

**STATE OF NEW MEXICO  
HONDO VALLEY PUBLIC SCHOOLS  
AUDITED FINANCIAL STATEMENTS AND  
OTHER FINANCIAL INFORMATION  
JUNE 30, 2015**

**Dan Austin CPA, PC  
Certified Public Accountants**

**State of New Mexico  
Hondo Valley Public Schools  
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**INTRODUCTORY SECTION**

**State of New Mexico  
Hondo Valley Public Schools  
Official Roster  
June 30, 2015**

**BOARD OF EDUCATION:**

Donna Brady	President
Jim Cooper	Vice-President
Justine Ortiz	Secretary
Coda Omness	Member
Philbert Candelaria	Member

**SCHOOL OFFICIALS:**

Craig Washnok	Interim Superintendent
Mary Prudencio	Business Manager

# FINANCIAL SECTION



**Dan Austin CPA, P.C.**  
**700 Mechem Drive Ste. 15**  
**Ruidoso, New Mexico 88345**

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**INDEPENDENT AUDITOR'S REPORT**

Mr. Tim Keller  
New Mexico State Auditor  
Board of Education  
Hondo Valley Municipal Schools

**Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue funds of the Hondo Valley Public Schools, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Hondo Valley Public Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Hondo Valley Public Schools non-major governmental and fiduciary funds and the budgetary comparisons for the Major Capital Project and Debt Services Funds and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015 as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hondo Valley Public Schools, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Hondo Valley Public Schools, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the MD&A which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for the Pension Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical contest. 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 Hondo Valley Public Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The schedules required by 2.2.2 NMAC are presented for purpose of additional analysis and are not required part of the basic financial statements. The schedules required by 2.2.2 NMAC are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of the Hondo Valley Public Schools 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 Hondo Valley Public Schools internal control over financial reporting and compliance.

 Dan Austin CRA, PC

December 17, 2015  
Ruidoso, New Mexico

State of New Mexico  
Hondo Valley Public Schools  
Statement of Net Position  
June 30, 2015

	Primary Governmental Activities
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 567,748
Taxes Receivable	24,153
Due from Grantor	124,839
Inventory	<u>3,405</u>
Total Current Assets	<u>720,145</u>
<b>Noncurrent Assets</b>	
Net Capital Assets	<u>3,760,247</u>
Total Noncurrent Assets	<u>3,760,247</u>
<b>Total Assets</b>	<u>4,480,392</u>
<b>Deferred Outflows of Resources</b>	
Post Measurement Date Contributions-Employer	186,458
Change in Assumption-Net Pension Liability	<u>-</u>
Total Derferred Outflows of Resources	<u>186,458</u>
<b>Total Assets and Deferred Outflows</b>	<u>\$ 4,666,850</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Interest Payable	\$ 22,922
Current Portion Of Long Term Debt	<u>205,000</u>
Total Current Liabilities	<u>227,922</u>
<b>Noncurrent Liabilities</b>	
General Obligation Bonds Payable	1,495,000
Net Pension Liability	<u>2,666,852</u>
Total Noncurrent Liabilities	<u>4,161,852</u>
<b>Total Liabilities</b>	<u>4,389,774</u>
<b>Deferred Inflows of Resources</b>	
Actuarial Experience-Net Pension Liability	39,729
Investment Experience-Net Pension Liability	242,444
Change in Proportion-Net Pension Liability	82,474
Deferred Inflows Relating-Grants	12,115
Deferred Inflows Relating-Property Taxes	<u>14,247</u>
<b>Total Deferred Inflows of Resources</b>	<u>391,009</u>
<b>Net Position</b>	
Invested In Capital Assets	3,760,247
Restricted For:	
Debt Service	210,538
Capital Projects	307,532
Other Purposes	51,524
Unrestricted (Deficit)	<u>(4,443,774)</u>
<b>Total Net Position</b>	<u>(113,933)</u>
<b>Total Liabilities, Deferred Inflows And Net Position</b>	<u>\$ 4,666,850</u>

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Activities**  
**For The Year Ended June 30, 2015**

	Expenses	Program Revenues			Net Program (Expense) Revenue and Changes In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
<b>Governmental Activities:</b>					
Direct Instruction	\$ 1,139,632	\$ -	\$ -	\$ -	\$ (1,139,632)
Instructional Support	401,904	-	192,851	-	(209,053)
Administration	290,855	-	-	-	(290,855)
Business/Support Services	84,252	-	-	-	(84,252)
Operation Maintenance Plant	478,779	-	-	-	(478,779)
Food Services	126,510	2,678	61,065	-	(62,767)
Athletics	24,543	21,398	-	-	(3,145)
Pupil Transportation	185,776	-	187,413	-	1,637
Capital Outlay	104,712	-	-	82,987	(21,725)
Bond Issue Costs	45,015	-	-	-	(45,015)
Interest and Amortization On Long-Term Debt	61,735	-	-	-	(61,735)
<b>Total Primary Government</b>	<b>\$ 2,943,713</b>	<b>\$ 24,076</b>	<b>\$ 441,329</b>	<b>\$ 82,987</b>	<b>(2,395,321)</b>

**General Revenues:**

Property Taxes	
Levied for General Purposes	18,423
Levied for Debt Service	224,850
Levied for Capital Projects	69,778
State Equalization Guarantee	1,870,415
Other State Sources	109,665
Investment Income	48
<b>Total General Revenues</b>	<b>2,293,179</b>
Change In Net Position	(102,142)
Net Position - Beginning	2,863,687
Restatement	(2,875,478)
Net Position - Restated	(11,791)
Net Position - Ending	\$ (113,933)

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	Special Revenue		Special Revenue	Capital Outlay	Debt Service	Other Non Major Governmental Funds	Totals
	General Fund	IASA Title I Fund	SB-9 Fund	Bond Building Fund	Debt Service Fund		Governmental Funds
<b>Assets</b>							
Cash	\$ 11,709	\$ -	\$ 74,008	\$ 228,579	\$ 192,394	\$ 61,058	\$ 567,748
Grants Receivable	-	35,216	-	-	-	89,623	124,839
Taxes Receivable	1,244	-	4,945	-	17,964	-	24,153
Due From Other Funds	105,053	-	-	-	-	-	105,053
Inventory	-	-	-	-	-	3,405	3,405
<b>Total Assets</b>	<b>\$ 118,006</b>	<b>\$ 35,216</b>	<b>\$ 78,953</b>	<b>\$ 228,579</b>	<b>\$ 210,358</b>	<b>\$ 154,086</b>	<b>\$ 825,198</b>
<b>Liabilities And Fund Balances</b>							
<b>Liabilities</b>							
Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,247	\$ 14,247
Due To Other Funds	-	16,738	-	-	-	88,315	105,053
<b>Total Liabilities</b>	<b>-</b>	<b>16,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,562</b>	<b>119,300</b>
<b>Fund Balances</b>							
Non-spendable	-	-	-	-	-	-	-
Restricted-Special Revenue	-	-	-	-	-	51,524	51,524
Restricted-Capital Outlay	-	-	78,953	228,579	-	-	307,532
Restricted- For Debt Service	-	-	-	-	210,358	-	210,358
Unassigned For: General Fund	118,006	18,478	-	-	-	-	136,484
<b>Total Fund Balances</b>	<b>118,006</b>	<b>18,478</b>	<b>78,953</b>	<b>228,579</b>	<b>210,358</b>	<b>51,524</b>	<b>705,898</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 118,006</b>	<b>\$ 35,216</b>	<b>\$ 78,953</b>	<b>\$ 228,579</b>	<b>\$ 210,358</b>	<b>\$ 154,086</b>	<b>\$ 825,198</b>

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Reconciliation of the Balance Sheet of Funds**  
**to Statement of Net Position**  
**June 30, 2015**

Total Governmental Fund Balance	\$ 705,898
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,760,247
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Interest payable on GO bond debt is not recorded as liability on the governmental funds	(22,922)
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Net Deferred Outflows and Inflows related to Pensions	(178,189)
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Deferred revenues not current	(12,115)
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Long-term liabilities, including bonds and pensions payable, are not due and payable in the current period and therefore are not reported in the funds.

Pensions	(2,666,852)
Bonds	<u>(1,700,000)</u>

Net Position of Governmental Activities	<u>\$ (113,933)</u>
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**The accompanying notes are an integral part of the financial statements.**

State of New Mexico  
Hondo Valley Public Schools  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For The Year Ended June 30, 2015

Fund

	General Fund	Special Revenue IASA Title I Fund	Special Revenue SB-9 Fund	Capital Outlay Bond Building Fund	Debt Service Fund	Other Non Major Governmental Funds	Totals Governmental Funds
<b>Revenues</b>							
Federal Sources	\$ 7,195	\$ 115,562	\$ -	\$ -	\$ -	\$ 156,549	\$ 279,306
State Sources	2,067,219	-	-	-	-	141,628	2,208,847
Local Sources	34,426	-	69,778	-	236,965	24,316	365,485
Investment Income	48	-	-	-	-	-	48
Total Revenues	<u>2,108,888</u>	<u>115,562</u>	<u>69,778</u>	<u>-</u>	<u>236,965</u>	<u>322,493</u>	<u>2,853,686</u>
<b>Expenditures</b>							
Current:							
Direct Instruction	1,170,069	-	-	-	-	-	1,170,069
Instructional Support	214,597	72,450	-	-	-	114,857	401,904
Administration	288,511	-	-	-	2,344	-	290,855
Business/Support Services	84,252	-	-	-	-	-	84,252
Operation Maintenance Plant	197,726	-	56,520	-	-	-	254,246
Food Services	50,490	-	-	-	-	76,020	126,510
Athletics	-	-	-	-	-	24,543	24,543
Pupil Transportation	185,776	-	-	-	-	-	185,776
Capital Outlay	-	-	-	104,712	-	82,987	187,699
Debt Service:							
Principal	-	-	-	-	175,000	-	175,000
Interest	-	-	-	-	54,197	-	54,197
Total Expenditures	<u>2,191,421</u>	<u>72,450</u>	<u>56,520</u>	<u>104,712</u>	<u>231,541</u>	<u>298,407</u>	<u>2,955,051</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(82,533)</u>	<u>43,112</u>	<u>13,258</u>	<u>(104,712)</u>	<u>5,424</u>	<u>24,086</u>	<u>(101,365)</u>
<b>Other Financing Sources (Uses):</b>							
Bond Proceeds	-	-	-	300,000	-	-	300,000
Bond Issue Costs	-	-	-	(45,015)	-	-	(45,015)
Operating Transfers, Net	1,753	-	91	-	-	(1,844)	-
Total Other Financing Sources (Uses)	<u>1,753</u>	<u>-</u>	<u>91</u>	<u>254,985</u>	<u>-</u>	<u>(1,844)</u>	<u>254,985</u>
<b>Net Change In Fund Balances</b>	<b>(80,780)</b>	<b>43,112</b>	<b>13,349</b>	<b>150,273</b>	<b>5,424</b>	<b>22,242</b>	<b>153,620</b>
<b>Fund Balances (Deficit)</b>							
<b>At Beginning Of Year</b>	<u>198,786</u>	<u>(24,634)</u>	<u>65,604</u>	<u>78,306</u>	<u>204,934</u>	<u>29,282</u>	<u>552,278</u>
<b>Fund Balances (Deficit)</b>							
<b>At End Of Year</b>	<u>\$ 118,006</u>	<u>\$ 18,478</u>	<u>\$ 78,953</u>	<u>\$ 228,579</u>	<u>\$ 210,358</u>	<u>\$ 51,524</u>	<u>\$ 705,898</u>

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to**  
**the Statement of Activities**  
**June 30, 2015**

**Net Change in Fund Balances - Total Governmental Funds** \$ 153,620

**Amounts reported for governmental activities in the**  
**statement of activities are different because:**

Bond proceeds not recorded as revenue on the  
 Statement of Activities (300,000)

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities, the cost of those  
 assets are allocated over their estimated useful lives as  
 as depreciation expense. This is the amount by which depreciation  
 was more than the capital outlay in the current period:
 

Capital Outlay	\$ 82,987	
Depreciation	<u>(224,533)</u>	(141,546)

Deferred revenue on the governmental funds are recognized  
 as current revenue on the government wide statements 18,322

Repayment of bond and other debt principal is an expenditure in the  
 governmental funds, but the repayment reduces long-term liabilities in the  
 statement of net assets. 175,000

In the statement of activities, interest is accrued on outstanding bonds,  
 whereas in governmental funds, an interest expenditure is reported when due. (7,538)

Change in Net Position of Governmental Activities \$ (102,142)

**The accompanying notes are an integral part of the financial statements.**



State of New Mexico  
Hondo Valley Public Schools  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Non-GAAP)  
General Fund  
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues:</b>				
Federal Sources	\$ -	\$ 644	\$ 7,195	\$ 6,551
State Sources	2,103,024	2,116,769	2,067,219	(49,550)
Local Sources-Taxes	16,365	16,365	17,179	814
Local Sources-Other	-	9,981	17,755	7,774
Other	40	40	48	8
<b>Total Revenues</b>	<b>2,119,429</b>	<b>2,143,799</b>	<b>2,109,396</b>	<b>(34,403)</b>
<b>Expenditures:</b>				
Direct Instruction	1,211,977	1,222,462	1,170,068	52,394
Instructional Support	226,947	217,090	214,597	2,493
Administration	261,550	307,775	288,511	19,264
Business Support Services	80,537	84,832	84,252	580
Operation Maintenance Plant	249,047	219,949	197,726	22,223
Food Services	53,800	53,800	50,490	3,310
Athletics	-	-	-	-
Non-Instructional Support	-	-	-	-
Pupil Transportation	215,845	215,845	185,776	30,069
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<b>2,299,703</b>	<b>2,321,753</b>	<b>2,191,420</b>	<b>130,333</b>
Excess (deficiency) of revenues over expenditures	(180,274)	(177,954)	(82,024)	95,930
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	(180,274)	(177,954)	(82,024)	\$ 95,930
Prior Year End Cash	126,698	126,698		
End of Year Cash Balance	\$ (53,576)	\$ (51,256)	-	
Adjustments to reconcile to GAAP Basis:				
Changes in Taxes Receivable			1,244	
Net Change in fund balance GAAP Basis			\$ (80,780)	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-IASA Title I (Fund 24101)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Federal Sources	\$ 72,806	\$ 75,475	\$ 80,346	\$ 4,871
Interest Income	-	-	-	-
Other	-	-	-	-
<b>Total Revenues</b>	<u>72,806</u>	<u>75,475</u>	<u>80,346</u>	<u>4,871</u>
<b>Expenditures:</b>				
Direct Instruction	-	-	-	-
Instructional Support	72,806	75,475	72,450	3,025
Community Services	-	-	-	-
<b>Total Expenditures</b>	<u>72,806</u>	<u>75,475</u>	<u>72,450</u>	<u>3,025</u>
Excess (deficiency) of revenues over expenditures	-	-	7,896	7,896
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	7,896	<u>\$ 7,896</u>
Cash Balance at beginning of year	-	-		
Cash balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
<b>Adjustments to reconcile to GAAP Basis:</b>				
Change in Deferred Revenue			-	
Change in Grants Receivable			<u>35,216</u>	
<b>Net Change in fund balance GAAP Basis</b>			<u>\$ 43,112</u>	

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

**State of New Mexico  
Hondo Valley Public Schools  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2015**

**ASSETS**

Cash	\$ <u>27,855</u>
Total Assets	\$ <u>27,855</u>

**Liabilities**

Liabilities:	
Due to School Groups	\$ <u>27,855</u>
Total Liabilities	\$ <u>27,855</u>

**The accompanying notes are an integral part of the financial statements.**

**STATE OF NEW MEXICO  
HONDO VALLEY PUBLIC SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1. FUNCTION OF THE ENTITY**

The Hondo Valley Public Schools (the District) is a public school district, the function of which is to provide primary and secondary educational services for all eligible children ages 3-21 within designated district boundaries. The powers and duties of the local school board are governed by the provisions of Article 5, Chapter 22 of New Mexico Statutes Annotated, 1978. The School District operates under a five member school board form of government.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The school board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years. The District operates five schools within the District with a total enrollment of approximately 200 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

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

During the year ended June 30, 2015, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

*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 exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

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

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

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

#### *B Government-wide and fund financial statements*

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered

to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The government reports the following governmental funds:

The *General Fund*(11000,13000,14000) is the government's primary operating funds. 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 *Title I - IASA Special Revenue Fund (24101)* is used to provide supplemental educational opportunity for academically disadvantaged children residing in the area. Campuses are identified for program participation by the percentage of students on free or reduced price lunches. Any school with a free and reduced price lunch percentage that is equal to or greater than the total district percentage becomes eligible for program participation. Any student whose test scores fall below District established criteria and who is attending a Title I campus is eligible to receive Title I services. Poverty is the criteria that identify a campus; educational need determines the students to be served. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Public Education Department. Authority for creation of this fund is Part A of Chapter I of Title I of Elementary and Secondary Education Act (ESEA) of 1965, as amended, Public Law 103-383

*Bond Building Fund (31100)* The revenues are derived from School Bond Building Issues. Expenditures are restricted to capital improvements.

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

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

Additionally, the District reports the following agency fund:

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

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

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

#### *D. Assets, Liabilities and Net Position or Fund Equity*

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

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

Investments for the District are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of June 30, 2015, the District does not have any investments.

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

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

The District receives monthly income from a tax levy in Lincoln County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2015 is considered 'measurable and available' and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2015. Period of availability is deemed to be sixty days subsequent to year end.

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

**Inventory:** Hondo Valley Public Schools values inventory at lower of cost or market value. The method that the District uses is the consumption approach. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue 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 government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information

Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

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

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

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

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

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

Buildings and improvements	20-40 years
Equipment	3-7 years
Land improvements	20-40 years

**Deferred Inflow of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has records revenues related to property taxes considered "unavailable." In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, Actuarial experience and Investment experience are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Deferred Outflows of Resources:** In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has two types of items that qualify for reporting in this category. Accordingly, the items, change in proportion to the employer contributions subsequent to measurement dates. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as outflows of resources the next period.

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as a other financing source while discounts on debt issuances are reported as other financing uses.

**Fund Balance Classification Policies and Procedures:** The District has implemented GASB No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the District's highest level of decision-making authority is the Board of Education. The formal action that is required to be taken to establish a fund balance commitment is the Board of Education.

or 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



**Nonspendable Fund Balance:** At June 30, 2015, the nonspendable fund balance of the District is comprised of inventory in the food service fund in the amount of \$3,405, of which is considered not in spendable form.

**Restricted and Committed Fund Balance** At June 30, 2015, the restricted fund balance on the governmental funds balance sheet is made up of \$51,524 for providing education to the students of the District, \$307,532 for the renovation and/or expansion of District facilities, \$210,538 for the payment of principal and interest of the future debt service requirements.

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

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

a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described in the debt section of this report.

c. Unrestricted Net Position: All other net positions that do 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 estimated useful lives, net pension liability, and the current portion of accrued compensated absences.

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

#### **Revenues:**

**State Equalization Guarantee:** School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each District to ensure that the District's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the District's program cost". A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$1,,870,415, in state equalization guarantee distributions during the year ended June 30,2015.

**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. Lincoln County collects county, city and school taxes and distributes some to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$320,869 in tax revenues in the governmental fund financial statements during the year ended June 30, 2015. 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 twelve attending public school within the school district. The District received \$187,413 in transportation distributions during the year ended June 30, 2015.

**Instructional Materials:** The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various Districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the Public Education Department "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2015 totaled \$9,391. Allocations received and utilized are reflected in revenues and expenditures of the General Fund.

**SB-9 State Match:** The Director shall distribute to any school district that has imposed a tax under the Public School Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of Section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the District under the Public School Capital Improvements Act. The distribution shall be made by December 1 of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. However, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure shall be reduced as necessary. The District received \$0 in state SB-9 matching during the year ended June 30, 2015.

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

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

### *Budgetary Information*

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

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

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

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

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

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

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.

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.

The school board meeting is open for the general public unless a closed meeting has been called.

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.

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.

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.

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.

Legal budget control for expenditures is by function.

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.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

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

**NOTE 3 LONG-TERM DEBT**

A summary in changes in long-term obligations follows:

	Balance 6/30/14	Additions	(Reductions)	Balance 6/30/15	Due Within One Year
\$300,000 2015 GO Bonds due in semi-annual interest payments, matures in June, 2025, interest rate 3.00 %	\$ -	\$ 300,000	\$ -	\$ 300,000	\$ -
\$300,000 2012 GO Bonds due in semi-annual interest payments, matures in January 2022, interest at 5.15 to 5.95%	290,000		(10,000)	280,000	10,000
\$450,000 2011 GO Bonds due in semi-annual interest payments, matures in June, 2019, interest rates 3.7 to 4.0.%	450,000		-	450,000	
\$250,000 2010 GO Bonds due in semi-annual interest payments, matures in June, 2019, interest rates 3.00 to 3.7.%	250,000		-	250,000	25,000
\$250,000 2009 GO Bonds due in semi-annual interest payments, matures in June, 2019, interest rates 3.25 to 4.1.%	125,000		(25,000)	100,000	25,000
\$400,000 2006 GO Bonds due in semi-annual interest payments, matures in October 2016, interest at 4.0 to 4.25%	215,000		(70,000)	145,000	90,000
\$300,000 2005 GO Bonds due in semi-annual interest payments, matures in August 2017, interest at 4.1 to 4.25%	230,000	-	(55,000)	175,000	55,000
\$165,000 2002 GO Bonds due in semi-annual interest payments, matures in July 2014, interest at 3.875 to 5.15%	15,000	-	(15,000)	-	-
<b>Total Long-Term Obligations</b>	<b>\$ 1,575,000</b>	<b>\$ 300,000</b>	<b>\$ (175,000)</b>	<b>\$ 1,700,000</b>	<b>\$ 205,000</b>

The annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are shown below:

Fiscal Year Ended June 30, 2013	Principal	Interest	Total
2016	205,000	55,013	260,013
2017	250,000	49,465	299,465
2018	260,000	41,156	301,156
2019	200,000	33,265	233,265
2020	210,000	24,665	234,665
2021-2026	575,000	51,860	626,860
	<b>\$ 1,700,000</b>	<b>\$ 255,424</b>	<b>\$ 1,955,424</b>

Property tax revenue recorded in the Debt Service Fund has been used to retire debt liabilities.

The reconciliation of Long-Term Debt above is reported in the Statement of Net Assets can be reconciled as follows:

Total Long-Term Debt	\$ 1,700,000
Current Portion of Long-Term Debt	<u>(205,000)</u>
Long-Term Debt 6-30-2013	<u>\$ 1,495,000</u>

The legal debt margin is specified by Article IX Section 11 of the Constitution of the State of New Mexico as not greater than 6% of the assessed value of the taxable property within the School District. Based on this criterion, the maximum general obligation debt permissible is \$2,037,892.

**NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES**

**A. CASH**

State statutes authorize the investment of school district funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, and money market accounts. The District is also allowed to invest in United States Government obligations; however, they have never taken this opportunity. All funds of the District must follow the above investment policies.

Deposits of funds may be in interest or non-interest bearing checking accounts in one or more banks or saving and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency for the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall not 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 the United States treasury bills of the same maturity on the day of deposit. Excess of funds may be temporarily invested in securities which are issued by the state or by the United States government, or by their departments or agencies and which are either direct obligations for the state or the United States or are backed by the full faith and credit of those governments.

Statutes require depositories to pledge collateral against deposits in excess of the federal deposit insurance. Collateral is required in the amount of fifty percent of the uninsured deposits and requires securities to be delivered, or a joint safekeeping receipt be issued, to the local school district by the depository institution. The Schedule of Deposits and Security Requirements on **page 75** discloses the details deposits and securities of the district. Per the schedule noted above, total deposits not insured by the FDIC amounted to \$439,405 requiring that depositories to pledge securities. Depositories pledged securities as of June 30, 2015, the fair market value of pledged securities amounted to \$317,475 or an excess of \$97,773.

At June 30, 2015 the carrying amount of the District's deposits with financial institutions was \$595,603 and the bank balances were \$719,030. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are: a. Uncollateralized, b. Collateralized with securities held by the pledging financial institution, or c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. At June 30, 2015, \$121,930 of the District's bank balances of \$719,030 was exposed to custodial credit risk.

**B. INTERFUND TRANSACTIONS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year.

Due From	Due To			Totals
	General		Other	
	Fund			
Title I	\$ (16,738)	\$ 16,738	\$ -	\$ -
Principle Training	(4,728)	4,728	-	-
Rural Ed	(405)	405	-	-
Library GO	(195)	195	-	-
School Bus	(82,987)	82,987	-	-
<b>Totals</b>	<b>\$ (105,053)</b>	<b>\$ 105,053</b>	<b>\$ -</b>	<b>\$ -</b>

Transfers are used to move revenues from the fund that collects them to the fund that budgets them. Interfund transfers have been eliminated in the government-wide financial statements.

### C. Capital Assets

Capital activity as of June 30, 2015 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$ 89,628	\$ -	\$ -	\$ 89,628
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>89,628</u>	<u>-</u>	<u>-</u>	<u>89,628</u>
Buildings and improvements	5,659,947	-	-	5,659,947
Equipment	<u>1,564,991</u>	<u>82,987</u>	<u>-</u>	<u>1,647,978</u>
Total capital assets being depreciated	<u>7,224,938</u>	<u>82,987</u>	<u>-</u>	<u>7,307,925</u>
Less accumulated depreciation for:				
Buildings and improvements	2,070,301	146,994	-	2,217,295
Equipment	<u>1,342,472</u>	<u>77,539</u>	<u>-</u>	<u>1,420,011</u>
Total accumulated depreciation	<u>3,412,773</u>	<u>224,533</u>	<u>-</u>	<u>3,637,306</u>
Total capital assets being depreciated, net	<u>3,812,165</u>	<u>(141,546)</u>	<u>-</u>	<u>3,670,619</u>

Government activities depreciation expense was charged to the operation maintenance plant function.

### NOTE 5. OTHER NOTES

#### A. Risk Management

The Hondo Valley Public School District is subject to risk of loss through areas of general liability, workers compensation, and natural disaster. To minimize the risk of financial loss, the school participates in the New Mexico Public School Insurance Authority (a risk pool of all education agencies within the State of New Mexico). The New Mexico Public School Insurance Authority acts as a common carrier of insurance. The assumption of risk is upon the payment of premiums by the school to the New Mexico Public Insurance Authority and lies with the Authority. Premiums are reevaluated annually by the Authority and the District's risk is limited to premiums paid and respective deductibles.

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 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, 20015, there have been no claims that have exceeded insurance coverage.

## **B. Retiree Health Care Act Contributions**

### **Post-Employment Benefits-State Retiree Healthcare Plan**

*Plan description:* Hondo Valley Public Schools 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 Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRIICA effective date, in which event the time period required for the employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement: or (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 RCHA 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 RCHA or viewed on their website at [www.nmrhca.stal.nm.us](http://www.nmrhca.stal.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1: municipal police member coverage plan 3, 4 or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention office member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978, at the first session of the Legislature following July 1, 2015, 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 contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$26,819, \$25,812 and \$26,119, respectively, which equal the required contributions for each year.

### C. ERB Pension Plan

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

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

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

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

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

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

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

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

**Contributions.** The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$186,456 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013.



The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the District reported a liability of \$ 2,666,852 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District's proportion was 0.04674 percent, which was a decrease of 0.00177 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$186,458. At the June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
Change of assumptions	\$ -	\$ 39,729
Net Difference between projected and actual earnings on pension investments	-	242,444
Changes in proportion and differences between the District's contributions and proportionate share of contributions	-	82,474
District's contributions subsequent to the measurement date	<u>186,458</u>	<u>-</u>
Total	<u>\$ 186,458</u>	<u>\$ 364,647</u>

\$186,458 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ended June 30	
2016	\$ 103,038
2017	103,038
2018	97,947
2019	<u>60,607</u>
Total	<u>\$ 364,630</u>

*Actuarial assumptions.* As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.

Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.

COLAs for most retirees are reduced until ERB attains a 100% funded status.

These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contributions rates included in the measurement are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30,2012 to June 30,2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30-year return assumptions are summarized in the following table:

Asset Class	Long-Term Expected	2013
	Real Rate of	Long-Term Expected
	Real Rate of	Real Rate of Return
Cash	1.50%	.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.** The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2014. In particular, the table presents the (employer's) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,628,559	\$ 2,666,852	\$ 1,863,678

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and June 30, 2013 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** The Hondo Valley Public Schools remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2015 the District owed the ERB \$0 for the contributions withheld in the month of June 2015.

**D. Federal Grants**

The District receives indirect cost allocations for the various federal programs it administers. These reimbursements are for costs incurred for administrative functions on behalf of the federal programs. Indirect costs are budgeted and reported as federal revenue in the general fund and revenue and expenditures in the federal project funds.

Unexpended portions of federal monies received for these programs are recognized as deferred grant revenue at year end. These funds are not realized as revenue until expended by the District. Amounts expended in excess of federal monies received are reported as accounts receivable.

**E. Memorandum of Understanding**

Eastern New Mexico University - Ruidoso Dual Enrollment Agreement

**Purpose:** Eastern New Mexico University - Ruidoso will provide higher education to qualified Hondo Valley Public Schools High School junior and senior students in both technical and arts and science courses.

**Participants:** Eastern New Mexico University - Ruidoso and Hondo Valley Public Schools.

**Responsibility:** Hondo Valley Public Schools will be responsible for tuition and enrollment fees for the enrolled students.

**Beginning and ending dates of agreement:** July 1, 2010 to June 30, 2015

**Estimated costs:** Total costs are dependent on the number of enrolled students and is the sole responsibility of Hondo Valley Public Schools.

**NOTE 6. Subsequent Accounting Standard Pronouncements**

Other accounting standards that Hondo Valley Public Schools is currently reviewing for applicability and potential impact on the financial statements include:

*GASB 72, Fair Value Measurement and Application*, This Statement addresses accounting and financial reporting issues related to fair value measurements. This definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ended June 30, 2016.

*GASB 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*, this Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. This Statement will be effective for the year ended June 30, 2016.

*GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPKB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.

*GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by 1 employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPKB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans establishes new accounting and financial reporting requirements for OPKB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPKB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPKB also are addressed. This Statement will be effective for the year ended June 30, 2018.

*GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ended June 30, 2016.

#### **NOTE 7. Surety Bond**

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

#### **NOTE 8. Subsequent Events Review**

Hondo Valley Public Schools has evaluated subsequent events through December 17, 2015, which is the date the financial statements were dated.

#### **NOTE 9. Reconciliation of Budgetary to GAAP Basis Statements**

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

**NOTE 10. Budget Violations**

Generally accepted accounting principles require disclosures of certain information concerning individual

The following funds had budget violations as of June 30, 2015.

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Bond Building	\$ 50,000	\$ 134,356	\$ 149,727	\$ (15,371)
Other Government	-	-	3,374	(3,374)

**NOTE 11. Restatement**

The Net Position was decreased by \$2,875,478 to record pension liabilities as a result of adopting GASB 68.

**SUPPLEMENTAL INFORMATION**  
**General Fund**

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Combining Balance Sheet**  
**General Fund**  
**June 30, 2015**

<u>Assets</u>	Operational Fund	Transportation Fund	Instructional Materials Fund	Total
Cash	\$ 2,960	\$ 5,514	\$ 3,235	\$ 11,709
Taxes Receivable	1,244	-	-	1,244
Due From Other Funds	<u>52,066</u>	<u>52,987</u>	<u>-</u>	<u>105,053</u>
<b>Total Assets</b>	<u>\$ 56,270</u>	<u>\$ 58,501</u>	<u>\$ 3,235</u>	<u>\$ 118,006</u>
<u>Liabilities</u>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	-	-	-
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>				
Non-spendable	-	-	-	-
Restricted-Special Revenue	-	-	-	-
Restricted-Capital Outlay	-	-	-	-
Restricted- For Debt Service	-	-	-	-
Unassigned For:	-	-	-	-
General Fund	<u>56,270</u>	<u>58,501</u>	<u>3,235</u>	<u>118,006</u>
<b>Total Fund Balance</b>	<u>56,270</u>	<u>58,501</u>	<u>3,235</u>	<u>118,006</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 56,270</u>	<u>\$ 58,501</u>	<u>\$ 3,235</u>	<u>\$ 118,006</u>

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Operational Fund	Transportation Fund	Instructional Materials Fund	Total
<b>Revenues:</b>				
Federal Sources	\$ 7,195	\$ -	\$ -	\$ 7,195
State Sources	1,870,415	187,413	9,391	2,067,219
Local Sources-Taxes	18,423	-	-	18,423
Local Sources-Other Sources	16,003	-	-	16,003
Investment Income	48	-	-	48
<b>Total Revenues</b>	<u>1,912,084</u>	<u>187,413</u>	<u>9,391</u>	<u>2,108,888</u>
<b>Expenditures:</b>				
Direct Instruction	1,162,819	-	7,250	1,170,069
Instructional Support	214,597	-	-	214,597
Administration	288,511	-	-	288,511
Business Support Services	84,252	-	-	84,252
Operation Maintenance Plant	197,726	-	-	197,726
Food Services	50,490	-	-	50,490
Athletics	-	-	-	-
Pupil Transportation	-	185,776	-	185,776
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>1,998,395</u>	<u>185,776</u>	<u>7,250</u>	<u>2,191,421</u>
Excess (deficiency) of revenues over expenditures	<u>(86,311)</u>	<u>1,637</u>	<u>2,141</u>	<u>(82,533)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>1,753</u>	<u>-</u>	<u>-</u>	<u>1,753</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	<u>(84,558)</u>	<u>1,637</u>	<u>2,141</u>	<u>(80,780)</u>
Fund Balance at beginning of year	<u>140,829</u>	<u>56,864</u>	<u>1,093</u>	<u>198,786</u>
Fund balance at end of year	<u>\$ 56,271</u>	<u>\$ 58,501</u>	<u>\$ 3,234</u>	<u>\$ 118,006</u>

**The accompanying notes are an integral part of the financial statements.**



State of New Mexico  
Hondo Valley Public Schools  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Non-GAAP)  
General Fund-Operational  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ 644	\$ 7,195	\$ 6,551
State Sources	1,919,024	1,919,964	1,870,415	(49,549)
Local Sources-Taxes	16,365	16,365	17,179	814
Local Sources-Other	-	9,981	17,755	7,774
Investment Income	40	40	48	8
Total Revenues	<u>1,935,429</u>	<u>1,946,994</u>	<u>1,912,592</u>	<u>(34,402)</u>
Expenditures:				
Direct Instruction	1,211,977	1,211,977	1,162,818	49,159
Instructional Support	226,947	217,090	214,597	2,493
Administration	261,550	307,775	288,511	19,264
Business Support Services	80,537	84,832	84,252	580
Operation Maintenance Plant	249,047	219,949	197,726	22,223
Food Services	53,800	53,800	50,490	3,310
Capital Outlay	-	-	-	-
Total Expenditures	<u>2,083,858</u>	<u>2,095,423</u>	<u>1,998,394</u>	<u>97,029</u>
Excess (deficiency) of revenues over expenditures	<u>(148,429)</u>	<u>(148,429)</u>	<u>(85,802)</u>	<u>62,627</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	<u>(148,429)</u>	<u>(148,429)</u>	<u>(85,802)</u>	<u>\$ 62,627</u>
Prior Year End Cash	<u>68,741</u>	<u>8,741</u>		
End of Year Cash Balance	<u>\$ (79,688)</u>	<u>\$ (139,688)</u>		
Adjustments to reconcile to GAAP Basis:				
Change Accounts Receivable			1,244	
Capital Outlay				
Net Change in fund balance GAAP Basis			<u>\$ (84,558)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**General Fund-Transportation**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
State Sources	\$ 184,000	\$ 187,413	\$ 187,413	\$ -
Local Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>184,000</u>	<u>187,413</u>	<u>187,413</u>	<u>-</u>
Expenditures:				
Transportation	215,845	215,845	185,776	30,069
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>215,845</u>	<u>215,845</u>	<u>185,776</u>	<u>30,069</u>
Excess (deficiency) of revenues over expenditures	<u>(31,845)</u>	<u>(28,432)</u>	<u>1,637</u>	<u>30,069</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	(31,845)	(28,432)	1,637	<u>\$ 30,069</u>
Prior Year End Cash	<u>56,864</u>	<u>56,864</u>		
End of Year Cash Balance	<u>\$ 25,019</u>	<u>\$ 28,432</u>		
Adjustments to reconcile to GAAP Basis:				
Change Accounts Receivable			-	
Capital Outlay			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ 1,637</u>	

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**General Fund-Instructional Materials**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
State Sources	\$ -	\$ 9,392	\$ 9,391	\$ (1)
Interest Income	-	-	-	-
Total Revenues	<u>-</u>	<u>9,392</u>	<u>9,391</u>	<u>(1)</u>
Expenditures:				
Direct Instruction	-	10,485	7,250	3,235
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>10,485</u>	<u>7,250</u>	<u>3,235</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(1,093)</u>	<u>2,141</u>	<u>3,234</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	<u>-</u>	<u>(1,093)</u>	<u>2,141</u>	<u>\$ 3,234</u>
Prior Year End Cash	<u>1,093</u>	<u>1,093</u>		
End of Year Cash Balance	<u>\$ 1,093</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Textbook Credits			-	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ 2,141</u>	

**The accompanying notes are an integral part of the financial statements.**

**Supplemental Information**  
**Major Funds**

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Capital Project Fund-Bond Building (Fund 31100)**

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
State Sources	\$ -	\$ -	\$ -	\$ -
Bond Proceed	300,000	300,000	300,000	-
Interest Income	-	-	-	-
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Expenditures:				
Operation Maintenance Plant	-	84,356	104,712	(20,356)
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>45,015</u>	<u>4,985</u>
Total Expenditures	<u>50,000</u>	<u>134,356</u>	<u>149,727</u>	<u>(15,371)</u>
Excess (deficiency) of revenues over expenditures	<u>250,000</u>	<u>165,644</u>	<u>150,273</u>	<u>(15,371)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	250,000	165,644	150,273	<u>\$ (15,371)</u>
Cash Balance at beginning of year	-	-	-	-
Cash Balance at end of year	<u>\$ 250,000</u>	<u>\$ 165,644</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	-
Net Change in fund balance GAAP Basis			<u>\$ 150,273</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Capital Project Fund-SB Nine (Fund 31700)**

	Budgeted Amounts		Actual	Variance-Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Sources	\$ 113,393	\$ 121,527	\$ 69,255	\$ (52,272)
Interest Income	-	-	-	-
Total Revenues	<u>113,393</u>	<u>121,527</u>	<u>69,255</u>	<u>(52,272)</u>
Expenditures:				
Operation Maintenance Plant	113,393	182,710	56,521	126,189
Capital Outlay	-	-	-	-
Total Expenditures	<u>113,393</u>	<u>182,710</u>	<u>56,521</u>	<u>126,189</u>
Excess (deficiency) of revenues over expenditures	-	(61,183)	12,734	73,917
Other Financing Sources (Uses)				
Transfers (In) Out	-	-	(91)	(91)
Excess (deficiency) of revenues over Expenditures & Other Uses	-	(61,183)	12,825	<u>\$ 74,008</u>
Cash Balance at beginning of year	<u>62,182</u>	<u>62,182</u>		
Cash Balance at end of year	<u>\$ 62,182</u>	<u>\$ 999</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			<u>524</u>	
Net Change in fund balance GAAP Basis			<u>\$ 13,349</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)-**  
**Debt Service Fund (41000)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues:				
Property Taxes	\$ 229,196	\$ 229,196	\$ 234,451	\$ 5,255
Interest Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>229,196</u>	<u>229,196</u>	<u>234,451</u>	<u>5,255</u>
Expenditures:				
Administrative	2,292	2,292	2,344	(52)
Debt Service:				
Principal	363,053	363,053	175,000	188,053
Interest	<u>54,196</u>	<u>54,196</u>	<u>54,196</u>	<u>-</u>
Total Expenditures	<u>419,541</u>	<u>419,541</u>	<u>231,540</u>	<u>188,001</u>
Excess (deficiency) of revenues over expenditures	<u>(190,345)</u>	<u>(190,345)</u>	<u>2,911</u>	<u>193,256</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	(190,345)	(190,345)	2,911	<u>\$ 193,256</u>
Cash Balance at beginning of year	<u>-</u>	<u>-</u>		
Cash Balance at end of year	<u>\$ (190,345)</u>	<u>\$ (190,345)</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			2,514	
			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ 5,425</u>	

**The accompanying notes are an integral part of the financial statements.**

**Supplemental Information**  
**Non Major Funds**



## SPECIAL REVENUE FUNDS

**Food Services (2100)** -To account for financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, as amended, Public Law 79-396, Sections 2-12,60 stat. 230,42 U.S.C.'1751 et seq.;80 stat. 889, as amended; 84 stat. 270; and the Child Nutrition Act of 1966, as amended, Sections 4 and 10. Public Law 89-642, 80 stat. 886, 889,42 U>S>C> 1773,1779, Public Law 99-591,100 stat. 3341; Public Law 100-71,101 stat. 430.

**Athletics (2200)** -To account for revenues received from non-instructional activities for use in the district's athletic and other non-instructional programs. Required by the New Mexico State Department of Education Manual of Procedures for New Mexico School Districts to be accounted for as a separate fund.

**IDEA-B Entitlement (24106)** - The IDEA-B Entitlement/Discretionary project provides funds for free appropriate public education to all children with disabilities. The program is funded by the Federal government and passed through the State Department of Education under the Individuals with Disabilities Education Act, Part B, Sections 611-617, and Part O, Section 674 as amended, 20 U.S.C. 1711-1417 and 1420.

**Teacher and Principle Training(24154)** - To account for Title II funds used for professional development training and travel as an incentive to attract and retain highly qualified teachers. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Act of 1965.

**IDEA B Preschool (24209)** - The objective of the Assistance to States for the Education of Preschool Children Program is to assist in providing free, appropriate public education to all children from ages three to five. Federal revenues accounted for in this fund are allocated to the District through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is Public Law 105-17.

**Breakfast for Elementary Students (27155)**- The purpose of this program is to account for revenues and expenditures used carrying out the provisions of the grant award. The fund was created by grant provisions.

**Rural Education. Achievement Program (25233)** -. To provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

**Dual Credit (27103)** – The objective of the fund is to account for monies received from Eastern New Mexico University for the purpose of dual credit college enrollment for qualified high school seniors.

**GO Library Bonds Laws (27107)** - The objective of this act is to acquire library books, equipment and library resources for public school libraries and juvenile detention libraries. Funds are acquired from General Obligation Bonds through the Public Education Department. Authority for creation of this fund is the Legislation in Chapter 117, Laws of 2008, Section 10C (3).

**Technology for Education (24133)**- To account for distributions received from the Educational Technology fund for the expansion and improvement of technology in education. These funds are restricted to expenditure by New Mexico Statutes and the schools approved long-term technology plan. Authority for the creation of this fund is NMSA 22-15A-1 to 22-15A-10.

**Title XIX Medicaid (25153)** – The objective of this program is to provide federal funds for the implementation of Medical Assistance Program Medicaid providing payments for medical assistance to low income families with dependent children. Authority is the Title XIX Medical Assistance Program of the Social Security Act (42 USC 1396, et seq.)

**Fresh Fruit and Vegetable Program (24118)**- The Fresh Fruit and Vegetable Program (FFVP) is funded by the US Department of Agriculture and provides a fresh fruit or vegetable snack to all students in participating schools. The goal of this program is to increase the variety of fruits and vegetables children consume, create healthier school food environments, and positively impact the nutrition of not only the students but their families. Elementary schools with at least 50 percent of their students eligible for free and reduced-price meals can apply to participate in FFVP.

**NM Reads to Lead (27107)** – To account for resources received from a special appropriation for the purchase of reading materials for Grades K-3 in alignment with the Common Core State Standards.

**School Bus Grants (27178)**– The purpose of this grant is to provide funds for purchasing and operating school buses. Authority for this fund is b statute..

**Other Federal and State Grants** - To record miscellaneous Federal and State grant funds not recorded in other special revenue funds. The projects are funded by the Federal Government through the New Mexico State Department of Education, to the District as sub-grants under various sections. Authority for this fund comes from the local Board of Education.

State of New Mexico  
Hondo Valley Public Schools  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015

	(Fund 2100)	(Fund 2200)	(Fund 24106)	(Fund 24118)	(Fund 24133)	(Fund 24154)	(Fund 24209)	(Fund 25153)
Assets	Food Services	Athletics	Idea B Entitlement	Fresh Fruit Vegetables	Education Technology	Principle Training	Idea B Preschool	Title XIX Medicaid
Cash	\$ 39,746	\$ 5	\$ -	\$ -	\$ 239	\$ -	\$ -	\$ 14,247
Taxes receivable	-	-	-	-	-	-	-	-
Grants receivable	-	-	-	990	-	5,646	-	-
Due From Other Funds	-	-	-	-	-	-	-	-
Inventory	3,405	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 43,151</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ 990</b>	<b>\$ 239</b>	<b>\$ 5,646</b>	<b>\$ -</b>	<b>\$ 14,247</b>
<b>Liabilities</b>								
Deferred Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,247
Due to Other Funds	-	-	-	-	-	4,728	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,728</b>	<b>-</b>	<b>14,247</b>
<b>Fund Balance</b>								
Non-spendable	-	-	-	-	-	-	-	-
Restricted-Special Revenue	43,151	5	-	990	239	918	-	-
Unassigned -General Fund	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>43,151</b>	<b>5</b>	<b>-</b>	<b>990</b>	<b>239</b>	<b>918</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 43,151</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ 990</b>	<b>\$ 239</b>	<b>\$ 5,646</b>	<b>\$ -</b>	<b>\$ 14,247</b>

(Continued)

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

State of New Mexico  
Hondo Valley Public Schools  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2015

	(Fund 25233)		(Fund 27103)		(Fund 27107)		(Fund 27107)		(Fund 27155)		(Fund 27178)	
	Rural Ed Achievement	Dual Credit	Dual Credit	GO Bonds	Library	NM Reads To Lead	Elementary	School Bus	Other Funds	Nonmajor Total		
<b>Assets</b>												
Cash	\$ 2,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,566	\$ -	\$ -	\$ -	\$ -	\$ 61,058
Taxes receivable	-	-	-	-	-	-	-	-	-	-	-	-
Grants receivable	-	-	-	-	-	-	-	82,987	-	-	-	89,623
Due From Other Funds	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-	3,405
<b>Total Assets</b>	<b>\$ 2,255</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,566</b>	<b>\$ 82,987</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,086</b>
<b>Liabilities</b>												
Deferred Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,247
Due to Other Funds	405	-	-	195	-	-	-	82,987	-	-	-	88,315
<b>Total Liabilities</b>	<b>405</b>	<b>-</b>	<b>-</b>	<b>195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,987</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,562</b>
<b>Fund Balance</b>												
Non-spendable	-	-	-	-	-	-	-	-	-	-	-	-
Restricted-Special Revenue	1,850	-	-	(195)	-	-	4,566	-	-	-	-	51,524
Unassigned - General Fund	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b>1,850</b>	<b>-</b>	<b>-</b>	<b>(195)</b>	<b>-</b>	<b>-</b>	<b>4,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,524</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,255</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,566</b>	<b>\$ 82,987</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,086</b>

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

State of New Mexico  
Hondo Valley Public Schools  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended June 30, 2015

	(Fund 2100)	(Fund 2200)	(Fund 24106)	(Fund 24118)	(Fund 24133)	(Fund 24154)	(Fund 24209)	(Fund 25153)
Revenues:	Food Services	Athletics	Idea B Entitlement	Fresh Fruit Vegetables	Education Technology	Principle Training	Idea B Preschool	Title IX Medicaid
Federal Sources	\$ 51,491	\$ -	\$ 61,188	\$ 1,601	\$ -	\$ 16,916	\$ -	\$ 19,195
State Sources	-	-	-	-	-	-	-	-
Local Sources	2,953	21,363	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	-	-
Total Revenues	54,444	21,363	61,188	1,601	-	16,916	-	19,195
<b>Expenditures:</b>								
Direct Instruction	-	-	-	-	-	-	-	-
Instructional Support	-	-	30,849	-	-	7,341	-	19,195
Administration	-	-	-	-	-	-	-	-
Business/Support Services	-	-	-	-	-	-	-	-
Operation Maintenance Plant	-	-	-	-	-	-	-	-
Food Services	74,038	-	-	1,840	-	-	-	-
Athletics	-	24,543	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	74,038	24,543	30,849	1,840	-	7,341	-	19,195
Excess (Deficiency) of Revenues Over Expenditures	(19,594)	(3,180)	30,339	(229)	-	9,575	-	-
Other Financing Sources (Uses)								
Transfers In	-	-	-	-	-	-	-	-
Transfers (Out)	-	-	-	-	(38)	-	(376)	-
Net Other Financing Sources (Uses)	-	-	-	-	(38)	-	(376)	-
Net Change in Fund Balances	(19,594)	(3,180)	30,339	(239)	(38)	9,575	(376)	-
Fund Balances, Beginning	62,745	3,185	(30,339)	1,229	277	(8,657)	376	-
Fund Balances, Ending	\$ 43,151	\$ 5	\$ -	\$ 990	\$ 239	\$ 918	\$ -	\$ -

(Continued)

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

State of New Mexico  
Hondo Valley Public Schools  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Non-Major Governmental Funds  
For the Year Ended June 30, 2015

	(Fund 25233)		(Fund 27103)		(Fund 27107)		(Fund 27107)		(Fund 27155)		(Fund 27178)		Nonmajor Total
	Rural Ed Achievement	Dual Credit	Library GO Bonds	NM Reads To Lead	Breakfast Elementary	School Bus	Other Funds	Total					
Federal Sources	\$ 6,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,549	
State Sources	-	-	-	58,053	588	82,987	-	-	-	-	-	141,628	
Local Sources	-	-	-	-	-	-	-	-	-	-	-	24,316	
Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	
Total Revenues	6,158	-	-	58,053	588	82,987	-	-	-	-	-	322,493	
<b>Expenditures:</b>													
Direct Instruction	-	-	-	-	-	-	-	-	-	-	-	-	
Instructional Support	3,903	-	195	50,000	-	-	3,374	-	-	-	-	114,857	
Administration	-	-	-	-	-	-	-	-	-	-	-	-	
Business/Support Services	-	-	-	-	-	-	-	-	-	-	-	-	
Operation Maintenance Plant	-	-	-	-	-	-	-	-	-	-	-	-	
Food Services	-	-	-	-	142	-	-	-	-	-	-	76,020	
Athletics	-	-	-	-	-	-	-	-	-	-	-	24,543	
Transportation	-	-	-	-	-	-	-	-	-	-	-	-	
Capital Outlay	-	-	-	-	-	82,987	-	-	-	-	-	82,987	
Total Expenditures	3,903	-	195	50,000	142	82,987	3,374	-	-	-	-	298,407	
Excess (Deficiency) of Revenues Over Expenditures	2,255	-	(195)	8,053	446	-	(3,374)	-	-	-	-	24,086	
<b>Other Financing Sources (Uses)</b>													
Transfers In	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers (Out)	-	-	-	-	-	-	(1,430)	-	-	-	-	(1,844)	
Net Other Financing Sources (Uses)	-	-	-	-	-	-	(1,430)	-	-	-	-	(1,844)	
Net Change in Fund Balances	2,255	-	(195)	8,053	446	-	(4,804)	-	-	-	-	22,242	
Fund Balances, Beginning	(405)	-	-	(8,053)	4,120	-	4,804	-	-	-	-	29,282	
Fund Balances, Ending	1,850	\$ -	\$ (195)	\$ -	\$ 4,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	51,524	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Food Services (Fund 2100)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ 76,634	\$ 76,634	\$ 51,491	\$ (25,143)
State Sources	-	-	-	-
Local Sources	1,500	1,500	2,953	1,453
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>78,134</u>	<u>78,134</u>	<u>54,444</u>	<u>(23,690)</u>
Expenditures:				
Food Services	104,685	104,685	73,617	31,068
Capital Outlay	-	-	-	-
Total Expenditures	<u>104,685</u>	<u>104,685</u>	<u>73,617</u>	<u>31,068</u>
Excess (deficiency) of revenues over expenditures	<u>(26,551)</u>	<u>(26,551)</u>	<u>(19,173)</u>	<u>7,378</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	(26,551)	(26,551)	(19,173)	<u>\$ 7,378</u>
Cash Balance at beginning of year	<u>58,919</u>	<u>58,919</u>		
Cash Balance at end of year	<u>\$ 32,368</u>	<u>\$ 32,368</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Inventory			\$ (421)	
Change in Receivables			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ (19,594)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Athletics (Fund 2200)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
State Sources	\$ -	\$ -	\$ -	\$ -
Local Sources	14,000	21,938	21,363	(575)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>14,000</u>	<u>21,938</u>	<u>21,363</u>	<u>(575)</u>
Expenditures:				
Athletics	17,755	25,693	24,543	1,150
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>17,755</u>	<u>25,693</u>	<u>24,543</u>	<u>1,150</u>
Excess (deficiency) of revenues over expenditures	<u>(3,755)</u>	<u>(3,755)</u>	<u>(3,180)</u>	<u>575</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	(3,755)	(3,755)	(3,180)	<u>\$ 575</u>
Cash Balance at beginning of year	<u>3,185</u>	<u>3,185</u>		
Cash Balance at end of year	<u>\$ (570)</u>	<u>\$ (570)</u>		
Adjustments to reconcile to GAAP Basis:				
Change in Receivables			\$ -	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ (3,180)</u>	

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



**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Idea B Discretionary (Fund 24106)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ 83,745	\$ 61,188	\$ (22,557)
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>83,745</u>	<u>61,188</u>	<u>(22,557)</u>
Expenditures:				
Direct Instruction	-	-	-	-
Instructional support	-	83,745	30,849	52,896
Total Expenditures	<u>-</u>	<u>83,745</u>	<u>30,849</u>	<u>52,896</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>30,339</u>	<u>30,339</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	<u>-</u>	<u>-</u>	<u>30,339</u>	<u>\$ 30,339</u>
Cash Balance at beginning of year	<u>-</u>	<u>-</u>		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	-
Change in Due from Other Governments			-	-
Net Change in fund balance GAAP Basis			<u>\$ 30,339</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Fresh Fruits and Vegetables (Fund 24118)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Federal Sources	\$ -	\$ 3,361	\$ 611	\$ (2,750)
State Sources				-
Local Sources	-	-	-	-
Interest Income				-
Other	-	-	-	-
	<u>-</u>	<u>3,361</u>	<u>611</u>	<u>(2,750)</u>
Total Revenues				
Expenditures:				
Instructional Support	-	3,361	1,840	1,521
Capital Outlay	-	-	-	-
	<u>-</u>	<u>3,361</u>	<u>1,840</u>	<u>1,521</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,229)</u>	<u>(1,229)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	(1,229)	<u>\$ (1,229)</u>
Cash Balance at beginning of year	<u>1,229</u>	<u>1,229</u>		
Cash Balance at end of year	<u>\$ 1,229</u>	<u>\$ 1,229</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			990	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ (239)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Education Through Technology (Fund 24133)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Instructional Support	-	-	-	-
Capital Outlay	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	(38)	(38)
	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(38)</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	(38)	<u>\$ 38</u>
Cash Balance at beginning of year	<u>277</u>	<u>277</u>		
Cash Balance at end of year	<u>\$ 277</u>	<u>\$ 277</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	
Change in Due from Other Governments			-	
Net Change in fund balance GAAP Basis			<u>\$ (38)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Principle Training (Fund 24154)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ 7,714	\$ 7,714	\$ 11,270	\$ 3,556
State Sources	-	-	-	-
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>7,714</u>	<u>7,714</u>	<u>11,270</u>	<u>3,556</u>
Expenditures:				
Instructional Support	7,714	7,714	7,341	373
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>7,714</u>	<u>7,714</u>	<u>7,341</u>	<u>373</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,929</u>	<u>3,929</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	3,929	<u>\$ 3,929</u>
Cash Balance at beginning of year	<u>-</u>	<u>-</u>		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			5,646	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ 9,575</u>	

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Idea B Pre-School (Fund 24209)**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Instructional Support	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(376)</u>	<u>(376)</u>	<u>(376)</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	(376)	(376)	(376)	<u>\$ -</u>
Cash Balance at beginning of year	<u>376</u>	<u>376</u>		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Reconciliation to GAAP Basis				
Changes in Receivables			-	
Change in Deferred Income			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ (376)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Title IX Medicaid (Fund 25153)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ 4,624	\$ 4,624	\$ 10,042	\$ 5,418
State Sources	-	-	-	-
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>4,624</u>	<u>4,624</u>	<u>10,042</u>	<u>5,418</u>
Expenditures:				
Instructional Support	19,300	19,300	19,195	105
Capital Outlay	-	-	-	-
Total Expenditures	<u>19,300</u>	<u>19,300</u>	<u>19,195</u>	<u>105</u>
Excess (deficiency) of revenues over expenditures	<u>(14,676)</u>	<u>(14,676)</u>	<u>(9,153)</u>	<u>5,523</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	(14,676)	(14,676)	(9,153)	<u>\$ 5,523</u>
Cash Balance at beginning of year	<u>23,401</u>	<u>23,401</u>		
Cash Balance at end of year	<u>\$ 8,725</u>	<u>\$ 8,725</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Accounts Receivable			-	
Change in Deferred Revenue			<u>9,153</u>	
Net Change in fund balance GAAP Basis			<u>\$ -</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Rural Education Achievement (Fund 25233)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ 6,158	\$ 6,158	\$ -
State Sources	-	-	-	-
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>6,158</u>	<u>6,158</u>	<u>-</u>
Expenditures:				
Instructional Support	4,843	4,843	3,903	940
Capital Outlay	-	-	-	-
Total Expenditures	<u>4,843</u>	<u>4,843</u>	<u>3,903</u>	<u>940</u>
Excess (deficiency) of revenues over expenditures	<u>(4,843)</u>	<u>1,315</u>	<u>2,255</u>	<u>940</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	(4,843)	1,315	2,255	<u>\$ 940</u>
Cash Balance at beginning of year	-	-		
Cash Balance at end of year	<u>\$ (4,843)</u>	<u>\$ 1,315</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	
Change in Due from Other Governments			-	
Net Change in fund balance GAAP Basis			<u>\$ 2,255</u>	

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Dual Credit (Fund 27103)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	846	719	(127)
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Total Revenues	-	846	719	(127)
Expenditures:				
Direct Instruction	-	846	719	127
Capital Outlay	-	-	-	-
	-	-	-	-
Total Expenditures	-	846	719	127
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	-	\$ -
Cash Balance at beginning of year	-	-	-	-
Cash Balance at end of year	\$ -	\$ -	-	-
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	-
Change in Due from Other Governments			-	-
Net Change in fund balance GAAP Basis			-	-

**The accompanying notes are an integral part of the financial statements.**



**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Go Library Bonds (Fund 27107)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	6,194	6,194	-	(6,194)
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>6,194</u>	<u>6,194</u>	<u>-</u>	<u>(6,194)</u>
Expenditures:				
Instructional Support	6,194	6,194	195	5,999
Capital Outlay	-	-	-	-
Total Expenditures	<u>6,194</u>	<u>6,194</u>	<u>195</u>	<u>5,999</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(195)</u>	<u>(195)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	(195)	<u>\$ (195)</u>
Cash Balance at beginning of year	<u>-</u>	<u>-</u>		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ (195)</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-NM Reads to Lead ( Fund 27114)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance-
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable
				(Unfavorable)
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	50,000	50,000	58,053	8,053
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>58,053</u>	<u>8,053</u>
Total Revenues				
Expenditures:				
Direct Instruction	50,000	50,000	50,000	-
Capital Outlay	-	-	-	-
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	-	-	8,053	8,053
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	8,053	<u>\$ 8,053</u>
Cash Balance at beginning of year	-	-		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	
Change in Due from Other Funds			-	
Net Change in fund balance GAAP Basis			<u>\$ 8,053</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue Fund-Breakfast for Elementry (Fund 27155)**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	1,044	588	(456)
Local Sources	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>1,044</u>	<u>588</u>	<u>(456)</u>
Expenditures:				
Food Services	-	1,044	142	902
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>1,044</u>	<u>142</u>	<u>902</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>446</u>	<u>446</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	446	<u>\$ 446</u>
Cash Balance at beginning of year	<u>-</u>	<u>-</u>		
Cash Balance at end of year	<u>\$ -</u>	<u>\$ -</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	
Change in Due from Other Governments			<u>-</u>	
Net Change in fund balance GAAP Basis			<u>\$ 446</u>	

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

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance - Budget and Actual (Non-GAAP)**  
**Special Revenue-School Bus (Fund 27178)**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total Revenues	-	-	-	-
Expenditures:				
Transportation	-	-	-	-
Capital Outlay	-	87,987	82,987	5,000
Total Expenditures	-	87,987	82,987	5,000
Excess (deficiency) of revenues over expenditures	-	(87,987)	(82,987)	5,000
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	-	-
Excess (deficiency) of revenues over Expenditures & Other Uses	-	(87,987)	(82,987)	<u>\$ 5,000</u>
Cash Balance at beginning of year	-	-		
Cash Balance at end of year	\$ -	\$ (87,987)		
Reconciliation to GAAP Basis				
			\$ 82,987	
			-	
			\$ -	

**The accompanying notes are an integral part of the financial statements.**

**State of New Mexico  
Hondo Valley Public Schools  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual (Non-GAAP)  
Special Revenue Fund-Other Grants  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Revenues:				
Federal Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Institutional Support	-	-	3,374	(3,374)
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>3,374</u>	<u>(3,374)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(3,374)</u>	<u>(3,374)</u>
Other Financing Sources (Uses)				
Transfers In (Out)	-	-	(1,430)	(1,430)
Excess (deficiency) of revenues over Expenditures & Other Uses	-	-	(4,804)	<u>\$ (1,944)</u>
Cash Balance at beginning of year	<u>4,804</u>	<u>4,804</u>		
Cash Balance at end of year	<u>\$ 4,804</u>	<u>\$ 4,804</u>		
Adjustments to reconcile to GAAP Basis:				
Changes in Receivables			-	-
Change in Due from Other Governments			-	-
Net Change in fund balance GAAP Basis			<u>\$ (4,804)</u>	

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

## Required Supplemental Informaton

State of New Mexico  
Hondo Valley Public Schools  
Schedule of the Proportionate Share of Net Pension Liability  
Board (ERB) Pension Plan-Last 10 Fiscal Years  
June 30, 2015

	<u>2015</u>
Hondo Valley Public Schools portion of net pension liability (asset)	0.04674%
Hondo Valley Public Schools proportionate share of the net pension liability (asset)	\$2,666,852
Hondo Valley Public Schools covered-employee payroll	\$1,288,403
Hondo Valley Public Schools proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentage of total pension liability	66.34%

\*\* The amounts presented were determined as of June 30, 2015. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Hondo Valley Public Schools will present information for those years for information which is available.

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Schedule of Contributions - Educational Retirement**  
**Board (ERB) Pension Plan-Last 10 Fiscal Years**  
**June 30, 2015**

	<u>2015</u>
Contractually required contribution	\$ 186,458
Contributions in relation to the contractually required contribution	<u>(186,458)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Hondo Valley Public Schools covered-employee payroll	\$1,288,402
Contributions as a percentage of covered payroll	14.47%

**\*\*This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is compiled the Hondo Valley Public Schools will present information for those years for information which is available.**



**State of New Mexico**  
**Hondo Valley Public Schools**  
**Notes to Required Supplemental Information**  
**June 30, 2015**

**Changes in Benefit Terms**-The COLA and retirement eligibility benefits changes in recent years are described in the Benefits Provided subsection of the financial statement note disclosure General Information on the Pension Plan.

**Changes of Assumptions**-ERB conducts an actuarial experience study for the Plan on a biennial basis. Based on the six-year actuarial experience study presented to the Board of Trustees on April 2, 2013, ERB implemented the following changes in assumptions for the fiscal years 2014 and 2013.

1. Fiscal year 2014 and 2013 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.75% to 4.25%
  - b. Lower payroll growth from 3.75% TO 3.50%
  - c. Minor changes to demographic assumptions
  - d. Population growth per year from 0.75% to 0.50%
  
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain 3.00%

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

## Other Supplemental Information

**State of New Mexico**  
**Hondo Valley Public Schools**  
**Statement of Changes in Account Balances-Agency Funds**  
**For the Year Ended June 30, 2015**

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
Fire Recovery Donation	\$ 431	\$ 34	\$ -	\$ 465
Box Tops	276	125	91	310
Elementary	83	20	-	103
Kindergarten	-	332	332	-
First Grade	-	487	420	67
Second Grade	-	354	285	69
Third Grade	6	293	222	77
Fourth Grade	67	299	240	126
Fifth Grade	163	384	326	221
Sixth Grade	1	-	-	1
Seventh Grade	147	-	-	147
Eight Grade	162	34	-	196
Fiesta	16,818	8,147	17,967	6,998
Fiesta Decorating	-	-	-	-
Cheerleaders	-	-	-	-
Senior Class	1,792	-	1,260	532
Junior Class	3,613	1,200	4,155	658
Sophomore Class	1,661	201	-	1,862
Freshman Class	464	-	-	464
Yearbook	1,124	1,042	1,785	381
National Honor Society	-	-	-	-
Student Council	-	-	-	-
Football	-	432	432	-
FFA	-	4,415	4,415	-
H-Club	3,130	16,233	18,963	400
Shop	-	250	249	1
Welding Award	18	150	168	-
Rodeo Club	-	-	-	-
Art	-	-	-	-
Knowledge Bowl	194	-	114	80
Clement Scholarship	11,250	-	-	11,250
Clement School Int	2	8	-	10
Counselors Fund	662	-	661	1
Qualls Scholarship	-	-	-	-
Hairstyles	-	-	-	-
Sunshine Committee	95	-	-	95
Library Fund	417	-	416	1
General Fund	1,038	2,419	2,880	577
Drivers Ed	-	-	-	-
Girls Basketball	-	-	-	-
Culinary Class	234	-	-	234
Boys Basketball	1,163	-	1,163	-
JH Girls Basketball	-	-	-	-
PTSO	559	-	-	559
Football Dist II	-	-	-	-
Halloween	-	-	-	-
Character Counts	-	-	-	-
Soldier Care Packages	1,993	50	73	1,970
	<u>\$ 47,563</u>	<u>\$ 36,909</u>	<u>\$ 56,617</u>	<u>\$ 27,855</u>

State of New Mexico  
Hondo Valley Public Schools  
Schedule of Deposits and Pledged Collateral Under State Requirements  
June 30, 2015

Institution	Financial Institution	Account Name	Account Type	Reconciled Balance	O/S Deposits Balance	O/S Checks Balance	Balance On Deposit 06-30-15	FDIC or Other Insurance	Not Insured By FDIC	Required Collateral	FMV of Collateral	Pledged Over(Short)
Wells Fargo	Wells Fargo	Operations	Checking	\$ 375,354	\$ 15,052	\$ 136,710	\$ 497,012	250,000	-	-	-	-
Wells Fargo	Wells Fargo	Debt Service	Checking	192,394	-	-	192,394	-	-	-	-	-
Wells Fargo	Wells Fargo	Activity Fund	Checking	16,605	-	1,769	18,374	18,375	-	-	-	-
Wells Fargo	Wells Fargo	Activity Fund	CD	11,250	-	-	11,250	11,250	-	-	-	-
				<u>\$ 595,603</u>	<u>\$ 15,052</u>	<u>\$ 138,479</u>	<u>\$ 719,030</u>	<u>\$ 279,625</u>	<u>\$ 439,405</u>	<u>\$ 219,703</u>	<u>\$ 317,475</u>	<u>\$ 97,773</u>

Pledged Collateral

Description	Custodian	Maturity	Par	Rate	Market Value	Cusip
Wells Fargo	Wells Fargo-SF	3/1/2042	739	3.50%	766	3138E9WSS
FNAK5156	Wells Fargo-SF	12/1/2042	1,404	3.00%	1,409	3138MQ7I6
FNAQ8996	Wells Fargo-SF	3/1/2043	21,307	3.00%	21,383	3138W7GH1
FNAR9199	Wells Fargo-SF	1/1/2043	195,776	3.00%	196,574	31417ENB3
FNAB7585	Wells Fargo-SF	8/1/2039	89,544	4.50%	97,343	31417KUN5
FNAC1488			<u>308,770</u>		<u>\$ 317,475</u>	

State of New Mexico  
Hondo Valley Public Schools  
Bank Reconciliation  
June 30, 2015

Fund	11000	13000	14000	21000	22000	23000	24000	25000	27000	31100	31700	41000	Total
	Operational	Transport.	Instructional	Food Serv.	Athletics	Non Instruction	Federal Flow through	Federal Direct	State Flow through	Bond Building	Capital Imp.	Debt Service	
	Materials	Materials	Materials	Materials	Materials	Materials	Materials	Materials	Materials	Materials	Materials	Materials	
Audited Net Cash 6-30-14	\$ 68,741	\$ 56,864	\$ 1,093	\$ 58,918	\$ 3,185	\$ 49,484	\$ 1,882	\$ 23,401	\$ 8,927	\$ 78,306	\$ 61,183	\$ 189,483	\$ 601,467
Outstanding Loans (Net)	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash 6-30-14	68,741	56,864	1,093	58,918	3,185	49,484	1,882	23,401	8,927	78,306	61,183	189,483	601,467
Revenues to Date	1,910,425	187,413	9,391	54,168	21,334	33,278	151,637	16,200	59,501	254,986	69,254	234,451	3,002,038
Loan Repayments	72,502	-	-	-	-	-	-	-	-	-	-	-	72,502
Transfers	1,753	-	-	-	-	-	-	-	(1,844)	-	91	-	-
Total Resources to Date Current Year	2,053,421	244,277	10,484	113,086	24,519	82,762	153,519	39,601	66,584	333,292	130,528	423,934	3,676,007
Expenditures to Date	1,998,395	185,776	7,249	73,617	24,544	53,423	112,816	23,099	137,416	104,712	56,521	231,540	3,009,108
Loan Repayments	-	-	-	-	-	-	61,930	(405)	(7,784)	-	-	-	53,741
Adjustments	-	-	-	(277)	(30)	1,484	-	-	-	1	(1)	-	1,177
Net Cash	55,026	58,501	3,235	39,746	5	27,855	(21,227)	16,097	(78,616)	228,579	74,008	192,394	595,603
Outstanding Loans (Out) in	(52,066)	(52,987)	-	-	-	-	21,466	405	83,182	-	-	-	-
Investments on Hand	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash	\$ 2,960	\$ 5,514	\$ 3,235	\$ 39,746	\$ 5	\$ 27,855	\$ 239	\$ 16,502	\$ 4,566	\$ 228,579	\$ 74,008	\$ 192,394	\$ 595,603
Cash in Bank	\$ 83,445	\$ 18,936	\$ 3,235	\$ 40,382	\$ 1,434	\$ 29,624	\$ 8,264	\$ 16,502	\$ 15,463	\$ 234,124	\$ 75,227	\$ 192,394	\$ 719,030
Outstanding Loans	52,066	52,987	-	-	-	-	(21,466)	(405)	(83,182)	-	-	-	-
Outstanding Checks	95,537	13,422	-	636	1,429	1,769	8,025	-	10,897	5,545	1,219	-	138,479
Deposits	15,052	-	-	-	-	-	-	-	-	-	-	-	15,052
Total Cash	\$ 2,960	\$ 5,514	\$ 3,235	\$ 39,746	\$ 5	\$ 27,855	\$ 239	\$ 16,502	\$ 4,566	\$ 228,579	\$ 74,008	\$ 192,394	\$ 595,603

State of New Mexico  
Hondo Valley Public Schools  
Schedule of Vendor Information  
(Unaudited)

For Purchases Exceeding \$60,000 (Excluding GRT)  
For Year Ended June 30, 2015

Prepared by Agency Staff: Mary Prudencio Title : Manager Date: 12/16/15

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
2012-002-009	State Vendor	Summitt Transportation	\$82,987	\$82,987	Summitt Transportation 1623 Aspen Avenue NW Albuquerque, NM 87104	Y	N/A	2016 IC CE 36 Passenger Type C School buss

**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**

Mr. Tim Keller  
State Auditor of the State of New Mexico  
Board Members of the Hondo Valley Public Schools

Mr. Keller and Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of Hondo Valley Public Schools (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and related budgetary comparisons of the District, presented as supplemental information, and have issued our report thereon dated December 17, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies are 2015-001, 2015-002.

Compliance and Other Matters

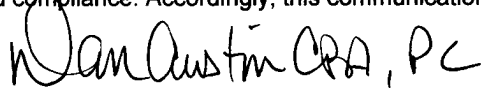
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as 2015-003.

District's Responses to Findings

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

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



December 17, 2015  
Ruidoso, New Mexico



State of New Mexico  
Hondo Valley Public Schools  
Schedule of Audit Findings and Questioned Costs  
June 30, 2015

Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued                      Unmodified
  
2. Internal control over financial reporting:
  - a. Material weakness identified? No
  - b. Significant deficiencies identified not considered to be a material weaknesses? Yes
  - c. Noncompliance material to the financial statements noted? No

**RESOLUTION OF PRIOR YEAR FINDINGS**

None

**CURRENT YEAR FINDINGS**

**2015-001 Budget Violations-Compliance and Internal Control-Significant Deficiency Condition**

The District has maintained expenditures at the function level in which actual expenditures exceeded budgetary authority in the following funds:

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
Bond Building	\$ 50,000	\$ 134,356	\$ 149,727	\$ (15,371)
Other Government	-	-	3,374	(3,374)

**Criteria**

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For school district's, the expenditure function is the legal level of control.

**Cause**

The District did not make the appropriate budgetary adjustments requests and transfers to the funds mentioned in the condition, which would alleviate over-expenditure within the functions prior to the year end.

**Effect**

As a result, the district is in non compliance with New Mexico law, and the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

**Recommendation**

The District must establish a policy of budgetary review at year-end, and make the necessary budget adjustments.

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**Response**

We will monitor the budget more closely and amend it as necessary. The business manager is confident this finding will be resolved by the current fiscal year end.

**2015-002 Certification of Inventory-Compliance and Internal Control-Significant Deficiency Condition**

The District did not certify the inventory for the fiscal year ended June 30, 2015.

**Criteria**

Section 12-6-10(A) NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory. This certification should be provided to the agency's auditors. In addition according to NMAC 2.20.1.16 (E) the results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

**Effect**

Items that cost less than \$5,000 could be misappropriated intentionally or not intentionally. Without taking inventory and certifying it is not known if all inventory has been accounted for. Replacing items cost the District funds that could be spent on educating the students.

**Cause**

Management was not aware they had to obtain certification of the annual asset inventory.

**Recommendation**

We recommend a physical inventory be completed on or near year end by the Business Manager and Staff for all items in excess of \$5,000. Upon completion the School Board should certify the inventory as to its correctness in its July Board Meeting.

**Response**

We do conduct an annual inventory but have not certified it. In the future will complete and certify the inventory near year end and we will place this certification on the Board Agenda as a annual recurring item.

**2015-003 Late Audit Report- Compliance Finding**

The report was submitted January 28, 2016, The report was due to the Office of the State Auditor November 15, 2015.

**Criteria**

The 2015 State Audit Rules established a due date of November 15, 2015

**Effect**

The requirement to resubmit the report created a situation of noncompliance with the 2015 Audit Rule.

**Cause**

Additional time was required to compile various information needed to complete the report.

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**Recommendation**

Insure the report submitted to the New Mexico Office of the State Auditor timely and in complete and in final form.

**Other Matters**

**FINANCIAL STATEMENT PREPARATION**

Although it would be preferred and desirable for the District to prepare its own GAAP-based financial statements, it is felt that the District's personnel not have the time to prepare them. Therefore, the outside auditor per the contract agreement between the auditor and the School, and approved by the Office of the State Auditor has prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. However, the responsibility for the content of the report remains with school management.

**EXIT CONFERENCE**

On January 28, 2016, an exit conference was held at the District's administrative offices. Present were Marvin L. Martin Superintendent, Mary Prudencio, Business Manager, Justine Ortiz, Board Secretary, and Dan Austin, CPA, representing the audit firm. The report for the year ended June 30, 2015, was discussed as well as other financial reporting considerations.