	5,869,994
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	585,016
Investments - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	<u>502,192</u>
Total cash, cash equivalents, and investments	<u>22,469,977</u>
Add: outstanding items	2,812,362
Add: Agency investments held in Certificates of Deposits	253,932
Less: investments held in Certificates of Deposits	(2,500,535)
Less: investments held in New MexiGROW LGIP	(478,720)
Less: investments held in Wells Fargo Money Market Mutual Funds	<u>(3,392,931)</u>
Bank balance of deposits	<u>\$ 19,164,085</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 4. Accounts Receivable**

Accounts receivable as of June 30, 2017, are as follows:

	General Fund	Title I IASA	IDEA B Entitlement	Capital Improvement SB-9 Local
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Property tax receivable	\$ 15,526	\$ -	\$ -	\$ 85,509
Oil and gas tax receivable	40,285	-	-	161,140
Due from other governments:				
Federal sources	<u>-</u>	<u>545,454</u>	<u>429,074</u>	<u>-</u>
Totals	<u>\$ 55,811</u>	<u>\$ 545,454</u>	<u>\$ 429,074</u>	<u>\$ 246,649</u>

	Debt Service	Other Governmental Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Property tax receivable	\$ 258,392	\$ 171,015	\$ 530,442
Oil and gas tax receivable	547,653	322,280	1,071,358
Due from other governments:			
Federal sources	<u>-</u>	<u>1,086,162</u>	<u>2,060,690</u>
Totals	<u>\$ 806,045</u>	<u>\$ 1,579,457</u>	<u>\$ 3,662,490</u>

In accordance with GASB No. 33, property tax revenues in the amount of \$215,935 that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements. At fiscal year end June 30, 2017, there were no grant revenues that were not collected within the period of availability have been reclassified as deferred inflows in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.



**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 5. Interfund Receivables, Payables, and Transfers**

The District records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. The composition of interfund balances during the year ended June 30, 2017 is as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
11000 General Fund	\$ 4,141,751	\$ 128,293
21000 Food Service	-	11,023
22000 Athletics	63,441	-
24101 Title I IASA	736,002	1,391,820
24106 Entitlement IDEA-B	6,303	480,670
24107 Discretionary IDEA-B	-	15,095
24109 Preschool IDEA-B	-	21,120
24119 21st Century Community Learning Centers	15,995	600,449
24153 English Language Acquisition	-	294,250
24154 Teacher/Principal Training & Recruiting	12,710	228,689
24163 Immigrant Funding Title III	5,092	5,092
24174 Carl D Perkins Secondary - Current	-	46,635
24176 Carl D Perkins Secondary - Redistribution	346	8,756
25153 Title XIX Medicaid	-	195,145
26109 J.F. Maddox Foundation	-	15,579
26215 Bridge for Southern New Mexico	15,579	1,066
27106 2010 G.O. Bond Student Library	-	10,000
27114 New Mexico Reads to Lead	24,445	88,134
27149 Pre-K Initiative	-	138,445
27155 Breakfast for Elementary Students	3,244	7,778
27166 Kindergarten Three Plus	41,845	33,084
27168 After School Enrichment Program	47	-
27181 Stem Programs	-	265,705
27185 Next Generation Assessments	-	119,000
27189 College Counselor	9,839	9,623
28191 Start Smart K-3 Utah State University	-	26,975
29131 TCA Value Options	21,776	25,997
31100 Bond Building	330,047	280,076
31600 Capital Improvements HB-33	-	349,956
31701 Capital Improvements SB-9 Local	-	630,006
	<hr/>	<hr/>
Total	\$ <u>5,428,462</u>	\$ <u>5,428,462</u>

All interfund balances are intended to be repaid within one year.

The District did not have any operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 6. Capital Assets**

A summary of capital assets and changes for the District occurring during the year ended June 30, 2017 follows:

<u>Hobbs Municipal School District #33</u>	<u>Balance June 30, 2016</u>	<u>Additions and Transfers in</u>	<u>Deletions and Transfers out</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 3,988,738	\$ -	\$ -	\$ 3,988,738
Construction in progress	<u>20,525,207</u>	<u>1,116,949</u>	<u>21,642,156</u>	<u>-</u>
Total capital assets not being depreciated	<u>24,513,945</u>	<u>1,116,949</u>	<u>21,642,156</u>	<u>3,988,738</u>
Capital assets being depreciated:				
Buildings and improvements	178,713,840	22,050,287	-	200,764,127
Equipment	21,211,305	586,902	781,873	21,016,334
Land Improvements	<u>6,707,916</u>	<u>106,661</u>	<u>-</u>	<u>6,814,577</u>
Total capital assets being depreciated	<u>206,633,061</u>	<u>22,743,850</u>	<u>781,873</u>	<u>228,595,038</u>
Total capital assets	<u>231,147,006</u>	<u>23,860,799</u>	<u>22,424,029</u>	<u>232,583,776</u>
Less accumulated depreciation:				
Buildings and improvements	77,524,161	5,531,415	-	83,055,576
Equipment	13,506,011	1,334,378	748,435	14,091,954
Land improvements	<u>1,802,676</u>	<u>331,883</u>	<u>-</u>	<u>2,134,559</u>
Total accumulated depreciation	<u>92,832,848</u>	<u>7,197,676</u>	<u>748,435</u>	<u>99,282,089</u>
Total capital assets net of depreciation	<u>\$ 138,314,158</u>	<u>\$ 16,663,123</u>	<u>\$ 21,675,594</u>	<u>\$ 133,301,687</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and programs of the primary government:

Instruction	\$ 2,410,059
Support services - students	977,947
Support services - instruction	468,210
Support services - general admin.	134,669
Central services	2,677,602
Operation and maintenance of plant	399,071
Food service operations	<u>130,118</u>
Total depreciation expense	<u>\$ 7,197,676</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 6. Capital Assets (continued)**

The District has active construction projects as of June 30, 2017. The projects include renovations and improvements to existing school buildings and grounds. A portion of the outstanding projects is funded by payments made directly to contractors by the Public School Facilities Authority (PSFA). The PSFA was created by Laws 2003, Chapter 147, Section 13, pursuant to the Public School Capital Outlay Act as codified in Section 22-24-9 NMSA 1978 to assist in identifying and funding all outstanding deficiencies in public schools and grounds that may adversely affect the health or safety of students and school personnel.

**NOTE 7. Long-term Debt**

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.

Bond outstanding at June 30, 2017 are comprised on the following:

	<u>Series 2010</u>	<u>Series 2013</u>
Original issue:	\$20,000,000	\$9,000,000
Principal:	April 15	July 15
Interest:	April 15	July 15
	October 15	January 15
Interest rates:	2.750%-4.000%	2.500%-3.000%
Maturity date:	April 2026	July 2023
	<u>Series 2014A</u>	<u>Series 2014 B</u>
Original issue:	\$9,000,000	\$17,055,000
Principal:	September 15	September 15
Interest:	September 15	September 15
	March 15	March 15
Interest rates:	3.000%-5.000%	2.000%-5.000%
Maturity date:	September 2028	September 2023
	<u>Series 2015</u>	<u>Series 2016</u>
Original issue:	\$7,000,000	\$7,615,000
Principal:	September 15	September 15
Interest:	September 15	September 15
	March 15	March 15
Interest rates:	2.000%-3.500%	1.000%-2.500%
Maturity date:	September 2025	September 2028

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 7. Long-term Debt** (continued)

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
G.O. Qualified Zone Academy Bonds (QZab)	\$ 14,930,000	\$ -	\$ 14,930,000	\$ -	\$ -
General Obligation Bond Series 2010	18,500,000	-	2,000,000	16,500,000	2,000,000
General Obligation Bond Series 2010A	7,500,000	-	7,500,000	-	-
General Obligation Bond Series 2013	7,200,000	-	900,000	6,300,000	900,000
General Obligation Bond Series 2014A	9,000,000	-	-	9,000,000	-
General Obligation Bond Series 2014B	16,155,000	-	1,435,000	14,720,000	1,540,000
General Obligation Bond Series 2015	5,270,000	-	390,000	4,880,000	400,000
General Obligation Bond Series 2016	<u>-</u>	<u>7,615,000</u>	<u>100,000</u>	<u>7,515,000</u>	<u>60,000</u>
<b>Total Bonds</b>	78,555,000	7,615,000	27,255,000	58,915,000	4,900,000
Compensated absences	<u>332,233</u>	<u>302,790</u>	<u>292,540</u>	<u>342,483</u>	<u>292,540</u>
Long-term liability activity	<u>\$ 78,887,233</u>	<u>\$ 7,917,790</u>	<u>\$ 27,547,540</u>	<u>\$ 59,257,483</u>	<u>\$ 5,192,540</u>

General obligation bonds are secured by and payable solely from the Debt Service Fund.

On August 24, 2016 the District issued \$7,615,000 in General Obligation Bonds with an average interest rate of 2.1% to advance refund \$7,400,000 Series 2010A outstanding bonds with an average interest rate of 3.2%. The net proceeds of \$7,670,176 were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities provide for all future debt service payments on the Series 2010A bonds. As a result, \$7,400,000 of the Series 2010A bonds were defeased and removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$270,176. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2029 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next twelve years by \$348,384 and to obtain an economic gain of \$393,476.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 7. Long-term Debt** (continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	4,900,000	2,143,550	7,043,550
2019	5,075,000	1,988,325	7,063,325
2020	4,615,000	1,825,525	6,440,525
2021	5,395,000	1,617,800	7,012,800
2022	4,970,000	1,109,600	6,079,600
2023-2027	25,635,000	3,838,625	29,473,625
2028-2029	8,325,000	331,988	8,656,988
	<u>\$ 58,915,000</u>	<u>\$ 12,855,413</u>	<u>\$ 71,770,413</u>

**General Obligation Qualified Zone Academy School Building Bonds (QZab) Series 2002** – On September 5, 2002, the District entered into an agreement to sell QZab with Bank of America in the amount of \$14,930,000. The agreement states that the bonds will have a maturity date of October 15, 2016. Principal payments are due annually on October 1 and the interest rate is 0%. The District was authorized to issue the bonds for the purpose of providing funds for remodeling, repairing and providing equipment and furnishing school buildings within the District, and purchasing computer software and hardware for student use in public school classrooms.

In order to qualify for QZab, a public school at the secondary level or below must meet certain requirements. These requirements include (but are not limited to): the school must be located in either an empowerment zone or an enterprise community or at the time of bond issue at least 35% of the school's students must be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act and a private business contribution of qualified goods or services of not less than 10% of the present value of the bond issue proceeds as of the bond issue date. Certain banks, insurance companies, and corporations actively engaged in the business of lending money are eligible for a tax credit as an incentive to hold these bonds.

The QZab agreement also included a Forward Delivery Agreement which states that the District must annually deposit a minimum of \$841,071 into a sinking fund account beginning October 1, 2003 and ending October 1, 2016. The purpose of the sinking fund is to manage investments by increasing the predictability of its cash flow from earnings on investments in order to meet the required repayment of the bonds on October 15, 2016. The agreement also establishes a guaranteed rate of return of 3.55% on funds deposited in the sinking fund.

In October 2016, the District made the final payment as required under the QZab agreement. The amount resulted in an expense of \$14,930,000 which is included in the governmental fund statements for the Debt Service Fund at June 30, 2017.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 8. Risk Management**

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

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

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 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 balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2017:

<b>Funds</b>	
Title I IASA	\$ 7,766
IDEA B Entitlement	88,544
IDEA B Preschool	19,730
21st Century Community Learning Centers	13,339
Teacher/Principal Training & Recruiting	72,914
Carl D. Perkins Redistribution	8,410
J.F. Maddox Foundation	29,062
2010 GO Bond Student Library	1,255
New Mexico Pre-K Initiative	10,607
Stem Programs	12,355
Next Generation Assessments	5,836
Start Smart K-3 Utah State University Study	1,679
<b>Total Funds</b>	<u><u>\$ 271,497</u></u>

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.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 9. Other Required Individual Fund Disclosures (continued)**

- B. Excess of expenditures over appropriations. The District did not have any funds that exceeded approved budgetary authority at the function level for the year ended June 30, 2017.

The District receives money for a Pre-K Initiative Program in the Pre-K Initiative Special Revenue Fund 27149. The money for the program is awarded to REC VII and passed through to the District via the Public Education Department (PED) of New Mexico. The District has been instructed by PED that no budget can be entered into the Operating Budget Management System (OBMS). The unfavorable variance in the amount of \$347,857, is not considered an excess of expenditures over appropriations or a finding.

- C. Excess of expenditures over available cash. The District did not have any funds in which budgeted expenditures exceeded available cash.

**NOTE 10. Pension Plan – Educational Retirement Board**

*Plan Description*

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

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

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

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

*Benefits Provided*

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

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

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

*Summary of Plan Provisions for Retirement Eligibility*

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs:

- The member's age and earned service credit add up to the sum of 75 or more,
- The member is at least sixty-five years of age and has five or more 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 and before July 1, 2013. The eligibility for a member who either becomes a new member on or after July 1, 2010 and before July 1, 2013, or at any time prior to July 1, 2010 refunded all member contributions and then becomes re-employed after July 1, 2010 is as follows:

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

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

- The member's minimum age is 55, and has earned 30 or more years of service credit. Those who retire earlier than age 55, but with 30 years of earned service credit will have a reduction in benefits to the actuarial equivalent of retiring at age 55.
- The member's minimum age and earned service credit add up to the sum of 80 or more. Those who retire under the age of 65, and who have fewer than 30 years of earned service credit will receive reduced retirement benefits
- The member's age is 67, and has earned 5 or more years of service credit.

*Forms of Payment*

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

*Benefit Options*

The Plan has three benefit options available.

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



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

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

*Benefit Options (continued)*

- Option B – Joint 100% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 100% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the same benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.
- Option C – Joint 50% Survivor Benefit – The single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit. The reduced benefit is payable during the life of the member, with the provision that, upon death, the reduced 50% benefit is paid to the beneficiary for his or her lifetime. If the beneficiary predeceases the member, the member's monthly benefit is increased to the amount the member would have received under Option A Straight Life benefit. The member's increased monthly benefit commences in the month following the beneficiary's death.

*Disability Benefit*

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

*Cost of Living Adjustment (COLA)*

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

- Tier 1 membership is comprised of employees who became members prior to July 1, 2010
- Tier 2 membership is comprised of employees who became members after July 1, 2010, but prior to July 1, 2013
- Tier 3 membership is comprised of employees who became members on or after July 1, 2013

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

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

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

*Refund of Contributions*

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

*Contributions*

Fiscal Year	Date Range	Wage Category	Member Rate	Employer Rate	Combined Rate	Increased Over Prior Year
2017	7-1-16 to 06-30-17	Over \$20K	10.70%	13.90%	24.60%	0.00%
2017	7-1-16 to 06-30-17	\$20K or less	7.90%	13.90%	21.80%	0.00%
2016	7-1-15 to 06-30-16	Over \$20K	10.70%	13.90%	24.60%	0.00%
2016	7-1-15 to 06-30-16	\$20K or less	7.90%	13.90%	21.80%	0.00%

The contribution requirements of defined benefit plan members and the Hobbs Municipal School District #33 are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal year ended June 30, 2017 and 2016, the District paid employee and employer contributions of \$7,102,940 and \$5,753,636, which equal the amount of the required contributions for each fiscal year.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2017, the District reported a liability of \$104,297,912 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District’s proportion was 1.44930%, which was a decrease of 0.07335% from its proportion measured as of June 30, 2015.

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2016. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District reported liabilities of \$104,297,912 for its proportionate share of the net pension liability.

For the year ended June 30, 2017, the District recognized pension expense of \$10,638,888.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
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 (continued)*

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actuarial experience	\$ -	\$ 3,999,268
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	443,941
Changes in proportion and differences between the District's contributions and proportionate share of contributions	8,134,846	-
Change in proportion after reallocation of inactive employers	3,392,278	-
District contributions subsequent to the measurement date	<u>6,473,758</u>	<u>-</u>
	<u>\$ 18,000,882</u>	<u>\$ 4,443,209</u>

The \$6,473,758 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,		
2018	\$	2,038,020
2019		1,539,236
2020		1,988,457
2021		1,518,202
2022		-
Thereafter		-
	\$	<u><u>7,083,915</u></u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

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

*Actuarial Assumptions*

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

Inflation	3.0%
Salary Increases	Composed of 3.0% inflation, plus 0.75% productivity increase rate, plus step-rate promotional increase for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p><b>Healthy males:</b> Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p><b>Healthy females:</b> Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.</p> <p><b>Disabled males:</b> RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB.</p> <p><b>Disabled females:</b> RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p><b>Active members:</b> RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table’s base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>
Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-living increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

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

*Actuarial Assumptions (continued)*

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

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

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

*Discount Rate*

A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2016. 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.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate*

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

	<b>1.00% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1.00% Increase (8.75%)</b>
Hobbs Municipal School District #33			
proportionate share of the net pension liability \$	138,140,162	\$ 104,297,912	\$ 76,218,405

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

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

*Pension Plan Fiduciary Net Position*

Detailed information about the ERB's fiduciary net position is available in the separately issued NMERB's financial report. The reports can be found on NMERB's Web site at [https://www.nmerb.org/Annual\\_reports.html](https://www.nmerb.org/Annual_reports.html).

*Payables to the Pension Plan*

At June 30, 2017 the District had \$2,057,430 payable to the retirement plan for employee and employer contributions based on statutory rates for wages paid in or accrued for 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 post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

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

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 01, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$932,867, \$918,957, and \$866,829, respectively, which equal the required contributions for each year.

**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. Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- Investments with the State Treasurer's Local Government Investment Pool, Certificates of Deposit and money market funds of \$6,372,186 are valued using quoted market prices (Level 1 inputs).
- General Obligation bonds of \$58.9 million are valued using a matrix pricing model (Level 2 inputs).

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33**

Joint Use of Recreational Facilities Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The agreement is to provide for joint use of recreational facilities, such as an indoor swimming pool, gymnasium complex and handball courts owned by the District. The purpose of the agreement is to promote the physical fitness for students and promote physical fitness and community recreational opportunities for all other residents in the community.

*Begin date:* February 20, 1974

*Ending date:* For a period of five years, and thereafter as mutually agreeable by both parties

*Estimated amount of project:* Not applicable

*Amount contributed:* Approximately \$35,000

*Audit responsibility:* Hobbs Municipal School District #33

*Fiscal agent:* Not applicable

Two Little League Baseball Fields at Jefferson Elementary Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The City and District erected two little league baseball fields at Jefferson Elementary. The agreement entails that the fields are used for sports activities sponsored by the City's Parks and Recreation Department, and for furthering athletic and recreational programs in the District.

*Begin date:* November 20, 1972

*Ending date:* As long as mutually agreeable by both parties

*Estimated amount of project:* Not applicable

*Amount contributed:* Approximately \$10,000

*Audit responsibility:* Hobbs Municipal School District #33

*Fiscal agent:* Not applicable



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Unification of Resources in the Development of Neighborhood Parks on School Land Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The District and City agree to unify their resources in the development of neighborhood parks on school land at Sanger, Mills, and Coronado Elementary schools to be used by the citizens of the City, both adults and students in enhancing community recreational programs.

*Begin date:* August 5, 1974

*Ending date:* This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties

*Estimated amount of project:* Not applicable

*Amount contributed:* Approximately \$7,500

*Audit responsibility:* Hobbs Municipal School District #33

*Fiscal agent:* Not applicable

Joint Development of Tennis Courts Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The District entered into a joint powers agreement with the City to jointly develop tennis courts on property owned by the District. The City will pay power costs for operating and maintaining lights adequate for illuminating the tennis courts for nighttime activities. The City and the District will jointly and equally bear the expenses for maintaining the tennis courts.

*Begin date:* December 18, 1975

*Ending date:* This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties

*Estimated amount of project:* Not applicable

*Amount contributed:* Approximately \$7,500

*Audit responsibility:* Hobbs Municipal School District #33

*Fiscal agent:* Not applicable

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Veteran's Memorial Complex Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is convey, transfer, and assigned to the City an undivided one-half interest of the District's rights, title and interest in specified property. The District has exclusive use of the Varsity, Junior Varsity, and Sanger fields from the beginning of the High School baseball and softball seasons until the termination of those seasons.

*Begin date:* July 20, 2009

*Ending date:* This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties

*Estimated amount of project:* Not Applicable

*Amount contributed:* Approximately \$57,500 annually

*Audit responsibility:* Each Participant

*Fiscal agent:* Not Applicable

Middle School Athletic Programs

*Participants:* Hobbs Municipal School District #33 and City of Hobbs

*Responsible party:* All participants

*Description:* The District has entered into a joint powers agreement with the City of Hobbs. The purpose of the agreement is to operate football, volleyball, and basketball programs for 6th and 7th grade students. The District shall perform the necessary services toward promoting these activities in the community, which includes providing facilities for operation, equipment, hire and maintain a program coordinator and staff to service the activities, news releases, maintain daily records of activities and number of participants, and cleanliness of the facilities.

*Begin date:* July 1, 2011

*Ending date:* This agreement is to continue for 1 year, and thereafter as mutually agreeable by both parties

*Estimated amount of project:* Not Applicable

*Amount contributed:* Not Applicable

*Audit responsibility:* Each Participant

*Fiscal agent:* Not Applicable

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Lead Agency Agreement

*Participants:* Hobbs Municipal School District #33, City of Hobbs, County of Lea, New Mexico Junior College, City of Lovington, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District

*Responsible party:* All participants

*Description:* The District also established a joint powers agreement with several agencies for the purpose of enabling the parties involved to benefit from substantial savings in the procurement of similar services, construction or tangible personal property. Any of the participating agencies may act as the Lead Agency whereby that agency shall contact the remaining participating agencies to determine if they are willing to participate in a bid or proposal for quote to be prepared by the Lead Agency.

*Begin date:* November 17, 2003

*Ending date:* Any party can terminate participation by providing thirty days written notice

*Estimated amount of project:* Not Applicable

*Amount contributed:* Not Applicable

*Audit responsibility:* Each Participant

*Fiscal agent:* Not Applicable

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Regional Education Cooperative #7 Agreement

*Participants:* Regional Education Cooperative #7, Hobbs Municipal School District #33, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District

*Responsible party:* All participants

*Description:* The District has entered into a joint powers agreement with several school districts in Lea County to form the Regional Education Cooperative #7 (Cooperative). The purpose of the Cooperative is to allow each school district to receive certain federal program money for which it is eligible. The District receives money from the Cooperative for IDEA-B Entitlement and IDEA-B Preschool programs and accounts for the money in the IDEA-B Entitlement and IDEA-B Preschool Special Revenue Funds. The District also receives Medicaid reimbursements from the Cooperative. The District provides accounting services for the Cooperative and accounts for its activity in a separate deposit account. The Cooperative issues a separate, publicly available audited financial report. The audited financial report for the Cooperative may be obtained by writing to the Regional Education Cooperative #7, 315 E. Clinton, Hobbs, NM 88240.

*Begin date:* July 1, 2002

*Ending date:* A Member District must notify Regional Education Cooperative #7 of any intention to withdraw its agreement to have Regional Education Cooperative #7 serve as its fiscal agent on or before February 1st preceding the end of the last fiscal year it intends to have Regional Education Cooperative #7 serve as its fiscal agent.

*Estimated amount of project:* Not Applicable

*Amount contributed:* Approximately \$10,000

*Audit responsibility:* Regional Education Cooperative #7

*Fiscal agent:* Regional Education Cooperative #7

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Lea County Distance Education Consortium Agreement

*Participants:* Hobbs Municipal School District #33, Eunice Municipal School District, Tatum Municipal School District, Jal Municipal School District, Lovington Municipal School District, New Mexico Junior College, College of the Southwest, Eastern New Mexico University

*Responsible party:* All participants

*Description:* The District has entered into a joint powers agreement with a group of educational institutions to form the Lea County Distance Education Consortium (Consortium). The purpose of the Consortium is to purchase and maintain a two-way interactive television network to provide educational services between each of the members.

*Begin date:* February 14, 1994

*Ending date:* As long as mutually agreeable by all parties

*Estimated amount of project:* Not Applicable

*Amount contributed:* \$19,625

*Audit responsibility:* Each Participant

*Fiscal agent:* New Mexico Junior College

Southeastern New Mexico Educational Resource Center Agreement

*Participants:* Hobbs Municipal School District #33, Artesia Public Schools, Eunice Public Schools, Hagerman Municipal Schools, Jal Public Schools, Lake Arthur Municipal Schools, Loving Municipal Schools, Lovington Municipal Schools, Tatum Municipal Schools, Dexter Consolidated Schools

*Responsible party:* All participants

*Description:* The District has entered into a joint powers agreement with a group consisting of public school systems in Southeastern New Mexico to form the Southeastern New Mexico Educational Resource Center (SENMERC). The purpose of SENMERC is to provide teacher training and science kits to the members' students. Pecos Valley Regional Cooperative Center #8 serves as the fiscal agent for SENMERC.

*Begin date:* October 11, 2001

*Ending date:* Any party can terminate participation by providing thirty days written notice.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 14. Joint Powers Agreements (continued)**

**Agreements Between The City of Hobbs and Hobbs Municipal School District #33 (continued)**

Southeastern New Mexico Educational Resource Center Agreement (continued)

*Estimated amount of project:* Not Applicable

*Amount contributed:* \$84,732

*Audit responsibility:* Each Participant

*Fiscal agent:* Pecos Valley Regional Education Cooperative #8

Rockwind Community Links Agreement

*Participants:* City of Hobbs and Hobbs Municipal School District #33

*Responsible party:* All participants

*Description:* The agreement is to provide the usage, access, and participation of Hobbs High School Golf Teams at Rockwind Community Links, which is property of the City of Hobbs.

*Begin date:* March 17, 2015

*Ending date:* As long as mutually agreeable by all parties

*Estimated amount of project:* Not Applicable

*Amount contributed:* \$150,000

*Audit responsibility:* Each Participant

*Fiscal agent:* Not Applicable

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 15. Commitments**

The District had multiple construction projects ongoing as of the year ended June 30, 2017 that are to continue into the following fiscal year. These projects are as follows:

Construction Project:	Project:	PO #	Contract Price	Paid-To-Date Expenses	Expected Amount To Complete	Expected Date Of Completion
City Park Remodel	City of Hobbs	TBD	\$ 350,000	\$ -	\$ 350,000	August 2019
Various Exterior Doors	CES	TBD	275,000	-	275,000	August 2019
Watson Turf	CES	TBD	980,000	-	980,000	March 2018
Tasker Recable	CES	TBD	125,000	-	125,000	December 2017
CLE Window Replacement	CES	TBD	150,000	-	150,000	August 2019
MPF Storage Addition	CES	TBD	350,000	-	350,000	September 2016
Various Parking Lot Improvements	CES	TBD	250,000	-	250,000	August 2019
			<u>\$ 2,480,000</u>	<u>\$ -</u>	<u>\$ 2,480,000</u>	

**NOTE 16. 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.

The District depends on financial resources flowing from, or associated with, oil and gas tax revenues. Because of this dependency, the District is subject to changes in specific flows of revenues based on the price and volume of production of oil and gas which can be volatile.

**NOTE 17. Restricted Net position**

The government-wide statement of net position reports \$3,650,142 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 42-43 and 89-92.

**NOTE 18. Prior Period Restatement**

During the fiscal year ended June 30, 2017, the District made the decision to make a permanent cash transfer to move funds from 31700 Capital Improvements SB-9 fund to 31701 Capital Improvements SB-9 Local fund which resulted in a restatement of \$324,738.

In fiscal year June 30, 2016, the District encumbered funds for the purchase of a suburban through fund 13000 Pupil Transportation. Because of issues with timing for the purchase of the vehicle, these funds were paid back to NM PED resulting in a restatement of \$43,612. Additionally, beginning in fiscal year end 2014, the District reverted 50% of funds as required to NM PED which were not properly accounted for in the District's records. The District was sending a check to PED and debiting accounts payable instead of expensing the funds that had been reverted. This resulted in a restatement of \$155,221.

During the fiscal year ended June 30, 2017, amounts of \$3,987 and \$1,712 accrued as accounts payable and accrued expenses, at June 30, 2016 to funds 24163 Immigrant Funding Title III and 27189 College Advisor Initiative, respectively, were expensed out of 11000 Operational fund and 26215 Bridge for Southern New Mexico fund, respectively. The fund balances for these funds have been restated to correctly account for the expenditures.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
Notes to the Financial Statements  
June 30, 2017

**NOTE 18. Prior Period Restatement (continued)**

**Modified Accrual Basis**

<u>The District</u>	<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Fund balance:</i>			
Capital Improvements SB-9 (31700)	\$ (324,738)	\$ 324,738	\$ -
Capital Improvements SB-9 Local (31701)	(38,745)	(324,738)	(363,483)
Immigrant Funding Title III (24163)	(3,987)	3,987	-
General Fund - Operational (11000)	15,620,928	(3,987)	15,616,941
College Advisor Initiative (27189)	(1,712)	1,712	-
Bridge for Southern New Mexico (26215)	120,624	(1,712)	118,912

**Budget (Non-GAAP Budgetary Basis)**

<u>The District</u>	<u>As Previously Reported</u>	<u>Restatement</u>	<u>As Restated</u>
<i>Fund balance:</i>			
Capital Improvements SB-9 (31700)	\$ (412,803)	\$ 324,738	\$ (88,065)
Capital Improvements SB-9 Local (31701)	-	(324,738)	(324,738)
Pupil Transportation (13000)	210,510	(198,833)	11,677

**NOTE 19. Subsequent Pronouncements**

In November 2016, GASB issued Government Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*, to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in previous GASB standards. The provisions of the statement are effective for financial statements for periods beginning after June 15, 2018. The District is evaluating the effects of this pronouncement on the financial statements.

In March 2016, GASB issued Government Accounting Standards Board Statement No. 82, *Pension Issues* – an amendment of GASB Statements No. 67, 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District is evaluating the effects of this pronouncement on the financial statements.

In January 2017, GASB issued Government Accounting Standards Board Statement No. 84, *Fiduciary Activities*, to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This statement provides guidance regarding what constitutes fiduciary activities for accounting and reporting purposes and how they should be reported by establishing criteria for identifying and reporting fiduciary activities of all state and local governments. The provisions of the statement are effective for financial statements for periods beginning after December 15, 2018. The District is evaluating the effects of this pronouncement on the financial statements.

In March 2017, GASB issued Government Accounting Standards Board Statement No. 85, *Omnibus 2017*, to address practice issues that have been identified during implementation and application of certain GASB Statements. 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



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
Notes to the Financial Statements  
June 30, 2017

**NOTE 19. Subsequent Pronouncements (continued)**

postemployment benefits [OPEB]). The requirements of the Statement are effective for reporting periods beginning after June 15, 2017. The District is evaluating the effects of this pronouncement on the financial statements.

In May 2017, GASB issued Government Accounting Standards Board Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The District is evaluating the effects on the financial statement of this pronouncement.

In June 2017, GASB issued GASB issued Government Accounting Standards Board Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions of the statement are effective for financial statement periods beginning after December 15, 2019. The pronouncement is expected to have no effect on the District in upcoming years.

**NOTE 20. Subsequent Events**

*Management Review*

The date to which events occurring after June 30, 2017, the date of the most recent Statement of Net Position, have been evaluated for possible adjustment to the financial statements and disclosures is November 8, 2017 which is the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING BALANCE SHEET**  
**GENERAL FUND**  
**June 30, 2017**

Statement A-1

	General Fund			
	Operational	Pupil Transportation	Instructional Materials	Total
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 5,488,960	\$ 6,962	\$ 420,085	\$ 5,916,007
Investments	5,640,555	-	-	5,640,555
Accounts receivable				
Taxes	55,811	-	-	55,811
Due from other governments	-	-	-	-
Interfund receivables	4,141,751	-	-	4,141,751
Inventory	362,258	-	-	362,258
<i>Total assets</i>	<u>\$ 15,689,335</u>	<u>\$ 6,962</u>	<u>\$ 420,085</u>	<u>\$ 16,116,382</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ 59,211	\$ -	\$ -	\$ 59,211
Accrued expenses	2,634,151	2,002	-	2,636,153
Interfund payable	128,293	-	-	128,293
<i>Total liabilities</i>	<u>2,821,655</u>	<u>2,002</u>	<u>-</u>	<u>2,823,657</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - delinquent property taxes	6,870	-	-	6,870
<i>Total deferred inflows of resources</i>	<u>6,870</u>	<u>-</u>	<u>-</u>	<u>6,870</u>
<i>Fund balance:</i>				
Nonspendable				
Inventory	362,258	-	-	362,258
Spendable				
Restricted for:				
Transportation	-	4,960	-	4,960
Instructional materials	-	-	420,085	420,085
Committed				
Subsequent year's expenditures	6,000,000	-	-	6,000,000
Assigned	-	-	-	-
Unassigned	6,498,552	-	-	6,498,552
<i>Total fund balance</i>	<u>12,860,810</u>	<u>4,960</u>	<u>420,085</u>	<u>13,285,855</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 15,689,335</u>	<u>\$ 6,962</u>	<u>\$ 420,085</u>	<u>\$ 16,116,382</u>

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GENERAL FUND**  
For the Year Ended June 30, 2017

Statement A-2

	General Fund			Total
	Operational	Pupil Transportation	Instructional Materials	
<i>Revenues:</i>				
Taxes - property	\$ 366,627	\$ -	\$ -	\$ 366,627
Taxes - oil and gas	261,335	-	-	261,335
Federal flowthrough	59,706	-	-	59,706
Federal direct	-	-	-	-
State flowthrough	64,509,211	-	687,728	65,196,939
Transportation distribution	-	1,858,416	-	1,858,416
Charges for services	15,840	-	-	15,840
Investment income	43,358	-	-	43,358
Miscellaneous	43,363	-	-	43,363
<i>Total revenues</i>	<u>65,299,440</u>	<u>1,858,416</u>	<u>687,728</u>	<u>67,845,584</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	45,643,168	-	982,655	46,625,823
Support services - students	6,788,447	-	-	6,788,447
Support services - instruction	2,449,268	-	-	2,449,268
Support services - general admin.	760,174	-	-	760,174
Support services - school admin.	4,296,462	-	-	4,296,462
Central services	1,442,368	-	-	1,442,368
Operation and maintenance of plant	6,605,400	-	-	6,605,400
Student transportation	70,284	1,863,372	-	1,933,656
Food service operations	-	-	-	-
Facilities acquisition and construction	-	-	-	-
<i>Total expenditures</i>	<u>68,055,571</u>	<u>1,863,372</u>	<u>982,655</u>	<u>70,901,598</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,756,131)</u>	<u>(4,956)</u>	<u>(294,927)</u>	<u>(3,056,014)</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net changes in fund balances</i>	(2,756,131)	(4,956)	(294,927)	(3,056,014)
<i>Fund balances - beginning of year</i>	15,620,928	9,916	715,012	16,345,856
<i>Prior period restatement (Note 18)</i>	(3,987)	-	-	(3,987)
<i>Fund balances-beg of year, as restated</i>	<u>15,616,941</u>	<u>9,916</u>	<u>715,012</u>	<u>16,341,869</u>
<i>Fund balances - end of year</i>	<u>\$ 12,860,810</u>	<u>\$ 4,960</u>	<u>\$ 420,085</u>	<u>\$ 13,285,855</u>

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**GENERAL FUND - OPERATIONAL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

Statement A-3  
(Page 1 of 2)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ 372,408	\$ 372,408	\$ 363,920	\$ (8,488)
Taxes - oil and gas	433,618	433,618	234,950	(198,668)
Federal flowthrough	30,000	30,000	59,706	29,706
Local grants	50,000	50,000	-	(50,000)
State flowthrough	66,701,391	64,393,907	64,516,711	122,804
Charges for services	7,000	7,000	16,290	9,290
Investment income	15,000	15,000	43,358	28,358
Miscellaneous	-	-	43,363	43,363
<i>Total revenues</i>	<u>67,609,417</u>	<u>65,301,933</u>	<u>65,278,298</u>	<u>(23,635)</u>
<i>Expenditures:</i>				
Current:				
Instruction	51,217,163	48,238,597	45,840,713	2,397,884
Support services - students	6,007,474	7,332,474	6,788,447	544,027
Support services - instruction	2,834,017	3,165,017	2,428,280	736,737
Support services - general admin.	993,932	1,088,932	751,069	337,863
Support services - school admin.	3,802,639	4,553,639	4,296,462	257,177
Central services	1,614,246	1,764,246	1,440,369	323,877
Operation and maintenance of plant	6,989,946	7,306,946	6,624,841	682,105
Student transportation	50,000	100,000	70,284	29,716
Other support services	100,000	100,000	-	100,000
<i>Total expenditures</i>	<u>73,609,417</u>	<u>73,649,851</u>	<u>68,240,465</u>	<u>5,409,386</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,000,000)</u>	<u>(8,347,918)</u>	<u>(2,962,167)</u>	<u>5,385,751</u>

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**GENERAL FUND - OPERATIONAL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

Statement A-3  
(Page 2 of 2)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,000,000)</u>	<u>(8,347,918)</u>	<u>(2,962,167)</u>	<u>5,385,751</u>
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	6,000,000	8,347,918	-	(8,347,918)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>6,000,000</u>	<u>8,347,918</u>	<u>-</u>	<u>(8,347,918)</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	(2,962,167)	(2,962,167)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>20,541,785</u>	<u>20,541,785</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,579,618</u>	<u>\$ 17,579,618</u>
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (2,756,131)	
(Increase) decrease in accounts receivable			(19,188)	
(Increase) decrease in inventory			(56,114)	
Increase (decrease) in accounts payable			(85,223)	
Increase (decrease) in accrued expenses			(43,557)	
Increase (decrease) in deferred inflows			<u>(1,954)</u>	
Change in fund balance - budgetary basis			<u>\$ (2,962,167)</u>	

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**PUPIL TRANSPORTATION - GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

Statement A-4

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	-	-	-	-
Transportation distribution	1,713,193	1,858,416	1,858,416	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,713,193	1,858,416	1,858,416	-
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	1,713,193	1,858,416	1,863,372	(4,956)
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	1,713,193	1,858,416	1,863,372	(4,956)
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(4,956)	(4,956)
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	(4,956)	(4,956)
<i>Fund balances - beginning of year</i>	-	-	210,510	210,510
<i>Prior period restatement (Note 18)</i>	-	-	(198,833)	(198,833)
<i>Fund balances - beginning of year as restated</i>	-	-	11,677	11,677
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 6,721	\$ 6,721
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (4,956)	
Change in fund balance - budgetary basis			\$ (4,956)	

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**INSTRUCTIONAL MATERIALS - GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL**  
**For the Year Ended June 30, 2017**

Statement A-5

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Local grants	-	-	-	-
State flowthrough	540,245	540,245	687,728	147,483
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	540,245	540,245	687,728	147,483
<i>Expenditures:</i>				
<i>Current:</i>				
Instruction	540,245	1,256,878	984,355	272,523
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Student transportation	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
<i>Total expenditures</i>	540,245	1,256,878	984,355	272,523
<i>Excess (deficiency) of revenues over expenditures</i>	-	(716,633)	(296,627)	420,006
<i>Other financing sources (uses):</i>				
Designated cash balance (budgeted increase in cash)	-	716,633	-	(716,633)
<i>Total other financing sources (uses)</i>	-	716,633	-	(716,633)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	-	-	(296,627)	(296,627)
<i>Fund balances - beginning of year</i>	-	-	716,712	716,712
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 420,085	\$ 420,085
<i>Reconciliation to GAAP basis:</i>				
Change in fund balance - GAAP Basis			\$ (294,927)	
Increase (decrease) in accounts payable			(1,700)	
Change in fund balance - budgetary basis			\$ (296,627)	

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



**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**NONMAJOR FUND DESCRIPTIONS**  
**YEAR ENDED JUNE 30, 2017**

**SPECIAL REVENUE FUNDS**

**ALL FEDERAL FUNDS** - The Special Revenue Funds are used to account for grant funds received from the U.S. Department of Education through the New Mexico Public Education Department. These funds are to be used for purposes specified in the grant awards and may not be used for any other purpose.

**Food Service (21000)** – This fund is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751 1760, 1779.

**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.

**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 the creation of this fund is the 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.

**Competitive IDEA-B (24108)** – 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 the creation of this fund is the 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.

**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 Schools through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

**21st Century Community Learning Centers (24119)** - This program supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours for children, particularly students who attend high-poverty and low-performing schools. The program helps students meet state and local student standards in core academic subjects, such as reading and math; offers students a broad array of enrichment activities that can complement their regular academic programs; and offers literacy and other educational services to the families of participating children. Established by US Dept. of Education CFDA 84.287

**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, Sections 3101, 3129.

**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 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.

**Title I School Improvement (24162)** – To account for federal funds to provide family-center education projects to help parents become full partners in the education of their children and to assist children in reaching their full potential as leaders. Authority is Public Law 100-297.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**NONMAJOR FUND DESCRIPTIONS**  
**YEAR ENDED JUNE 30, 2017**

**SPECIAL REVENUE FUNDS (continued)**

**Immigrant Funding Title III (24163)** – The purpose of this fund is to give financial support to local school districts with high concentrations of immigrant children. Authority for the creation of this fund is Title III, Part A of the ESEA, as amended by No Child Left Behind Act, P.L. 107-110.

**Carl Perkins Secondary, Carl Perkins Secondary- PY , and Carl Perkins Secondary- Redistribution (24174, 24175, and 24176)** – To provide federal funds to expand and improve vocational education programs and to provide equal access in vocational education to special needs populations. Authority for creation of this fund is Carl D. Perkins Vocational and Applied Technology Education Act of 1998, as amended, Public Law 105-332.

**Title XIX Medicaid (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.

**Secondary Ag Education (25230)** – The objective of this fund is to account for a Future Farmers of America grant to study the composting of red worms. Authority for the creation of this fund is the New Mexico Public Education Department.

**J.F Maddox Foundation (26109)** – The objective of this fund is to account for grants provided from a local private foundation. Authority for the creation of this fund is the New Mexico Public Education Department.

**Bridge for Southern New Mexico (26215)** – The purpose of this fund is to be used for Expanding Early College High Schools throughout New Mexico to establish or strengthen agreements with higher education to increase dual-credit enrollment. Authority for the creation of this fund is the New Mexico Public Education Department.

**Microsoft Settlement Funds (26170)** – The objective of this fund is to account for money received for software and hardware from a settlement with Microsoft. Authority for the creation of this fund is the New Mexico Public Education Department.

**2009 Dual Credit IM/HB2 (27103)** – SB943 (2007) and SB31 (2008) create a dual credit program that allows public high school students in school districts, charter schools and state-supported schools in the state to earn both high school and college credit for qualifying dual credit courses. Authority for the creation of this fund is the New Mexico Public Education Department.

**2010 G.O. Bond Student Library (27106)** – The purpose of this fund is to be used to fund each library facility for improvement or acquisition and to acquire library books and library resources to support the library program. Authority for the creation of this fund is the New Mexico Public Education Department.

**New Mexico Reads to Lead (27114)** – This fund is used to purchase core reading program materials for grades K-5 in alignment with Common Core State Standards. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
NONMAJOR FUND DESCRIPTIONS  
YEAR ENDED JUNE 30, 2017

**SPECIAL REVENUE FUNDS (continued)**

**Pre-K Initiative (27149)** -- To account for funds received from the State of New Mexico 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.

**Breakfast for Elementary Students (27155)** – To account for Legislative Appropriation to implement Breakfast in the Classroom for elementary schools in need of improvement based on Annual Yearly Progress (AYP) designation. Authority for the creation of this fund is the New Mexico Public Education Department.

**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.

**After School Enrichment Program (27168)** – Funds allow for an after school enrichment program for a couple of qualifying schools, which focused on the arts. Authority for the creation of the fund is the New Mexico Public Education Department.

**Stem Programs (27181)** - Funds are used for STEM Teacher recruitment and/or stipend retention. Authority for the creation of this fund is the New Mexico Public Education Department.

**Next Generation Assessments (27185)** – This is used to remediate deficiencies in computer devices compliant with the Partnership for assessment of readiness for college and Careers (PARCC) assessment requirements. Districts must complete 3 requirements, Technology Readiness Tool, School Speed Test, and Project 24 Self-Assessment. Authority for the creation of this fund is the New Mexico Public Education Department.

**College Advisor Initiative (27189)** – This is used to hire a college advisor solely dedicated to college advisements. Authority for the creation of this fund is the New Mexico Public Education Department.

**Community Health Program DOH (28149)** – Funds are used to expand opportunities for healthy eating and active living for children. Authority for the creation of this fund is the New Mexico Department of Health.

**Start Smart K-3 Utah State University Study (28191)** – Funds all 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. The study allows for maintenance of a test group and a control group to determine the benefits for those in the test group. Authority for the creation of this fund is the New Mexico Public Education Department.

**TCA Value Options (29131)** – To provide local funds used to encourage a strong knowledge base in the elementary school curriculum. Authority for the creation of this fund is the New Mexico Public Education Department.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
NONMAJOR FUND DESCRIPTIONS  
YEAR ENDED JUNE 30, 2017

**CAPITAL PROJECTS FUNDS**

**Bond Building (31100)** - To account for expenditures of proceeds received from the issuance of General Obligation Bonds and Qualified Zone Academy Bonds (QZab). Expenditures are for the purpose of erecting, remodeling, making additions to and furnishing school buildings, improving school grounds, and purchasing computer software and hardware for student use in public school classrooms. Authority for the creation of this fund is the New Mexico Public Education Department.

**Public School Capital Outlay (31200)** – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects.

**Special Building Local (31300)** – To account for resources received from revenue generated by local sources for the purpose of remodeling and improvements on existing structures. Authority for the creation of this fund is the New Mexico Public Education Department.

**Capital Improvements HB-33 (31600)** - To account for the 4 mill levy authorized by the Public Building Act. Expenditures are for erecting, remodeling, making additions, providing equipment for or furnishing public school buildings, and purchasing or improving public grounds. Authority for the creation of this fund is the New Mexico Public Education Department.

**SB-9 Capital Improvements (31700)** – To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Authority for the creation of this fund is the New Mexico Public Education Department.

(This page intentionally left blank.)

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Special Revenue Funds			
	Food Service	Athletics	IDEA B Discretionary	IDEA B Competitive
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 1,439,275	\$ 1,377	\$ 15,095	\$ -
Investments	-	-	-	-
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Interfund receivables	-	63,441	-	-
Inventory	79,230	-	-	-
<i>Total assets</i>	<u>\$ 1,518,505</u>	<u>\$ 64,818</u>	<u>\$ 15,095</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	94,469	-	-	-
Interfund payable	11,023	-	15,095	-
<i>Total liabilities</i>	<u>105,492</u>	<u>-</u>	<u>15,095</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - federal or state grants	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>				
Nonspendable				
Inventory	79,230	-	-	-
Spendable				
Restricted for:				
Food services	1,333,783	-	-	-
Education	-	-	-	-
Extracurricular activities	-	64,818	-	-
Capital acquisitions and improvements	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balance</i>	<u>1,413,013</u>	<u>64,818</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,518,505</u>	<u>\$ 64,818</u>	<u>\$ 15,095</u>	<u>\$ -</u>

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

Special Revenue Funds					
IDEA B Preschool	21st Century Community Learning Centers	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Immigrant Funding Title III
\$ -	\$ -	\$ -	\$ 80,986	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,070	594,512	294,337	68,376	-	-
-	15,995	-	12,710	-	5,092
-	-	-	-	-	-
<u>\$ 2,070</u>	<u>\$ 610,507</u>	<u>\$ 294,337</u>	<u>\$ 162,072</u>	<u>\$ -</u>	<u>\$ 5,092</u>
\$ -	\$ 20,332	\$ -	\$ -	\$ -	\$ -
680	3,065	-	6,297	-	-
<u>21,120</u>	<u>600,449</u>	<u>294,250</u>	<u>228,689</u>	<u>-</u>	<u>5,092</u>
<u>21,800</u>	<u>623,846</u>	<u>294,250</u>	<u>234,986</u>	<u>-</u>	<u>5,092</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	87	-	-	-
-	-	-	-	-	-
<u>(19,730)</u>	<u>(13,339)</u>	<u>-</u>	<u>(72,914)</u>	<u>-</u>	<u>-</u>
<u>(19,730)</u>	<u>(13,339)</u>	<u>87</u>	<u>(72,914)</u>	<u>-</u>	<u>-</u>
<u>\$ 2,070</u>	<u>\$ 610,507</u>	<u>\$ 294,337</u>	<u>\$ 162,072</u>	<u>\$ -</u>	<u>\$ 5,092</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Special Revenue Funds			
	Carl D. Perkins Secondary - Current	Carl D. Perkins Redistribution	Title XIX Medicaid	Secondary Ag Education
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 216,862	\$ 2,000
Investments	-	-	-	-
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	47,727	-	-	-
Interfund receivables	-	346	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 47,727</u>	<u>\$ 346</u>	<u>\$ 216,862</u>	<u>\$ 2,000</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	-	-	21,717	-
Interfund payable	46,635	8,756	195,145	-
<i>Total liabilities</i>	<u>46,635</u>	<u>8,756</u>	<u>216,862</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - federal or state grants	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Food services	-	-	-	-
Education	1,092	-	-	2,000
Extracurricular activities	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Unassigned	-	(8,410)	-	-
<i>Total fund balance</i>	<u>1,092</u>	<u>(8,410)</u>	<u>-</u>	<u>2,000</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 47,727</u>	<u>\$ 346</u>	<u>\$ 216,862</u>	<u>\$ 2,000</u>

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





**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2017

	Special Revenue Funds			
	New Mexico Pre-K Initiative	Breakfast for Elementary Students	Kindergarten Three Plus	After School Enrichment Program
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 143,984	\$ -	\$ -	\$ 1,451
Investments	-	-	-	-
Accounts receivable				
Taxes	-	-	-	-
Due from other governments	-	4,534	-	-
Interfund receivables	-	3,244	41,845	47
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 143,984</u>	<u>\$ 7,778</u>	<u>\$ 41,845</u>	<u>\$ 1,498</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<i>Current Liabilities:</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	16,146	-	8,332	-
Interfund payable	<u>138,445</u>	<u>7,778</u>	<u>33,085</u>	<u>-</u>
<i>Total liabilities</i>	<u>154,591</u>	<u>7,778</u>	<u>41,417</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>				
Unavailable revenue - federal or state grants	-	-	-	-
Unavailable revenue - delinquent property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Food services	-	-	-	-
Education	-	-	428	1,498
Extracurricular activities	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Unassigned	<u>(10,607)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balance</i>	<u>(10,607)</u>	<u>-</u>	<u>428</u>	<u>1,498</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 143,984</u>	<u>\$ 7,778</u>	<u>\$ 41,845</u>	<u>\$ 1,498</u>

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

Special Revenue Funds					
Stem Programs	Next Generation Assessments	College Advisor Initiative	Community Health Program DOH	Start Smart K-3 Utah State University Study	TCA Value Options
\$ 253,350	\$ 113,164	\$ -	\$ 24,450	\$ 25,296	\$ 13,161
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,839	-	-	21,776
-	-	-	-	-	-
<u>\$ 253,350</u>	<u>\$ 113,164</u>	<u>\$ 9,839</u>	<u>\$ 24,450</u>	<u>\$ 25,296</u>	<u>\$ 34,937</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	216	-	-	5,157
<u>265,705</u>	<u>119,000</u>	<u>9,623</u>	<u>-</u>	<u>26,975</u>	<u>25,997</u>
<u>265,705</u>	<u>119,000</u>	<u>9,839</u>	<u>-</u>	<u>26,975</u>	<u>31,154</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	24,450	-	3,783
-	-	-	-	-	-
<u>(12,355)</u>	<u>(5,836)</u>	<u>-</u>	<u>-</u>	<u>(1,679)</u>	<u>-</u>
<u>(12,355)</u>	<u>(5,836)</u>	<u>-</u>	<u>24,450</u>	<u>(1,679)</u>	<u>3,783</u>
<u>\$ 253,350</u>	<u>\$ 113,164</u>	<u>\$ 9,839</u>	<u>\$ 24,450</u>	<u>\$ 25,296</u>	<u>\$ 34,937</u>

STATE OF NEW MEXICO  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2017

	Capital Project Funds				
	Bond Building	Public School Capital Outlay State	Special Capital Outlay Local	Capital Improvement HB-33	Capital Improvement SB-9
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 217,382	\$ -	\$ 45,033	\$ 1,635,723	\$ -
Investments	2,667	-	-	-	-
Accounts receivable					
Taxes	-	-	-	493,295	-
Due from other governments	-	-	-	-	-
Interfund receivables	330,047	-	-	-	-
Inventory	-	-	-	-	-
<i>Total assets</i>	<u>\$ 550,096</u>	<u>\$ -</u>	<u>\$ 45,033</u>	<u>\$ 2,129,018</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<i>Current Liabilities:</i>					
Accounts payable	\$ -	\$ -	\$ -	\$ 107,610	\$ -
Accrued expenses	-	-	-	-	-
Interfund payable	280,076	-	-	349,956	-
<i>Total liabilities</i>	<u>280,076</u>	<u>-</u>	<u>-</u>	<u>457,566</u>	<u>-</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable revenue - federal or state grants	-	-	-	-	-
Unavailable revenue - delinquent property taxes	-	-	-	73,219	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,219</u>	<u>-</u>
<i>Fund balance:</i>					
Nonspendable					
Inventory	-	-	-	-	-
Spendable					
Restricted for:					
Food services	-	-	-	-	-
Education	-	-	-	-	-
Extracurricular activities	-	-	-	-	-
Capital acquisitions and improvements	270,020	-	45,033	1,598,233	-
Unassigned	-	-	-	-	-
<i>Total fund balance</i>	<u>270,020</u>	<u>-</u>	<u>45,033</u>	<u>1,598,233</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 550,096</u>	<u>\$ -</u>	<u>\$ 45,033</u>	<u>\$ 2,129,018</u>	<u>\$ -</u>

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

<u>Total Nonmajor Government Funds</u>	
\$	4,329,334
	2,667
	493,295
	1,086,162
	544,406
	<u>79,230</u>
\$	<u>6,535,094</u>
\$	127,942
	180,479
	<u>2,797,673</u>
	<u>3,106,094</u>
	-
	<u>73,219</u>
	<u>73,219</u>
	79,230
	1,333,783
	115,401
	89,268
	1,913,286
	<u>(175,187)</u>
	<u>3,355,781</u>
\$	<u>6,535,094</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

Special Revenue Funds

	Food Service	Athletics	IDEA B Discretionary	IDEA B Competitive
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-
Federal flowthrough	3,301,052	-	-	4,505
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
Charges for services	1,078,332	250,256	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,379,384</u>	<u>250,256</u>	<u>-</u>	<u>4,505</u>
<i>Expenditures:</i>				
Current:				
Instruction	-	202,994	-	4,505
Support services - students	-	-	-	-
Support services - general admin.	-	-	-	-
Support services - school admin.	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food service operations	4,183,861	-	-	-
Facilities acquisition and construction	-	-	-	-
<i>Total expenditures</i>	<u>4,183,861</u>	<u>202,994</u>	<u>-</u>	<u>4,505</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>195,523</u>	<u>47,262</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	195,523	47,262	-	-
<i>Fund balances - beginning of year</i>	1,217,490	17,556	-	-
<i>Prior period restatement (Note 18)</i>	-	-	-	-
<i>Fund balances-beg of year, as restated</i>	<u>1,217,490</u>	<u>17,556</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 1,413,013</u>	<u>\$ 64,818</u>	<u>\$ -</u>	<u>\$ -</u>

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

Special Revenue Funds					
IDEA B Preschool	21st Century Community Learning Centers	English Language Acquisition	Teacher/Principal Training & Recruiting	Title I School Improvement	Immigrant Funding Title III
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,282	1,083,679	304,087	212,964	195,495	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,282</u>	<u>1,083,679</u>	<u>304,087</u>	<u>212,964</u>	<u>195,495</u>	<u>-</u>
-	1,032,956	298,436	160,186	195,495	-
678	-	-	-	-	-
-	19,638	5,465	3,851	-	-
37,353	5,133	186	38,752	-	-
-	39,291	-	7,224	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>38,031</u>	<u>1,097,018</u>	<u>304,087</u>	<u>210,013</u>	<u>195,495</u>	<u>-</u>
<u>(30,749)</u>	<u>(13,339)</u>	<u>-</u>	<u>2,951</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(30,749)</u>	<u>(13,339)</u>	<u>-</u>	<u>2,951</u>	<u>-</u>	<u>-</u>
11,019	-	87	(75,865)	-	(3,987)
-	-	-	-	-	3,987
<u>11,019</u>	<u>-</u>	<u>87</u>	<u>(75,865)</u>	<u>-</u>	<u>-</u>
\$ <u>(19,730)</u>	\$ <u>(13,339)</u>	\$ <u>87</u>	\$ <u>(72,914)</u>	\$ <u>-</u>	\$ <u>-</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

Special Revenue Funds

	Carl D. Perkins Secondary - Current	Carl D. Perkins Redistribution	Title XIX Medicaid	Secondary Ag Education
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-
Federal flowthrough	78,234	-	-	-
Federal direct	-	-	584,152	-
Local grants	-	-	-	-
State flowthrough	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>78,234</u>	<u>-</u>	<u>584,152</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	66,028	8,410	-	-
Support services - students	-	-	577,783	-
Support services - general admin.	1,406	-	-	-
Support services - school admin.	784	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	6,369	-
Student transportation	-	-	-	-
Food service operations	-	-	-	-
Facilities acquisition and construction	-	-	-	-
<i>Total expenditures</i>	<u>68,218</u>	<u>8,410</u>	<u>584,152</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,016</u>	<u>(8,410)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>10,016</u>	<u>(8,410)</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	(8,924)	-	-	2,000
<i>Prior period restatement (Note 18)</i>	-	-	-	-
<i>Fund balances-beg of year, as restated</i>	<u>(8,924)</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
<i>Fund balances - end of year</i>	<u>\$ 1,092</u>	<u>\$ (8,410)</u>	<u>\$ -</u>	<u>\$ 2,000</u>

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



Special Revenue Funds					
J.F. Maddox Foundation	Bridge for Southern New Mexico	Microsoft Settlement Funds	Dual Credit Instructional Materials HB-2	2010 GO Bond Student Library	Reads to Lead K-3
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
105,000	-	-	-	-	-
-	-	-	29,007	-	245,551
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>105,000</u>	<u>-</u>	<u>-</u>	<u>29,007</u>	<u>-</u>	<u>245,551</u>
27,812	-	-	29,007	-	245,551
36	14,459	-	-	-	-
167,643	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>195,491</u>	<u>14,459</u>	<u>-</u>	<u>29,007</u>	<u>-</u>	<u>245,551</u>
<u>(90,491)</u>	<u>(14,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(90,491)</u>	<u>(14,459)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
61,429	120,624	2,060	-	(1,255)	-
-	(1,712)	-	-	-	-
<u>61,429</u>	<u>118,912</u>	<u>2,060</u>	<u>-</u>	<u>(1,255)</u>	<u>-</u>
\$ <u>(29,062)</u>	\$ <u>104,453</u>	\$ <u>2,060</u>	\$ <u>-</u>	\$ <u>(1,255)</u>	\$ <u>-</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	Special Revenue Funds			
	New Mexico Pre-K Initiative	Breakfast for Elementary Students	Kindergarten Three Plus	After School Enrichment Program
<i>Revenues:</i>				
Taxes - property	\$ -	\$ -	\$ -	\$ -
Taxes - oil and gas	-	-	-	-
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local grants	-	-	-	-
State flowthrough	347,856	46,011	256,723	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>347,856</u>	<u>46,011</u>	<u>256,723</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Instruction	347,856	-	190,728	-
Support services - students	-	-	-	-
Support services - general admin.	-	-	-	-
Support services - school admin.	-	-	6,568	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	94	-
Student transportation	-	-	59,427	-
Food service operations	-	46,011	-	-
Facilities acquisition and construction	-	-	-	-
<i>Total expenditures</i>	<u>347,856</u>	<u>46,011</u>	<u>256,817</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(94)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>-</u>	<u>-</u>	<u>(94)</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	(10,607)	-	522	1,498
<i>Prior period restatement (Note 18)</i>	-	-	-	-
<i>Fund balances-beg of year, as restated</i>	<u>(10,607)</u>	<u>-</u>	<u>522</u>	<u>1,498</u>
<i>Fund balances - end of year</i>	<u>\$ (10,607)</u>	<u>\$ -</u>	<u>\$ 428</u>	<u>\$ 1,498</u>

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

Special Revenue Funds

Stem Programs	Next Generation Assessments	College Advisor Initiative	Community Health Program DOH	Start Smart K-3 Utah State University Study	TCA Value Options
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(12,355)	(5,836)	(1,712)	24,450	(1,679)	3,783
-	-	1,712	-	-	-
<u>(12,355)</u>	<u>(5,836)</u>	<u>-</u>	<u>24,450</u>	<u>(1,679)</u>	<u>3,783</u>
\$ <u>(12,355)</u>	\$ <u>(5,836)</u>	\$ <u>-</u>	\$ <u>24,450</u>	\$ <u>(1,679)</u>	\$ <u>3,783</u>

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2017

	Capital Project Funds				
	Bond Building	Public School Capital Outlay State	Special Capital Outlay Local	Capital Improvement HB-33	Capital Improvement SB-9
<i>Revenues:</i>					
Taxes - property	\$ -	\$ -	\$ -	\$ 3,725,025	\$ -
Taxes - oil and gas	-	-	-	2,090,684	-
Federal flowthrough	-	-	-	-	-
Federal direct	-	-	-	-	-
Local grants	-	-	1,726	-	-
State flowthrough	-	6,423	-	-	-
Charges for services	-	-	-	-	-
Investment income	30	-	9	-	-
Miscellaneous	-	-	-	249,760	-
<i>Total revenues</i>	<u>30</u>	<u>6,423</u>	<u>1,735</u>	<u>6,065,469</u>	<u>-</u>
<i>Expenditures:</i>					
Current:					
Instruction	-	-	-	-	-
Support services - students	-	-	-	-	-
Support services - general admin.	-	-	-	36,921	-
Support services - school admin.	-	-	-	-	-
Central services	-	-	-	-	-
Operation and maintenance of plant	-	-	-	-	-
Student transportation	-	-	-	-	-
Food service operations	-	-	-	-	-
Facilities acquisition and construction	1,317,331	6,423	-	3,554,190	-
<i>Total expenditures</i>	<u>1,317,331</u>	<u>6,423</u>	<u>-</u>	<u>3,591,111</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,317,301)</u>	<u>-</u>	<u>1,735</u>	<u>2,474,358</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Transfers in (out)	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net changes in fund balances</i>	<u>(1,317,301)</u>	<u>-</u>	<u>1,735</u>	<u>2,474,358</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	1,587,321	-	43,298	(876,125)	(324,738)
<i>Prior period restatement (Note 18)</i>	-	-	-	-	324,738
<i>Fund balances-beg of year, as restated</i>	<u>1,587,321</u>	<u>-</u>	<u>43,298</u>	<u>(876,125)</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 270,020</u>	<u>\$ -</u>	<u>\$ 45,033</u>	<u>\$ 1,598,233</u>	<u>\$ -</u>

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

Total Nonmajor Government Funds	
\$	3,725,025
	2,090,684
	5,187,298
	584,152
	106,726
	931,571
	1,328,588
	39
	249,760
	<u>14,203,843</u>
	2,809,964
	592,956
	234,924
	88,776
	46,515
	6,463
	59,427
	4,229,872
	4,877,944
	<u>12,946,841</u>
	<u>1,257,002</u>
	<u>-</u>
	<u>-</u>
	1,257,002
	1,770,054
	328,725
	<u>2,098,779</u>
\$	<u><u>3,355,781</u></u>

**FIDUCIARY FUNDS**

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
FIDUCIARY FUNDS DESCRIPTIONS  
YEAR ENDED JUNE 30, 2017

**FIDUCIARY FUNDS**

These funds are used to account for assets held by the governmental entity in a trustee capacity or as an agent for individual, private organizations, other governmental entities and/or other funds. Agency funds are purely custodial and do not involve measurement of results of operations. The District has the following agency funds in the primary government and the component unit:

**Student Activity** – To account for Elementary, Junior High and Senior High assets held by the District until distributed to various organizations and clubs at the schools.

**Other Funds** – To account for assets held by the District until distributed to the other organizations.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**AGENCY FUNDS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**For the Year Ended June 30, 2017**

Statement C

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Administration	\$ 28,394	\$ 15,502	\$ 15,380	\$ 28,516
Warehouse	7	-	-	7
Taos House/Federal Program	205	-	-	205
Dalton Tabor/Special Services	(1,330)	-	1,621	(2,951)
Athletics	160,035	76,001	75,492	160,544
TARS	16	-	-	16
Jenkins Nunan Learning Center	2,351	-	-	2,351
Superintendent	17,212	-	-	17,212
Computer Aided Instruction	23	-	-	23
Hobbs High School	324,330	237,403	209,834	351,899
Hobbs Freshman School	42,618	25,902	30,845	37,675
Heizer Junior High	26,202	124,303	136,205	14,300
Highland Junior High	170,861	273,991	257,992	186,860
Houston Junior High	175,683	257,962	278,633	155,012
Broadmoor Elementary	2,528	5,046	4,869	2,705
Edison Elementary	9,530	8,084	11,613	6,001
Jefferson Elementary	4,662	27,825	36,977	(4,490)
Sanger Elementary	5,286	4,232	3,844	5,674
Southern Heights Elementary	21,732	17,165	8,657	30,240
Taylor Elementary	(11,165)	4,457	3,924	(10,632)
B.T. Washington Elementary	1,750	12,540	14,153	137
Will Rogers Elementary	3,621	25,681	30,946	(1,644)
Coronado Elementary	5,207	26,312	27,311	4,208
Mills Elementary	1,910	4,405	2,966	3,349
Stone Elementary	25,817	12,440	18,450	19,807
College Lane Elementary	6,915	8,907	7,253	8,569
Murray Elementary	(148)	29,866	22,262	7,456
District-wide Activity Funds	45,658	10,623	-	56,281
 Total Activity Funds	 \$ 1,069,910	 \$ 1,208,647	 \$ 1,199,227	 1,079,330
			Total agency assets per Exhibit D-1	\$ 1,079,330
			Accounts payable	4,147
			Accrued payroll	\$ 6,046
			Due to student organizations	1,069,137
			Total agency liabilities per Exhibit D-1	\$ 1,079,330

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



**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**Schedule Of Collateral Pledged By Depository**  
**For Public Funds**  
**June 30, 2017**

Schedule I

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value June 30, 2017	Location of Safekeeper
<b>Western Commerce Bank</b>					
	FNMA #AH2367	1/1/2041	3138A3TZ0	\$ 287,433	Federal Home Loan Bank, Dallas, TX
	FNMA #AB2748	4/1/2041	31416YBS6	541,622	Federal Home Loan Bank, Dallas, TX
	SBAP SERIES 2014-20B	2/1/2034	83162CWB5	797,435	Federal Home Loan Bank, Dallas, TX
	SBAP SERIES 2010-20L	12/1/2030	83162CTS2	529,161	
	Total Western Commerce Bank			2,155,651	
<b>Wells Fargo Bank</b>					
	FNMA FNMS 3.000%	12/1/2026	3138E0SF7	684,996	Federal Home Loan Bank, Dallas, TX
	FNMA FNMS 2.500%	8/1/2030	3138WFF27	6,244,267	Federal Home Loan Bank, Dallas, TX
	Total Wells Fargo Bank			6,929,263	
<b>Lea County State Bank</b>					
	FFCB	11/7/2022	31331YDF4	2,917,623	Federal Home Loan Bank, Dallas, TX
	Rio Rancho NM 4% **	8/1/2021		738,738	TIB Dallas, TX
	Bloomfield NM SD 4% **	9/1/2019		418,888	TIB Dallas, TX
	Loving NM SD 4.25% **	7/15/2021		557,975	TIB Dallas, TX
	Jal NM PSD 3% **	10/1/2023		326,937	TIB Dallas, TX
	NMMI 4.0% **	6/1/2028		987,597	TIB Dallas, TX
	University NM 3% **	8/1/2029		243,956	TIB Dallas, TX
	Lea County PSD 2% **	3/15/2023		402,744	TIB Dallas, TX
	Grants & Cibola SD 2.5% **	10/1/2024		263,408	TIB Dallas, TX
	San Juan Cnty NM 4% **	6/15/2029		1,519,364	TIB Dallas, TX
	Total Lea County State Bank			8,377,230	
	Total Pledged Collateral			\$ 17,462,144	

See accompanying independent auditors' reports

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULE OF DEPOSIT AND INVESTMENT ACCOUNTS**  
June 30, 2017

Schedule II

<u>Bank Name / Account name</u>	<u>Account Type</u>	<u>Lea County State Bank</u>	<u>LGIP</u>	<u>Wells Fargo Bank</u>
Operational	Checking	\$ 1,000,000	\$ -	\$ -
Operational Sweep Account	Sweep Account	2,734,720	-	-
Special Building	Checking	45,033	-	-
State/Local Grant	Checking	624,354	-	-
Ralph Tasker Scholarship	Checking	628	-	-
Bond Building	Checking	210,653	-	-
Debt Service	Checking	4,289,817	-	-
Agency	Certificate of Deposit	253,932	-	-
Agency	Investment	-	248,260	-
Debt Service	Investment	-	230,460	-
HB 33	Checking	-	-	2,459,622
Payroll	Checking	-	-	5,016,262
Business Checking	Checking	-	-	11,205
Operational	Money Market	-	-	-
Wells Fargo	Certificate of Deposit	-	-	-
Investors Bank/Short Hills	Certificate of Deposit	-	-	-
Customers Bank	Certificate of Deposit	-	-	-
BBCN Bank	Certificate of Deposit	-	-	-
Tab Bank	Certificate of Deposit	-	-	-
Ally Bank	Certificate of Deposit	-	-	-
Riverwood Bank	Certificate of Deposit	-	-	-
Comenity Capital Bank	Certificate of Deposit	-	-	-
State Bank of India	Certificate of Deposit	-	-	-
Federal Projects	Checking	-	-	-
Cafeteria	Checking	-	-	-
Activity/Athletics	Checking	-	-	-
<b>Total on deposit</b>		<b>9,159,137</b>	<b>478,720</b>	<b>7,487,089</b>
<b>Reconciling Items</b>		<b>2,227,442</b>	<b>-</b>	<b>(5,050,384)</b>
<b>Reconciled Balance June 30, 2017</b>		<b><u>\$ 11,386,579</u></b>	<b><u>\$ 478,720</u></b>	<b><u>\$ 2,436,705</u></b>

Wells Fargo Securities, LLC	Western Commerce Bank	Totals
\$ -	\$ -	\$ 1,000,000
-	-	2,734,720
-	-	45,033
-	-	624,354
-	-	628
-	-	210,653
-	-	4,289,817
-	-	253,932
-	-	248,260
-	-	230,460
-	-	2,459,622
-	-	5,016,262
-	-	11,205
3,392,931	-	3,392,931
249,953	-	249,953
249,967	-	249,967
248,842	-	248,842
249,202	-	249,202
249,490	-	249,490
249,491	-	249,491
249,943	-	249,943
249,971	-	249,971
249,746	-	249,746
-	582,710	582,710
-	1,344,925	1,344,925
-	590,224	590,224
5,639,536	2,517,859	25,282,341
-	10,578	(2,812,364)
\$ 5,639,536	\$ 2,528,437	22,469,977
Less: investments per Exhibit A-1		(5,869,994)
Less: agency cash per Exhibit D-1		(585,016)
Less: agency investments per Exhibit D-1		(502,192)
Cash and cash equivalents per Exhibit A-1		\$ 15,512,775

See accompanying independent auditors' reports.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**CASH RECONCILIATION**  
June 30, 2017

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
<b>Audited Cash</b>				
Cash, June 30, 2016	\$ 2,883,628	\$ 11,815	\$ 716,713	\$ 1,346,530
<b>Add / Less:</b>				
Due from other government	-	-	-	(15,457)
Interfund receivables	7,453,235	-	-	-
Accrued expenses	(5,772,698)	(1,899)	-	(206,310)
Interfund payable	-	-	-	-
NSF Accounts	-	-	-	-
Outstanding loans	-	-	-	-
Due to PED	-	-	-	-
Investments on hand, June 30, 2016	5,598,752	-	-	-
<b>Total cash, June 30, 2016</b>	<u>10,162,917</u>	<u>9,916</u>	<u>716,713</u>	<u>1,124,763</u>
<b>Add:</b>				
2016-2017 Reciepts	65,278,299	1,858,416	687,728	4,138,534
Repayment of loans	-	-	-	-
Cash transfers	-	-	-	-
Loans from other funds	11,083,025	-	-	235,943
Bond proceeds	-	-	-	-
Bond Premium	-	-	-	-
<b>Total cash available</b>	<u>86,524,241</u>	<u>1,868,332</u>	<u>1,404,441</u>	<u>5,499,240</u>
<b>Less</b>				
2016-2017 expenditures	(68,234,237)	(1,858,414)	(984,356)	(3,948,323)
Repayment of prior year loans	-	-	-	-
Loans to other funds	(4,023,868)	(3,059)	(80)	-
Cash transfers	-	-	-	-
Bond issuance cost	-	-	-	-
Qzab investment	-	-	-	-
Reserve contingencies	-	-	-	-
NSF accounts	-	-	-	-
2015-2016 payroll liabilities	(5,772,697)	(1,899)	-	(206,310)
<b>Cash per PED</b>	<u>8,493,439</u>	<u>4,960</u>	<u>420,005</u>	<u>1,344,607</u>
<b>Add / Less:</b>				
Investments (without Qzab)	(5,640,555)	-	-	-
Reserve contingencies	-	-	-	(97)
Transfer of expenditures	-	-	-	-
NSF accounts	4,598	-	80	296
2016-2017 payroll liabilities	2,631,478	2,002	-	94,469
<b>Cash per financial statement</b>	<u>\$ 5,488,960</u>	<u>\$ 6,962</u>	<u>\$ 420,085</u>	<u>\$ 1,439,275</u>

See accompanying independent auditors' report.

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local/State Grants 26000	State Flowthrough 27000
\$ 12,857	\$ 592,828	\$ 849,913	\$ -	\$ 290,430	\$ 572,452
-	-	(1,689,125)	(100,690)	-	(341,117)
4,699	-	58,184	-	-	97,843
-	-	(313,992)	(18,696)	(8,317)	(70,661)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	501,732	-	-	-	-
<u>17,556</u>	<u>1,094,560</u>	<u>(1,095,020)</u>	<u>(119,386)</u>	<u>282,113</u>	<u>258,517</u>
250,256	1,216,487	4,844,437	684,842	105,000	1,187,125
-	-	-	-	-	-
81	6,902	2,326,539	241,339	1,066	592,351
-	-	-	-	-	-
-	-	-	-	-	-
<u>267,893</u>	<u>2,317,949</u>	<u>6,075,956</u>	<u>806,795</u>	<u>388,179</u>	<u>2,037,993</u>
(202,994)	(1,219,545)	(5,256,582)	(584,152)	(213,015)	(925,242)
-	-	-	-	-	-
(63,441)	-	(371,033)	-	(89,686)	(597,238)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(9,203)	(281,345)	(25,498)	(6,962)	(30,427)
<u>1,458</u>	<u>1,089,201</u>	<u>166,996</u>	<u>197,145</u>	<u>78,516</u>	<u>485,086</u>
-	(502,192)	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(81)	5,765	-	-	-	-
-	(7,758)	117,541	19,717	15,484	35,608
<u>\$ 1,377</u>	<u>\$ 585,016</u>	<u>\$ 284,537</u>	<u>\$ 216,862</u>	<u>\$ 94,000</u>	<u>\$ 520,694</u>

**STATE OF NEW MEXICO**  
**HOBBS INDEPENDENT SCHOOL DISTRICT #33**  
**CASH RECONCILIATION**  
**JUNE 30, 2016**

	State Direct 28000	Local/State Fund 29000	Bond Building 31100	Special Building Local 31300
<b>Audited Cash</b>				
Cash, June 30, 2016	\$ 63,109	\$ 8,268	\$ 866,711	\$ 43,026
Add / Less:				
Due from other government	-	-	-	(272)
Interfund receivables	-	-	719,924	-
Accrued expenses	-	(4,485)	-	-
Interfund payable	-	-	-	-
NSF Accounts	-	-	-	-
Outstanding loans	-	-	-	-
Due to PED	-	-	-	-
Investments on hand, June 30, 2016	-	-	-	-
Total cash, June 30, 2016	<u>63,109</u>	<u>3,783</u>	<u>1,586,635</u>	<u>42,754</u>
<b>Add:</b>				
2016-2017 Reciepts	-	-	30	2,007
Repayment of loans	-	-	-	-
Cash transfers	-	-	-	-
Loans from other funds	26,972	8,336	7,142	272
Bond proceeds	-	-	-	-
Bond Premium	-	-	-	-
Total cash available	<u>90,081</u>	<u>12,119</u>	<u>1,593,807</u>	<u>45,033</u>
<b>Less</b>				
2016-2017 expenditures	-	-	(1,319,312)	-
Repayment of prior year loans	-	-	-	-
Loans to other funds	(40,335)	-	(49,971)	-
Cash transfers	-	-	-	-
Bond issuance cost	-	-	-	-
Qzab investment	-	-	-	-
Reserve contingencies	-	-	-	-
NSF accounts	-	-	-	-
2015-2016 payroll liabilities	-	(4,114)	-	-
Cash per PED	<u>49,746</u>	<u>8,005</u>	<u>224,524</u>	<u>45,033</u>
<b>Add / Less:</b>				
Investments (without Qzab)	-	-	(2,667)	-
Reserve contingencies	-	-	(4,475)	-
Transfer of expenditures	-	-	-	-
NSF accounts	-	-	-	-
2016-2017 payroll liabilities	-	5,156	-	-
Cash per financial statement	<u>\$ 49,746</u>	<u>\$ 13,161</u>	<u>\$ 217,382</u>	<u>\$ 45,033</u>

See accompanying independent auditors' report.

Capital Improvements HB-33 31600	Capital Improvements SB-9- State 31700	Capital Improvements SB-9- Local 31701	Debt Service 41000	Total
\$ 2,651,937	\$ 479,688	\$ -	\$ 2,970,636	\$ 14,360,541
(275,454)	-	-	-	(2,422,115)
-	34,982	-	-	8,368,867
-	-	-	-	(6,397,058)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	6,100,484
<u>2,376,483</u>	<u>514,670</u>	<u>-</u>	<u>2,970,636</u>	<u>20,010,719</u>
5,821,522	-	3,126,827	9,373,331	98,574,841
-	-	-	-	-
349,956	630,006	-	220,772	15,730,702
-	-	-	-	-
-	-	-	-	-
<u>8,547,961</u>	<u>1,144,676</u>	<u>3,126,827</u>	<u>12,564,739</u>	<u>134,316,262</u>
(6,912,589)	(927,474)	(2,554,252)	(8,048,149)	(103,188,636)
-	-	-	-	-
-	-	-	-	(5,238,711)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(6,338,455)
<u>1,635,372</u>	<u>217,202</u>	<u>572,575</u>	<u>4,516,590</u>	<u>19,550,460</u>
-	-	-	(226,772)	(6,372,186)
-	-	-	(617)	(5,189)
-	(217,202)	217,202	-	-
351	-	-	-	11,009
-	-	-	-	2,913,697
<u>\$ 1,635,723</u>	<u>\$ -</u>	<u>\$ 789,777</u>	<u>\$ 4,289,201</u>	<u>\$ 16,097,791</u>
	Cash balance above			16,097,791
	Less: agency cash per Exhibit D-1			(585,016)
	Cash per Exhibit B-1			<u>\$ 15,512,775</u>
	Investment balance above			6,372,186
	Less: agency investment per Exhibit D-1			(502,192)
	Investments per Exhibit B-1			<u>\$ 5,869,994</u>



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION-SCHEDULES OF NET PENSION LIABILITY  
JUNE 30, 2017

Schedule IV

**Schedule of the District's Proportionate Share of the Net Pension Liability of  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\***

Fiscal Year Measurement Date	2017 2016	2016 2015	2015 2014
The District's proportion of the net pension liability (asset)	1.44930%	1.52265%	1.45804%
The District's proportionate share of the net pension liability (asset)	104,297,912	98,626,095	83,191,829
The District's covered-employee payroll	51,100,289	41,393,067	43,284,911
The District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	204.10%	238.27%	192.20%
Plan fiduciary net position as a percentage of the total pension liability.	61.58%	63.97%	66.54%

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

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION-SCHEDULES OF NET PENSION LIABILITY**  
**JUNE 30, 2017**

Schedule V

**Schedule of the District's Contributions**  
**Educational Retirement Board (ERB) Pension Plan**  
**Last 10 Fiscal Years\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,102,940	\$ 5,753,636	\$ 6,012,764
Contributions in relation to the contractually required contribution	<u>7,102,940</u>	<u>5,753,636</u>	<u>6,012,764</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's covered-employee payroll	\$51,100,289	\$41,393,067	\$43,284,911
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.89%

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

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION-SCHEDULES OF NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2017

**Notes to the Required Supplementary Information**

*Changes of Benefit Terms and Assumptions*

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

**COMPLIANCE SECTION**



# JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

## 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

Tim Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Board of Education  
Hobbs Municipal School District #33  
Hobbs, 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, the budgetary comparisons of the general fund and major special revenue funds, of the Hobbs Municipal School District #33 (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 the combining and individual funds of the District, presented as supplemental information, and have issued our report thereon dated November 8, 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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

2626 JBS Parkway  
Suite A-200  
Odessa, Texas 79761  
(432)362-3800

Two Fasken Center  
550 West Texas Avenue  
Midland Texas 79701  
(432) 683-1835  
125  
[www.jmcpa.com](http://www.jmcpa.com)

225 East Bender Boulevard  
P.O. Drawer 220  
Hobbs, New Mexico 88241  
(575) 393-2171

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items: FS2017-001, FS2017-002, FS2017-003, and FS2017-004.

### **The District's Response 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 entity's internal control or on compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Johnson, Miller & Co., CPA's

Hobbs, New Mexico  
November 8, 2017

**FEDERAL FINANCIAL ASSISTANCE**



# JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

Tim Keller  
New Mexico State Auditor  
The Office of Management and Budget and  
The Board of Education  
Hobbs Municipal School District #33  
Hobbs, New Mexico

### Report on Compliance for Each Major Federal Program

We have audited Hobbs Municipal School District #33's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material 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 auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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 with those requirements.

### Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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.

2626 JBS Parkway  
Suite A-200  
Odessa, Texas 79761  
(432)362-3800

Two Fasken Center  
550 West Texas Avenue  
Midland Texas 79701  
(432) 683-1835  
128  
[www.jmcpa.com](http://www.jmcpa.com)

225 East Bender Boulevard  
P.O. Drawer 220  
Hobbs, New Mexico 88241  
(575) 393-2171



## 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the New Mexico Public Education Department, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co., CPA's

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

Hobbs, New Mexico  
November 8, 2017

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 June 30, 2017

Schedule VI  
 (Page 1 of 2)

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Disbursements/ Expenditures	
<b>U.S. Department of Agriculture</b>				
<b><i>Direct U.S. Department of Education</i></b>				
Forest Reserve - General Fund	10.665	11000	\$ 59,706	
Food Distribution	10.553 & 10.555	21000	* 256,306	(1)
National School Lunch Act	10.553 & 10.555	21000	* 3,060,203	(1)
Total U.S. Department of Agriculture			<u>3,376,215</u>	
<b>U.S. Department of Education</b>				
<b><i>Passthrough - New Mexico Public Education Department</i></b>				
Title I - IASA	84.010	24101	1,632,937	(2)
Title I School Improvement	84.010A	24162	195,494	(2)
IDEA B Entitlement	84.027	24106	1,694,822	(3)
IDEA B Preschool	84.173	24109	38,032	(3)
New Mexico Autism Project	84.027A	24108	4,505	(3)
Title III - English Language Acquisition	84.365A	24153	* 304,087	
Title IIA -Teacher/Principal Training and Recruiting	84.367A	24154	212,964	
Carl Perkins Secondary	84.0480	24174	78,235	
Carl Perkins Redistribution (Vocational Education-Basic Grants to St:	84.048A	24176	8,411	
21st Century Community Learning Center (CCLC)	84.287C	24119	* 1,087,095	
Total U.S. Department of Education			<u>5,256,582</u>	
Total Federal Financial Assistance			<u>\$ 8,632,797</u>	

\* Major program  
 ( ) Denotes Clusters

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2017

Schedule VI  
(Page 2 of 2)

**NOTE 1 - Basis of Presentation of Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hobbs Municipal School District #33 and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the 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). Therefore, some amounts presented in, or used in the preparation of the governmental fund financial statements may not be consistent with amounts used in the Schedule of Expenditures of Federal Awards.

**NOTE 2 - Non-Cash Federal Assistance**

The District receives USDA Commodities for use in sponsoring the National School Lunch and Breakfast programs. The value of commodities received for the year ended June 30, 2017 was \$256,306 and is reported in the Schedule of Expenditures of Federal Awards under the Department of Agriculture Commodities program, CFDA number 10.555.

**NOTE 3 - 10% de minimus Indirect Cost Rate**

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

**NOTE 4 - Loans**

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

See accompanying independent auditors' report.

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2017

**A. SUMMARY OF AUDIT RESULTS****Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   x   No

Significant deficiency(ies) identified that are not considered to be material weakness(es):        Yes   x   No

Noncompliance material to financial statements noted?        Yes   x   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes   x   No

Significant deficiency(ies) identified that are not considered to be material weakness(es):        Yes   x   No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?        Yes   x   No

## Identification of major programs:

CFDA Number(s)  
10.553 & 10.555  
84.287C  
84.365A

Name of Federal Program or Cluster  
Child Nutrition Cluster  
21<sup>st</sup> Century Community Learning Centers  
Title III English Language Acquisition

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?   x   Yes        No

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2017

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

2017-001 – Internal Control over Deposits – Findings that do not rise to the level of a significant deficiency

***Condition***

During our testwork we noted two out of forty receipts tested in the amounts of \$3,826 and \$70, were not deposited in the bank within 24 hours which appear to be isolated instances.

***Criteria***

Section 6.20.2.14 NMAC requires all money received to be deposited in the bank within 24 hours or one banking day.

***Effect***

The District is not in compliance with State compliance requirements. Additionally, lack of oversight over deposits can cause a risk of fraud from theft, misplacement, or misappropriation in addition to not having funds available for expenditures.

***Cause***

The District has not implemented internal control procedures to ensure that all campuses within the District are depositing money within 24 hours of being received.

***Recommendation***

We recommend that the District implement and enforce internal controls to ensure that cash receipts are being deposited within 24 hours to be in compliance with state regulations and to safe guard assets.

***Agency Response***

Responsible person(s) for correcting the finding include the Director of Finance, school secretaries, school Principals, and any other district employee that handles money.

Timeline for implementation: Immediately 11/6/17

The Director of Finance will send out an email to Leadership and Secretaries reminding them of the importance of meeting the 24 hour deposit rule.

The Director of Finance will also complete random checks of deposits that come back from the bank to ensure compliance with the 24 hour deposit rule. The first violation an email will be sent to the Principal, the second violation an email will be sent to the Principal and appropriate Administrator (Deputy Assistant Superintendent) and the third violation will be an email to the Principal, Administrator, and the Superintendent.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

2017-002 – Improper Account Coding – Findings that do not rise to the level of a significant deficiency

***Condition***

During our testwork of accounts receivable we noted that management had improperly coded revenue in the amount of \$14,454 to federal fund 24106 instead of 24101 and provided us with the incorrect fund to record the receivable. This appears to be an isolated instance.

***Criteria***

Section 6.20.2.11 of NMAC Internal Control Standards state that “each school district will devise, establish and maintain a written structure of internal administrative and accounting controls to provide independent performance checks and proper valuation of recorded amounts such as clerical checks, reconciliations comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports will be performed.”

***Effect***

When controls over the preparation of the financial statements and related disclosures are not designed, implemented and operating effectively, an entity’s ability to prevent or detect a misstatement in its financial statements is limited. Additionally, the District will have accrued revenue to the incorrect fund and would require the restatement of the fund in the next fiscal year to be able to present the financial statements in conformity with generally accepted accounting principles.

***Cause***

The District did not implement review procedures including varied error-checking routines to ensure that the accrual entries provided in order to prepare the financial statements in accordance with generally accepted accounting principles were correct.

***Recommendation***

We recommend the District implement sound accounting practices in performance of duties and functions to include varied error-checking routines that may be performed in connection with record keeping and by comparing recorded amounts with existing budgets. Furthermore, the District should review and improve procedures to ensure that receipts are being recorded accurately.

***Agency Response***

Responsible person(s) for correcting the finding include the Director of Finance.

Timeline for implementation: Immediately 11/6/17

The Director of Finance will review these lists and the will have a second person, that did not complete the list, double check fund numbers for accuracy. This is simply a typo and so the double checking and reviewing by an uninvolved person should ensure this doesn’t happen again.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

2017-003 – Financial Reports – Other noncompliance

***Condition***

The School District is not posting the financial reports on the School Districts website as required under the Public School Finance Act.

***Criteria***

22-8-13.2.B NMSA 1978 states "School districts and charter schools shall post the reports required under Subsection A of this section on the school district's or charter school's web site.

***Effect***

The District is not in compliance with the Public School Finance Act in posting their financial reports to provide transparency related to public information.

***Cause***

The School did not post the required financial information on the District's website and were unaware of the requirement.

***Recommendation***

We recommend the District post, on their website, the Board approved financial reports as required to be in compliance with the Public School Finance Act.

***Agency Response***

Responsible person(s) for correcting the finding include the Director of Finance.

Timeline for Implementation: Immediately 11/6/17

The Director of Finance will begin posting the Financial statements as required on the Hobbs Municipal Schools website every month after they are approved by the School Board. These will be posted on hobbsschools.net under the department/finance section.

**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)**

2017-004 –Internal Control over Financial Reporting – Findings that do not rise to the level of a significant deficiency

***Condition***

In fiscal year end 2016, the District provided the amount of \$3,987 to be accrued as accounts payable for fund 24163 and \$1,712 to be accrued in payroll for fund 27189. During 2017, the client made journal entries to move the expense from fund 24163 to be paid out of the 11000 Operational fund and moved expenses from fund 27189 to 26215. The District was also required to revert funds, in the amount of \$43,612, back to PED for fund 13000 due to timing issues in the purchase of a vehicle which resulted in a restatement.

***Criteria***

Section 22-8-11 of NMSA 1978 states “No school district or charter school or officer or employee of a school district or charter school shall make any expenditure or incur any obligation for the expenditure of public funds unless that expenditure or obligation is made in accordance with an operating budget approved by the department.”

***Effect***

Potential misstatements or unallowable expenditures will be charged to funds that will be required to be paid out of the Operational fund.

***Cause***

The District is not reviewing charges made to funds and is not reviewing the budget authority before posting expenditures to funds. The District is not implementing review procedures for accrual amounts.

***Recommendation***

We recommend that the District implement procedures to review the accruals and ensure all accrual adjustments are properly identified and posted to the correct fund with sufficient budget authority to prevent further restatements.

***Agency Response***

Responsible person(s) for correcting the finding include the Director of Finance.

Timeline for implementation: Immediately 11/6/17

These two funds (24163 and 27189) were funds that we had received in the past but not in the 16-17 year. In the future, we will make double check the payables list to make sure that there are no funds and expenses that need to be moved prior to financial statements in which they first occur.

In regards to the vehicle, this was a vehicle that was delivered on 6/26/16 but was paid for 7/6/16. Even though the vehicle was delivered prior to the 6/30 cut off for payables, PED applied that to the next year’s budget. In the future, we will not order vehicles so close to the end of the fiscal year so that the delivery and payment do not cross years.



**STATE OF NEW MEXICO**  
HOBBS MUNICIPAL SCHOOL DISTRICT #33  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017

**D. PRIOR YEAR AUDIT FINDINGS**

2012-005	Internal Controls Over Inventory – Other Matter	Resolved
2016-001	ERB & RHC – Other Matter	Resolved
2016-002	Disposition of Inventory – Other Matter	Resolved
2016-003	Actual Expenditures Exceed Budgeted Expenditures – Other Matter	Resolved

**STATE OF NEW MEXICO**  
**HOBBS MUNICIPAL SCHOOL DISTRICT #33**  
**OTHER DISCLOSURES**  
Year Ended June 30, 2017

**AUDITOR PREPARED FINANCIAL STATEMENTS**

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

**EXIT CONFERENCE**

The contents of this report and its schedules were discussed on November 8, 2017.

The following persons were in attendance:

Hobbs Independent School District No. 33

TJ Parks, Superintendent  
Kerri Gray, Director of Finance  
Gary Eidson, Board Member  
Peggy Appleton, Board Member  
Lori Hernandez, Parent Representative

Johnson, Miller & Co., CPA's

Mary Hinds, CPA  
Jennifer Burrola