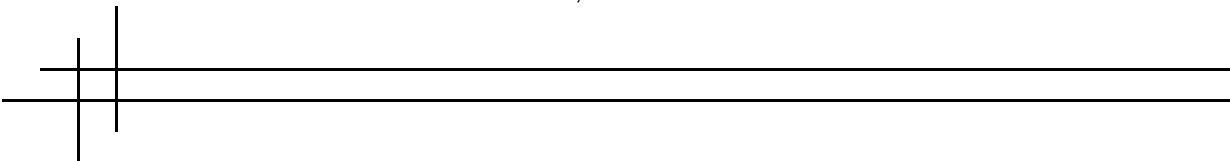


State of New Mexico
Jal Public Schools

Annual Financial Report
June 30, 2017

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



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State of New Mexico
Jal Public Schools
Official Roster
June 30, 2017

Board of Education

Jim Gross	President
Jenny Edwards	Vice-President
Jamie Earp	Secretary
Kayla Fulfer	Member
Bert Galindo	Member

School Officials

Brian Snider	Superintendent
Gretchen Garcia	Business Manager

Independent Auditor's Report

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

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund of Jal Public Schools (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's nonmajor governmental funds, and the budgetary comparisons for the major capital projects and debt service 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, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the District as of June 30, 2017, and the respective changes in financial position, thereof and the respective budgetary comparisons for the major capital projects and debt service 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 Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules of Required Supplementary Information for 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 context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the District's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule required by 2.2.2.NMAC are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico
November 1, 2017

Financial Section

State of New Mexico
Jal Public Schools
Government-Wide Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 28,122,469
Taxes Receivable	674,979
Due From Grantor	28,587
Inventory	15,227
Total Current Assets	<u>28,841,262</u>
Noncurrent Assets	
Capital Assets	53,994,752
Less: Accumulated Depreciation	<u>(20,627,948)</u>
Total Noncurrent Assets	<u>33,366,804</u>
Total Assets	<u>62,208,066</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	29,563
Investment Experience	406,757
Changes of Assumptions	138,712
Changes in Proportion	356,648
Contributions Subsequent to Measurement Date	393,507
Total Deferred Outflows of Resources	<u>1,325,187</u>
Liabilities	
Current Liabilities	
Accounts Payable	1,568,077
Accrued Salaries and Benefits	26,813
Compensated Absences	42,205
Accrued Interest	213,064
Current Amount Due of Long-Term Debt	1,135,000
Total Current Liabilities	<u>2,985,159</u>
Long-Term Liabilities	
Bonds	45,180,022
Pension Liability	6,814,303
Total Long-Term Liabilities	<u>51,994,325</u>
Total Liabilities	<u>54,979,484</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	64,813
Changes in Proportion	288,272
Total Deferred Inflows of Resources	<u>353,085</u>
Net Position	
Net Investment in Capital Assets	0
Restricted for Capital Projects	23,333,491
Restricted for Debt Service	3,169,410
Unrestricted	<u>(18,302,217)</u>
Total Net Position	<u>\$ 8,200,684</u>

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

State of New Mexico
Jal Public Schools
Government-Wide Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 3,624,580	\$ 42,024	\$ 219,386	\$ 0	\$ (3,363,170)
Support Services					
Students	276,258	0	12,170	0	(264,088)
Instruction	117,747	0	4,618	0	(113,129)
General Administration	422,607	0	8,639	0	(413,968)
School Administration	326,874	0	0	0	(326,874)
Central Services	134,967	0	3,228	0	(131,739)
Operation of Plant	2,695,000	15,100	0	0	(2,679,900)
Student Transportation	147,814	0	138,796	82,200	73,182
Food Services	199,580	17,946	129,729	0	(51,905)
Community Service	37,258	0	65,769	0	28,511
Interest Expense	623,011	0	0	0	(623,011)
Total Governmental Activities	\$ 8,605,696	\$ 75,070	\$ 582,335	\$ 82,200	(7,866,091)
General Revenues					
Taxes					
Property Taxes, Levied for General Purposes					551,121
Property Taxes, Levied for Capital Projects					2,282,839
Federal and State aid not restricted to specific purpose					3,758,360
General					3,571,990
Capital					0
Miscellaneous					196,205
Subtotal, General Revenues					<u>10,360,515</u>
Change in Net Position					<u>2,494,424</u>
Net Position - Beginning					5,725,034
Restatement					(18,774)
Restated Beginning Net Position					<u>5,706,260</u>
Net Position - Ending					<u><u>\$ 8,200,684</u></u>

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

State of New Mexico
Jal Public Schools
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund		
	Operational 11000	Teachorage 12000	Transportation 13000
Assets			
Cash and Cash Equivalents	\$ 426,963	\$ 0	\$ 11,105
Receivables			
Property Taxes	55,231	0	0
Due From Grantor	0	0	0
Interfund Balance	27,648	0	0
Inventory	0	0	0
Total Assets	<u>\$ 509,842</u>	<u>\$ 0</u>	<u>\$ 11,105</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 27,569	\$ 677	\$ 1,576
Accrued Salaries and Benefits	24,415	0	1,907
Interfund Balance	0	390	0
Total Liabilities	<u>51,984</u>	<u>1,067</u>	<u>3,483</u>
Deferred Inflows of Resources			
Unavailable Revenue	13,171	0	0
Total Deferred Inflows of Resources	<u>13,171</u>	<u>0</u>	<u>0</u>
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	0	0
Debt Service	0	0	0
Unassigned	444,687	(1,067)	7,622
Total Fund Balances	<u>444,687</u>	<u>(1,067)</u>	<u>7,622</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 509,842</u>	 <u>\$ 0</u>	 <u>\$ 11,105</u>

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

State of New Mexico
Jal Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund
	Instructional Material 14000	Bond Building 31100	41000
Assets			
Cash and Cash Equivalents	\$ 12,274	\$ 23,174,048	\$ 2,863,260
Receivables			
Property Taxes	0	0	398,562
Due From Grantor	0	0	0
Interfund Balance	0	0	0
Inventory	0	0	0
Total Assets	\$ 12,274	\$ 23,174,048	\$ 3,261,822
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 1,517,469	\$ 0
Accrued Salaries and Benefits	0	0	0
Interfund Balance	0	0	0
Total Liabilities	0	1,517,469	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	92,412
Total Deferred Inflows of Resources	0	0	92,412
Fund Balances			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue	0	0	0
Capital Projects	0	21,656,579	0
Debt Service	0	0	3,169,410
Unassigned	12,274	0	0
Total Fund Balances	12,274	21,656,579	3,169,410
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,274	\$ 23,174,048	\$ 3,261,822

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

State of New Mexico
Jal Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 1,634,819	\$ 28,122,469
Receivables		
Property Taxes	221,186	674,979
Due From Grantor	28,587	28,587
Interfund Balance	0	27,648
Inventory	15,227	15,227
Total Assets	<u>\$ 1,899,819</u>	<u>\$ 28,868,910</u>
Liabilities and Fund Balances		
Liabilities		
Accounts Payable	\$ 20,786	\$ 1,568,077
Accrued Salaries and Benefits	491	26,813
Interfund Balance	27,258	27,648
Total Liabilities	<u>48,535</u>	<u>1,622,538</u>
Deferred Inflows of Resources		
Unavailable Revenue	<u>52,854</u>	<u>158,437</u>
Total Deferred Inflows of Resources	<u>52,854</u>	<u>158,437</u>
Fund Balances		
Nonspendable-Inventory	15,227	15,227
Restricted for:		
Special Revenue	106,291	106,291
Capital Projects	1,676,912	23,333,491
Debt Service	0	3,169,410
Unassigned	0	463,516
Total Fund Balances	<u>1,798,430</u>	<u>27,087,935</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 1,899,819</u>	 <u>\$ 28,868,910</u>

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

State of New Mexico
Jal Public Schools
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds \$ 27,087,935

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 158,437

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

Capital Assets	\$ 53,994,752	
Accumulated Depreciation	(20,627,948)	33,366,804

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual experience

Deferred Outflows Related to Pensions	1,325,187	
Deferred Inflows Related to Pensions	(353,085)	972,102

Long-term and certain other liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

Accrued Interest	(213,064)	
Compensated Absences	(42,205)	
Bond Payable	(46,315,022)	
Pension Liability	(6,814,303)	(53,384,594)

Total Net Position - Governmental Activities \$ 8,200,684

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

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	General Fund		
	Operational 11000	Teacherage 12000	Transportation 13000
Revenues			
Property Taxes	\$ 538,494	\$ 0	\$ 0
Fees	15,000	15,100	0
State and Local Grants	3,571,990	0	138,796
Federal Grants	0	0	0
Miscellaneous	183,301	0	0
Total Revenues	4,308,785	15,100	138,796
Expenditures			
Current			
Instruction	2,545,215	0	0
Support Services			
Students	259,547	0	0
Instruction	113,129	0	0
General Administration	246,659	0	0
School Administration	317,366	0	0
Central Services	120,648	0	0
Operation of Plant	809,121	6,903	0
Student Transportation	92	0	143,066
Food Service	50,513	0	0
Community Services	37,258	0	0
Capital Outlay	0	16,294	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	4,499,548	23,197	143,066
Excess (Deficiency) of Revenues Over Expenditures	(190,763)	(8,097)	(4,270)
Other Financing Sources			
Bond Issue	0	0	0
Premium on Bond Issue	0	0	0
Total Other Financing Sources	0	0	0
Net Change in Fund Balances	(190,763)	(8,097)	(4,270)
Fund Balances at Beginning of Year	635,450	7,030	25,359
Restatement	0	0	(13,467)
Restated Beginning Fund Balances	635,450	7,030	11,892
Fund Balances End of Year	\$ 444,687	\$ (1,067)	\$ 7,622

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

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund
	Instructional Material 14000	Bond Building 31100	41000
Revenues			
Property Taxes	\$ 0	0	\$ 3,668,362
Fees	0	0	0
State and Local Grants	32,393	0	0
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>32,393</u>	<u>0</u>	<u>3,668,362</u>
Expenditures			
Current			
Instruction	19,605	0	0
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	143,218	6,580
School Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Student Transportation	0	0	0
Food Service	0	0	0
Community Services	0	0	0
Capital Outlay	0	23,984,112	0
Debt Service			
Principal	0	0	1,400,000
Interest	0	0	477,894
Total Expenditures	<u>19,605</u>	<u>24,127,330</u>	<u>1,884,474</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,788</u>	<u>(24,127,330)</u>	<u>1,783,888</u>
Other Financing Sources			
Bond Issue	0	37,500,000	0
Premium on Bond Issue	0	719,469	0
Total Other Financing Sources	<u>0</u>	<u>38,219,469</u>	<u>0</u>
Net Change in Fund Balances	<u>12,788</u>	<u>14,092,139</u>	<u>1,783,888</u>
Fund Balances at Beginning of Year	4,793	7,564,440	1,385,522
Restatement	(5,307)	0	0
Restated Beginning Fund Balances	<u>(514)</u>	<u>7,564,440</u>	<u>1,385,522</u>
Fund Balances End of Year	<u>\$ 12,274</u>	<u>\$ 21,656,579</u>	<u>\$ 3,169,410</u>

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

State of New Mexico
Jal Public Schools
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2017

	Other Governmental Funds	Total Governmental Funds
Revenues		
Property Taxes	\$ 2,232,650	\$ 6,439,506
Fees	44,970	75,070
State and Local Grants	172,904	3,916,083
Federal Grants	320,442	320,442
Miscellaneous	12,904	196,205
Total Revenues	<u>2,783,870</u>	<u>10,947,306</u>
Expenditures		
Current		
Instruction	223,553	2,788,373
Support Services		
Students	12,170	271,717
Instruction	4,618	117,747
General Administration	12,578	409,035
School Administration	0	317,366
Central Services	3,228	123,876
Operation of Plant	1,862,390	2,678,414
Student Transportation	0	143,158
Food Service	144,959	195,472
Community Services	0	37,258
Capital Outlay	785,151	24,785,557
Debt Service		
Principal	0	1,400,000
Interest	0	477,894
Total Expenditures	<u>3,048,647</u>	<u>33,745,867</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(264,777)</u>	<u>(22,798,561)</u>
Other Financing Sources		
Bond Issue	0	37,500,000
Premium on Bond Issue	0	719,469
Total Other Financing Sources	<u>0</u>	<u>38,219,469</u>
Net Change in Fund Balances	<u>(264,777)</u>	<u>15,420,908</u>
Fund Balances at Beginning of Year	2,063,207	11,685,801
Restatement	0	(18,774)
Restated Beginning Fund Balances	<u>2,063,207</u>	<u>11,667,027</u>
Fund Balances End of Year	<u>\$ 1,798,430</u>	<u>\$ 27,087,935</u>

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

State of New Mexico
Jal Public Schools
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2017

Net Change in Fund Balances \$ 15,420,908

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

Some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2016	\$ (5,623)	
Property Taxes Receivable, June 30, 2017	<u>158,437</u>	152,814

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	(717,430)	
Capital Outlays	<u>24,785,557</u>	24,068,127

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

Bond Issue	(37,500,000)	
Bond Premiums, Net of Current Year Amortization	<u>(715,022)</u>	(38,215,022)

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

Principal paid for bonds		1,400,000
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In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2016	63,500	
Accrued Interest, June 30, 2017	<u>(213,064)</u>	(149,564)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2016	25,781	
Compensated Absences, June 30, 2017	<u>(42,205)</u>	(16,424)

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

Pension Contributions	393,507	
Pension Expense	<u>(559,922)</u>	<u>(166,415)</u>

Change in Net Position		<u>\$ 2,494,424</u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico
Jal Public Schools
 General Fund-Operational-11000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 565,086	\$ 565,086	\$ 538,494	\$ (26,592)
Fees	0	0	15,000	15,000
State Grant	3,818,136	3,678,902	3,571,990	(106,912)
Miscellaneous	0	0	183,302	183,302
Total Revenues	<u>4,383,222</u>	<u>4,243,988</u>	<u>4,308,786</u>	<u>64,798</u>
Expenditures				
Instruction				
Personnel Services	1,987,453	1,918,057	1,803,287	114,770
Employee Benefits	673,100	625,100	629,375	(4,275)
Professional & Tech Services	29,000	25,000	19,640	5,360
Purchased Property Services	1,427	1,427	286	1,141
Other Purchased Services	52,000	49,131	43,396	5,735
Supplies	101,500	96,260	80,076	16,184
Supply Assets	3,500	0	0	0
Total Instruction	<u>2,847,980</u>	<u>2,714,975</u>	<u>2,576,060</u>	<u>138,915</u>
Support Services				
Students				
Personnel Services	96,117	100,217	98,002	2,215
Employee Benefits	35,530	27,708	26,377	1,331
Professional & Tech Services	97,000	124,702	124,552	150
Purchased Property Services	300	400	243	157
Other Purchased Services	1,500	300	236	64
Supplies	10,300	8,552	8,370	182
Total Students	<u>240,747</u>	<u>261,879</u>	<u>257,780</u>	<u>4,099</u>
Instruction				
Personnel Services	53,748	53,448	53,448	0
Employee Benefits	26,920	26,920	24,400	2,520
Professional & Tech Services	11,000	9,450	9,367	83
Other Purchased Services	3,000	0	0	0
Supplies	30,000	25,271	24,543	728
Supply Assets	4,000	500	0	500
Total Instruction	<u>128,668</u>	<u>115,589</u>	<u>111,758</u>	<u>3,831</u>
General Administration				
Personnel Services	144,342	147,242	147,142	100
Employee Benefits	42,590	40,624	36,398	4,226
Professional & Tech Services	39,555	43,390	40,995	2,395
Other Purchased Services	8,000	3,232	3,232	0
Supplies	16,880	13,109	12,213	896
Total General Administration	<u>\$ 251,367</u>	<u>\$ 247,597</u>	<u>\$ 239,980</u>	<u>\$ 7,617</u>

State of New Mexico

Jal Public Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
School Administration				
Personnel Services	\$ 224,000	224,500	\$ 223,294	\$ 1,206
Employee Benefits	84,740	91,461	89,245	2,216
Professional & Tech Services	4,000	3,473	3,394	79
Other Purchased Services	1,000	100	0	100
Supplies	2,500	1,528	1,523	5
Total School Administration	<u>316,240</u>	<u>321,062</u>	<u>317,456</u>	<u>3,606</u>
Central Services				
Personnel Services	79,023	74,023	73,613	410
Employee Benefits	31,140	31,113	25,148	5,965
Professional & Tech Services	7,000	14,128	12,688	1,440
Other Purchased Services	1,500	0	0	0
Supplies	2,000	6,554	6,554	0
Total Central Services	<u>120,663</u>	<u>125,818</u>	<u>118,003</u>	<u>7,815</u>
Operation of Plant				
Personnel Services	261,555	243,359	234,630	8,729
Employee Benefits	133,725	133,725	100,589	33,136
Professional & Tech Services	1,200	1,200	320	880
Purchased Property Services	252,755	258,960	255,564	3,396
Other Purchased Services	190,000	187,888	187,569	319
Supplies	16,700	10,809	9,574	1,235
Supply Assets	1,000	0	0	0
Total Operation of Plant	<u>856,935</u>	<u>835,941</u>	<u>788,246</u>	<u>47,695</u>
Transportation				
Personnel Services	1,500	1,495	42	1,453
Employee Benefits	190	200	50	150
Purchased Property Services	1,000	1,000	0	1,000
Total Transportation	<u>2,690</u>	<u>2,695</u>	<u>92</u>	<u>2,603</u>
Other				
Other Purchased Services	<u>21,155</u>	<u>21,155</u>	<u>0</u>	<u>21,155</u>
Total Other	<u>21,155</u>	<u>21,155</u>	<u>0</u>	<u>21,155</u>
Total Support Services	<u>1,938,465</u>	<u>1,931,736</u>	<u>1,833,315</u>	<u>98,421</u>
Food Service				
Personnel Services	29,849	29,849	29,399	450
Employee Benefits	28,720	28,720	21,114	7,606
Supplies	2,000	2,000	0	2,000
Total Food Service	<u>\$ 60,569</u>	<u>\$ 60,569</u>	<u>\$ 50,513</u>	<u>\$ 10,056</u>

State of New Mexico

Jal Public Schools

General Fund-Operational-11000

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Community Service				
Personnel Services	\$ 55,200	\$ 53,097	\$ 27,377	\$ 25,720
Employee Benefits	13,300	13,300	3,231	10,069
Total Community Service	<u>68,500</u>	<u>66,397</u>	<u>30,608</u>	<u>35,789</u>
Total Expenditures	<u>4,915,514</u>	<u>4,773,677</u>	<u>4,490,496</u>	<u>283,181</u>
Excess (Deficiency) of Revenues Over Expenditures	(532,292)	(529,689)	(181,710)	347,979
Cash Balance Beginning of Year	<u>636,321</u>	<u>636,321</u>	<u>636,321</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 104,029</u>	<u>\$ 106,632</u>	<u>\$ 454,611</u>	<u>\$ 347,979</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (181,710)	
Net Change in Taxes Receivable			31,703	
Net Change in Payables			(3,714)	
Net Change in Accrued Payroll			(24,414)	
Net Change in Unavailable Revenue			(12,628)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (190,763)</u>	

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

State of New Mexico
Jal Public Schools
 General Fund-Teacherage-12000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Rents	\$ 18,000	\$ 18,000	\$ 15,100	\$ (2,900)
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>15,100</u>	<u>(2,900)</u>
Expenditures				
Support Services				
Operation of Plant				
Purchased Property Services	10,830	20,060	20,055	5
Other Purchased Services	3,900	0	0	0
Supplies	3,795	850	850	0
Supply Assets	4,000	1,615	1,615	0
Total Operation of Plant	<u>22,525</u>	<u>22,525</u>	<u>22,520</u>	<u>5</u>
Total Support Services	<u>22,525</u>	<u>22,525</u>	<u>22,520</u>	<u>5</u>
Total Expenditures	<u>22,525</u>	<u>22,525</u>	<u>22,520</u>	<u>5</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,525)	(4,525)	(7,420)	(2,895)
Cash Balance Beginning of Year	<u>7,030</u>	<u>7,030</u>	<u>7,030</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,505</u>	<u>\$ 2,505</u>	<u>\$ (390)</u>	<u>\$ (2,895)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,420)	
Net Change in Payables			<u>(677)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (8,097)</u>	

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

State of New Mexico
Jal Public Schools
 General Fund-Transportation-13000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 160,257	\$ 138,796	\$ 138,796	\$ 0
Total Revenues	<u>160,257</u>	<u>138,796</u>	<u>138,796</u>	<u>0</u>
Expenditures				
Support Services				
Student Transportation				
Personnel Services	93,265	89,986	87,742	2,244
Employee Benefits	46,740	41,940	37,145	4,795
Purchased Property Services	1,000	1,000	984	16
Other Purchased Services	1,640	2,035	1,869	166
Supplies	13,700	17,302	13,419	3,883
Other	3,912	0	13,467	(13,467)
Total Student Transportation	<u>160,257</u>	<u>152,263</u>	<u>154,626</u>	<u>(2,363)</u>
Total Support Services	<u>160,257</u>	<u>152,263</u>	<u>154,626</u>	<u>(2,363)</u>
Total Expenditures	<u>160,257</u>	<u>152,263</u>	<u>154,626</u>	<u>(2,363)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(13,467)	(15,830)	(2,363)
Cash Balance Beginning of Year	<u>26,935</u>	<u>26,935</u>	<u>26,935</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 26,935</u>	<u>\$ 13,468</u>	<u>\$ 11,105</u>	<u>\$ (2,363)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (15,830)	
Net Change in Accrued Salaries and Benefits			(1,907)	
Returned to PED			13,467	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (4,270)</u>	

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

State of New Mexico
Jal Public Schools
 General Fund-Instructional Material-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 25,687	\$ 30,480	\$ 32,393	\$ 1,913
Total Revenues	<u>25,687</u>	<u>30,480</u>	<u>32,393</u>	<u>1,913</u>
Expenditures				
Instruction				
Supplies	25,687	25,173	19,605	5,568
Returned to PED	<u>0</u>	<u>5,307</u>	<u>5,307</u>	<u>0</u>
Total Instruction	<u>25,687</u>	<u>30,480</u>	<u>24,912</u>	<u>5,568</u>
Total Expenditures	<u>25,687</u>	<u>30,480</u>	<u>24,912</u>	<u>5,568</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	7,481	7,481
Cash Balance Beginning of Year	<u>4,793</u>	<u>4,793</u>	<u>4,793</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,793</u>	<u>\$ 4,793</u>	<u>\$ 12,274</u>	<u>\$ 7,481</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 7,481	
Returned to PED			<u>5,307</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,788</u>	

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

State of New Mexico
Jal Public Schools
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 218,995
Total Assets	<u>\$ 218,995</u>
Liabilities	
Deposits Held for Others	\$ 218,995
Total Liabilities	<u>\$ 218,995</u>

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

Summary of Significant Accounting Policies

The financial statements of the Jal Public Schools (District) ,have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District has been in existence since the early nineteen hundreds, and is currently operating under the provisions of the Public School District Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The District operates with a local board of education - superintendent form of government and provides a supervised program of instruction designed to educate students at the elementary and secondary level.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The District has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Governmental Funds

Governmental funds are used to account for the District's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the District.

Debt Service Fund - The Debt Service Fund is used to account for the resources for, and the payment of, principal, interest and related costs.

Fiduciary Fund Type

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of outside parties, including other governments, or on behalf of other funds within the District.

The Student Activity Fund, an agency fund, accounts for assets held by the District as an agent for the District organizations. These organizations exist with the explicit approval of and are subject to revocation by the District's Board of Education. This accounting reflects the District's agency relationship with the student activity organizations. This account is accounted for using the economic resources measurement focus and the accrual basis of accounting.

Major Funds

The District reports the following major governmental funds:

General Fund (11000)(12000)(13000)(14000). The General Fund consist of four sub funds. The first is the operational fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. The second is the Teacherage fund of the District and accounts for rental properties that are rented to teachers and administrators that work at the school. The Transportation fund includes a state grant to provide transportation for students in the District. The Instructional Materials fund accounts for a state grant to provide text books for students in the District.

Major Capital Projects Fund

Bond Building (31100). The revenues are derived from a School Building Bond Issue. The expenditures are restricted to major capital improvements.

Major Debt Service Fund

Debt Service (41000). To account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The resources of this fund are generated by a tax levy based upon property values.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS)

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

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

Program Revenues

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues. Program revenues include: 1) charges for services to students or applicants who purchase, use or directly benefit from the goods or services provided by the given function 2) program-specific operating grants and contributions, Transportation, Food Service, Special Revenue Funds such as special education as well as others., and 3) program specific capital grants and contributions.

Fund Financial Statements (FFS)

Governmental Funds

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

Revenues

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

Grants. Government mandated nonexchange transaction and voluntary nonexchange transactions. Recipients should recognize revenues in the period when all applicable eligibility requirements have been met and the resources are available.

Revenue Recognition for Grants

Eligibility requirements for government-mandated and voluntary nonexchange transaction comprise one or more of the following:

1. Required characteristics of recipients. The recipient has the characteristics specified by the provider (are required to be school districts).
2. Time requirements. Time requirements specified by enabling legislation or the provider have been met (period when the resources are required to be used).
3. Reimbursements. The provider offers resources on a reimbursement ("expenditure-driven") basis and the recipient has incurred allowable costs under the applicable program.
4. Contingencies. The providers offer of resources is contingent upon a specified action of the recipient and that action has occurred (the recipient has raised the matching funds).

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

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

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

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

Cash and Cash Equivalents

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

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

Investments

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

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

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

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

Receivables and Payables

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

Property Taxes

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

Elimination and Reclassifications of Certain Receivables and Payables

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

Inventories and Prepaid Items

Purchased inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Food Services Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both District-wide and fund financial statements.

Capital Assets

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

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

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

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

Capital Leases

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

Short -Term Debt

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

Long-Term Liabilities

Long-Term Liabilities include bonds and pension liabilities that are paid for over several years. Long-Term Liabilities are included in the government wide financial statements but not in the fund financial statements. Only the current portion due within 30 days is included in the fund financial statements. 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 differences from the effective interest method is minimal.

Restricted Net Position

For the Government-Wide Statement of Net Position, net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available it will first be applied to restricted resources.

Fund Balances of Fund Financial Statements

Nonspendable fund balance indicates that portion of fund equity is not spendable such as inventory.

The restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual amount that is not restricted or committed.

Interfund Transfers

In governmental funds, transfers should be reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Deferred Inflow of Resources

The District reports unearned or unavailable revenues on its Statement of Net Position and Fund Balance Sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized. Deferred revenues also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Compensated Absences

Administrative Personnel will receive two weeks of vacation time per year. After five years of experience, the vacation time will increase to three weeks, and after ten years, four weeks a year will be given. Employees who have been working in other positions in the school system will be given credit for this experience. Vacation time not used will be credited to the next year up to a maximum of 50 days. Employees retiring from the district may be compensated for up to 240 hours of unused vacation time. This limit is set by the Education Retirement Board.

The District's recognition and measurement criteria for compensated absences follow:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both the following conditions are met:

- (a) The employees' right to receive compensation is attributable to services already rendered.
- (b) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

A. Deposits and Investments

The District is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Name of Account</u>	Balance Per Bank 6/30/17	Reconciled Balance	<u>Type</u>	
Operational Activity Account	\$ 28,517,432	\$ 28,122,469	Checking	Non-Interest
	219,109	218,995	Checking	Non-Interest
TOTAL Deposited	<u>28,736,541</u>	<u>\$ 28,341,464</u>		
Less: FDIC Coverage	(250,000)			
Uninsured Amount	28,486,541			
50% collateral requirement	14,243,271			
Pledged securities	15,665,990			
Over (Under) requirement	<u>\$ 1,422,720</u>			

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

The following securities are pledged at **Wells Fargo**:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FNMA FNMS	3138MOWW6	\$ 14,774,029	08/01/1942	Mellon Bank, NY
FNMA FNMS	31418BA71	891,961	03/01/1934	Mellon Bank, NY
		<u>\$ 15,665,990</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in District's name	15,665,990
Uninsured and uncollateralized	<u>12,820,551</u>
Total Deposits	<u>\$ 28,736,541</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2017 \$12,820,551 of the District's bank balance of \$28,736,541 was exposed to custodial credit risk.

B. Receivables

Following is a schedule of property taxes receivable as of June 30, 2017:

	<u>General 11000</u>	<u>Debt Service 41000</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes Receivable:				
Available	\$ 42,060	\$ 306,150	\$ 168,332	\$ 516,542
Unavailable	13,171	92,412	52,854	158,437
Total	<u>\$ 55,231</u>	<u>\$ 398,562</u>	<u>\$ 221,186</u>	<u>\$ 674,979</u>

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

State	\$ 0
Federal	28,587
Total	<u>\$ 28,587</u>

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>	
	<u>Other Governmental Funds</u>	<u>Total</u>
General Fund	\$ 27,648	\$ 27,648
Totals	<u>\$ 27,648</u>	<u>\$ 27,648</u>

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

D. Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2017, is as follows:

	Balance 6/30/16	Increases	Decreases	Balance 6/30/17
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 831,237	\$ 13,329	\$ 0	\$ 844,566
Construction in Progress	1,687,493	23,984,112	0	25,671,605
Total Capital Assets, not being Depreciated	<u>2,518,730</u>	<u>23,997,441</u>	<u>0</u>	<u>26,516,171</u>
Capital Assets, being Depreciated				
Buildings & Improvements	24,455,989	548,143	0	25,004,132
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>2,234,476</u>	<u>239,973</u>	<u>0</u>	<u>2,474,449</u>
Total Capital Assets, being Depreciated	<u>26,690,465</u>	<u>788,116</u>	<u>0</u>	<u>27,478,581</u>
Total Capital Assets	<u>29,209,195</u>	<u>24,785,557</u>	<u>0</u>	<u>53,994,752</u>
Less Accumulated Depreciation				
Buildings & Improvements	18,172,167	406,432	0	18,578,599
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	<u>1,738,351</u>	<u>310,998</u>	<u>0</u>	<u>2,049,349</u>
Total Accumulated Depreciation	<u>19,910,518</u>	<u>717,430</u>	<u>0</u>	<u>20,627,948</u>
Capital Assets, net	<u>\$ 9,298,677</u>	<u>\$ 24,068,127</u>	<u>\$ 0</u>	<u>\$ 33,366,804</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 717,430
Total depreciation expenses	<u>\$ 717,430</u>

E. Long-Term Debt and Other Liabilities

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

	Balance 6/30/16	Additions	Reductions Amortization	Balance 6/30/17	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General Obligation					
Bonds	\$ 9,500,000	\$ 37,500,000	\$ 1,400,000	\$ 45,600,000	\$ 1,135,000
Premiums	0	719,469	(4,447)	715,022	38,335
Total Bonds	<u>\$ 9,500,000</u>	<u>\$ 37,500,000</u>	<u>\$ 1,400,000</u>	<u>\$ 46,315,022</u>	<u>\$ 1,173,335</u>
Other Liabilities					
Compensated					
Absences	\$ 25,781	\$ 50,549	\$ 34,125	\$ 42,205	\$ 42,205
Total Other Liabilities	<u>\$ 25,781</u>	<u>\$ 50,549</u>	<u>\$ 34,125</u>	<u>\$ 42,205</u>	<u>\$ 42,205</u>

Payments on the general obligation bonds are made by the Debt Service Funds. The compensated absences liability will ultimately be liquidated by several of the District's governmental funds, with most being paid by the General Fund.

General Obligation Bonds.

The following bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to District buildings and improving District grounds. A tax is annually assessed, levied and collected upon all taxable property within the District for the purpose of providing the necessary funds to meet the interest and principal payments as they become due.

Series	Date of Issue	Original Amount	Interest Rate	Balance
2015	4/1/15	9,500,000	2-3%	\$ 8,100,000
2016	8/15/16	18,000,000	2-2.25%	18,000,000
2017	5/31/17	19,500,000	5-3.25%	19,500,000
				<u>\$ 45,600,000</u>

The annual requirements to amortize the General Obligation Bonds Issue as of June 30, 2017, including interest payments are as follows:

	Principal	Interest	Total
2018	\$ 1,135,000	\$ 1,083,121	\$ 2,218,121
2019	1,185,000	1,299,119	2,484,119
2020	2,125,000	1,252,319	3,377,319
2021	2,175,000	1,181,069	3,356,069
2022	2,235,000	1,107,943	3,342,943
2023-2027	12,085,000	4,269,343	16,354,343
2028-2032	13,745,000	2,598,822	16,343,822
2033-2036	10,915,000	676,175	11,591,175
Total	<u>\$ 45,600,000</u>	<u>\$ 13,467,911</u>	<u>\$ 11,435,628</u>

F. Commitments

The District has several large construction projects ongoing and planned. They will be financed with bond issues.

G. Retirement Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

Benefit Options. The Plan has three benefit options available.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The contribution requirements are established in statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the New Mexico Legislature. For the fiscal years ended June 30, 2017 the employee and employer contributions were \$689,428.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$6,814,303 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion as established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating educational institutions, actuarially determined. At June 30, 2016, the District's proportion was 0.09469%, which was an increase of 0.00758% from their proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$559,922. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,563	\$ 64,813
Net difference between projected and actual earnings on pension plan investments	406,757	0
Changes of assumptions	138,712	0
Changes in proportion and differences between the District's contributions and proportionate share of contributions	356,648	288,272
District's contributions subsequent to the	393,507	0
	<u>\$ 1,325,187</u>	<u>\$ 353,085</u>

\$393,507 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June</u>	
2018	\$ 52,139
2019	135,529
2020	291,736
2021	99,191
Total	<u>\$ 578,595</u>

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

Inflation	3.00%
Salary Increases	Composed of 3% inflation, plus 0.75% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service.
Investment Rate of Return	7.75% compounded annually, net of expenses. This is made up of a 3.00% inflation rate and a 4.75 real rate of return. The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.) developed for each major asset class.
Average of Expected Remaining Service Lives	3.77 years.
Mortality	<p>Healthy males: Based on the RP-2000 Combined Mortality Table with White Collar adjustments, generational mortality improvements with Scale BB.</p> <p>Healthy females: Based on GRS Southwest Region Teacher Mortality Table, set back one year, generational mortality improvements in accordance with Scale BB from the table's base year of 2012.</p> <p>Disabled males: RP-2000 Disabled Mortality Table for males, set back three years, projected to 2016 with Scale BB. Disabled females: RP-2000 Disabled Mortality Table for females, no set back, projected to 2016 with Scale BB.</p> <p>Active members: RP-2000 Employee Mortality Tables, with males set back two years and scaled at 80%, and females set back five years and scaled at 70%. Static mortality improvement from the table's base year of 2000 to the year 2016 in accordance with Scale BB. No future improvement was assumed for preretirement mortality.</p>

Retirement Age	Experience-based table rates based on age and service, adopted by the Board on June 12, 2015 in conjunction with the six-year experience study for the period ending June 30, 2014.
Cost-of-Living Increases	2% per year, compounded annually.
Payroll Growth	3.5% per year (with no allowance for membership growth).
Contribution Accumulation	5.5% increase per year for all years prior to the valuation date. (Contributions are credited with 4.0% interest, compounded annually, applicable to the account balance in the past as well as the future).
Disability Incidence	Approved rates applied to eligible members with at least 10 years of service.

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

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Districts' proportionate share of the net pension liability	\$ 9,025,386	\$ 6,814,303	\$ 4,979,729

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

H. Retiree Health Care

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$56,620, \$54,061, and \$49,526 respectively, which equal the required contributions for each year.

I. Reconciliation of Budgetary Basis to GAAP Basis Statements

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

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

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

J. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; and injuries to employees; and natural disasters. The District, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the District to NMPSIA for coverage provided in the following areas:

- Workers Compensation
- Property and Automobile Liability and Physical Damage
- Liability and Civil Rights and Personal Injury
- Contract School Bus Coverage; and
- Crime

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

K. Joint Powers Agreements

Jal Public School is part of a joint powers agreement with the Lea Regional Education Cooperation # 7 (REC). The REC administers the following programs listed below for the District. The financial statements for these funds have been prepared separately and are available at the REC.

The agreement is to remain in effect until the end of any fiscal year during which the District gives notice of intent to terminate.

The REC is responsible for their audit. The information is available at the Lea Regional Education Cooperation, 315 East Clinton, Hobbs, New Mexico 88240.

Jal Public School is a member of the Lea County Distance Education Consortium. Other members include all school districts in Lea County, Eastern New Mexico University and New Mexico Junior College. The purpose of the Consortium is to purchase and maintain a two-way interactive television network to provide educational services between each of the members. The District contributed \$15,875 this fiscal year.

This agreement shall continue as mutually agreeable by all parties.

The New Mexico Junior College is responsible for their audit. The information is available at the New Mexico Junior College, 5317 N Lovington Hwy, Hobbs, New Mexico 88240.

L. Concentrations

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

M. Subsequent Events

Subsequent events were evaluated through November 1, 2017 which is the date the financial statements were available to be issued.

N. Deficit Fund Balance

Teacherage-12000 had a deficit fund balance of \$(1,067).

O. Restatement

Fund Balance for Transportation-13000 and Instructional Materials-14000 were restated \$(13,467) and \$(5,307) respectfully for the amount returned to PED due to a state-wide budget reduction.

Net Position was restated \$(18,774) for the fund balance restatements discussed above.

P. Subsequent Pronouncements

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

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

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

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

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

**Supplemental Information Related to
Major Funds**

State of New Mexico

Jal Public Schools

Capital Projects Fund-Bond Building-31100

Statement of Revenues, Expenditures, and Changes in Cash Balance -

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Bond Issue	\$ 37,500,000	\$ 37,841,534	\$ 37,500,000	\$ (341,534)
Premiums	0	0	719,469	719,469
Total Revenues	<u>37,500,000</u>	<u>37,841,534</u>	<u>38,219,469</u>	<u>377,935</u>
Expenditures				
Capital Outlay				
Construction	45,405,974	45,405,974	22,609,861	22,796,113
Total Capital Outlay	<u>45,405,974</u>	<u>45,405,974</u>	<u>22,609,861</u>	<u>22,796,113</u>
Total Expenditures	<u>45,405,974</u>	<u>45,405,974</u>	<u>22,609,861</u>	<u>22,796,113</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,905,974)	(7,564,440)	15,609,608	23,174,048
Cash Balance Beginning of Year	<u>7,564,440</u>	<u>7,564,440</u>	<u>7,564,440</u>	<u>0</u>
Cash Balance End of Year	\$ <u>(341,534)</u>	\$ <u>0</u>	\$ <u>23,174,048</u>	\$ <u>23,174,048</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 15,609,608	
Net Change in Payables			<u>(1,517,469)</u>	
Net Change in Fund Balances			\$ <u>14,092,139</u>	

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

State of New Mexico
Jal Public Schools
Debt Service-41000
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property Taxes	\$ 1,641,000	\$ 1,641,000	\$ 3,473,728	\$ 1,832,728
Total Revenues	<u>1,641,000</u>	<u>1,641,000</u>	<u>3,473,728</u>	<u>1,832,728</u>
Expenditures				
Support Services				
General Administration				
Professional & Tech Services	10,000	10,000	6,580	3,420
Total General Administration	<u>10,000</u>	<u>10,000</u>	<u>6,580</u>	<u>3,420</u>
Total Support Services	<u>10,000</u>	<u>10,000</u>	<u>6,580</u>	<u>3,420</u>
Debt Service				
Principal	1,400,000	1,400,000	1,400,000	0
Interest	477,894	477,894	477,894	0
Total Debt Service	<u>1,877,894</u>	<u>1,877,894</u>	<u>1,877,894</u>	<u>0</u>
Total Expenditures	<u>1,887,894</u>	<u>1,887,894</u>	<u>1,884,474</u>	<u>3,420</u>
Excess (Deficiency) of Revenues Over Expenditures	(246,894)	(246,894)	1,589,254	1,836,148
Cash Balance Beginning of Year	<u>1,274,006</u>	<u>1,274,006</u>	<u>1,274,006</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,027,112</u>	<u>\$ 1,027,112</u>	<u>\$ 2,863,260</u>	<u>\$ 1,836,148</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 1,589,254	
Net Change in Taxes Receivable			284,631	
Net Change in Unavailable Revenue			(89,997)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,783,888</u>	

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

**Supplemental Information Related to
Nonmajor Funds**

Nonmajor Special Revenue Funds

Food Services (21000). To account for revenue and expenditures associated with the school breakfast and lunch program. Funding is provided from fees from patrons and USDA food reimbursements. Authority for creation of this fund is NMSA 22-13-13.

Athletics (22000). To account for revenue and expenditures associated with the District's budgeted athletic activities. Authority for creation of this fund is NMAC 6.20.2.

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

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

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

IDEA B (24132). To account for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by the Individuals with Disabilities Education Act, Part B, Sections 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U. S. C. 1411-1420. The fund was created by the authority of federal grant provisions.

Teacher/Principal Training and Recruiting (24154). To provide grants to State Education Agencies (SEAs) on a formula basis to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom and highly qualified principals and assistant principals in schools and hold local educational agencies and schools accountable for improvements in student academic achievement. Authority for the creation of the fund is the Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

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

Maddox Foundation (26109). The revenue was from a grant to fund the start up costs of a day care service for employees and students in the District. If there are vacancies in the program, children from the community are provided service. All children are charged a fee to attend. The fund was created by definition.

Dual Credit Instructional Materials (27103). To provide financial assistance to purchased instructional materials for the college classes offered to students who are taking them for dual credits. The fund was created by the authority of state grant provisions.

Nonmajor Special Revenue Funds

GO Student Library (27107). To account for revenues and expenditures from a state grant to provide for public school and juvenile detention libraries. The funding made available to update and expand library collections in order to circulate and provide access of materials to students and teachers. Funding provided by the State of New Mexico. The fund was created by the authority of state grant provisions.

Breakfast for Elementary (27155). To account for Student wellness enhancement by more students eating a nutritious breakfast; especially school breakfast. The 2009 Dairy MAX School Wellness through Expanding Breakfast Grant Program can help your schools begin new expanded breakfast programs to improve student access to nutritious meal and also the grant can help your district fund the tactics of your district wellness policy. The fund was created by grant provisions.

School Buses (27178). To account for funds provided by New Mexico Public Education Department to purchase school buses. The fund was created by the authority of state grant provisions.

Nonmajor Capital Projects Fund

Senate Bill Nine-Local (31701). The revenues are derived from a district tax levy. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Assets			
Cash and Cash Equivalents	\$ 44,462	\$ 6,200	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	0	6,587
Inventory	15,227	0	0
Total Assets	\$ 59,689	\$ 6,200	\$ 6,587
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 47	\$ 0	\$ 0
Accrued Payroll	0	0	0
Interfund Balance	0	0	6,587
Total Liabilities	47	0	6,587
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable-Inventory	15,227	0	0
Restricted for:			
Special Revenue Funds	44,415	6,200	0
Capital Projects	0	0	0
Total Fund Balance	59,642	6,200	0
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 59,689	\$ 6,200	\$ 6,587

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue		
	IDEA B	IDEA	IDEA B
	Entitlement 24106	Preschool 24109	Results Plan 24132
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	9,399	948	2,416
Inventory	0	0	0
Total Assets	\$ 9,399	\$ 948	\$ 2,416
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Payroll	218	273	0
Interfund Balance	9,181	675	2,416
Total Liabilities	9,399	948	2,416
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Total Fund Balance	0	0	0
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,399	\$ 948	\$ 2,416

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Maddox Foundation 26109
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 55,676
Receivables			
Property Taxes	0	0	0
Due From Grantor	3,141	6,096	0
Inventory	0	0	0
Total Assets	\$ 3,141	\$ 6,096	\$ 55,676
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 224	\$ 614	\$ 0
Accrued Payroll	0	0	0
Interfund Balance	2,917	5,482	0
Total Liabilities	3,141	6,096	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	55,676
Capital Projects	0	0	0
Total Fund Balance	0	0	55,676
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,141	\$ 6,096	\$ 55,676

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue		
	Duel Credits Instructional Materials 27103	GO Student Library 27107	Breakfast for Elementary 27155
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 0
Receivables			
Property Taxes	0	0	0
Due From Grantor	0	0	0
Inventory	0	0	0
Total Assets	\$ 0	\$ 0	\$ 0
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Accrued Payroll	0	0	0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Deferred Inflows of Resources			
Unavailable Revenue	0	0	0
Total Deferred Inflows of Resources	0	0	0
Fund Balance			
Nonspendable-Inventory	0	0	0
Restricted for:			
Special Revenue Funds	0	0	0
Capital Projects	0	0	0
Total Fund Balance	0	0	0
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 0	\$ 0	\$ 0

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	School Bus 27178	Senate Bill Nine-Local 31701	Total
Assets			
Cash and Cash Equivalents	\$ 0	\$ 1,528,481	\$ 1,634,819
Receivables			
Property Taxes	0	221,186	221,186
Due From Grantor	0	0	28,587
Inventory	0	0	15,227
Total Assets	\$ 0	\$ 1,749,667	\$ 1,899,819
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 19,901	\$ 20,786
Accrued Payroll	0	0	491
Interfund Balance	0	0	27,258
Total Liabilities	0	19,901	48,535
Deferred Inflows of Resources			
Unavailable Revenue	0	52,854	52,854
Total Deferred Inflows of Resources	0	52,854	52,854
Fund Balance			
Nonspendable-Inventory	0	0	15,227
Restricted for:			
Special Revenue Funds	0	0	106,291
Capital Projects	0	1,676,912	1,676,912
Total Fund Balance	0	1,676,912	1,798,430
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 0	\$ 1,749,667	\$ 1,899,819

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue		
	Food Service 21000	Athletics 22000	Title I 24101
Revenues			
Property Taxes	0	0	\$ 0
Fees	17,946	27,024	0
State and Local Grants	0	0	0
Federal Grants	110,737	0	53,287
Miscellaneous	0	0	0
Total Revenues	<u>128,683</u>	<u>27,024</u>	<u>53,287</u>
Expenditures			
Current			
Instruction	0	25,868	53,287
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service	125,967	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>125,967</u>	<u>25,868</u>	<u>53,287</u>
Excess (Deficiency) of Revenues Over Expenditures	2,716	1,156	0
Fund Balances at Beginning of Year	<u>56,926</u>	<u>5,044</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 59,642</u>	<u>\$ 6,200</u>	<u>\$ 0</u>

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue		
	IDEA B Entitlement 24106	IDEA Preschool 24109	IDEA B Results Plan 24132
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	0
Federal Grants	74,800	10,210	28,140
Miscellaneous	0	0	0
Total Revenues	<u>74,800</u>	<u>10,210</u>	<u>28,140</u>
Expenditures			
Current			
Instruction	59,362	1,834	28,140
Support Services			
Students	12,170	0	0
Instruction	0	0	0
General Administration	40	8,376	0
Central Services	3,228	0	0
Operation of Plant	0	0	0
Food Service	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>74,800</u>	<u>10,210</u>	<u>28,140</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue		
	Teacher/ Principal Training 24154	REAP 25233	Maddox Foundation 26109
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	0	0	65,769
Federal Grants	11,175	32,093	0
Miscellaneous	0	0	0
Total Revenues	<u>11,175</u>	<u>32,093</u>	<u>65,769</u>
Expenditures			
Current			
Instruction	10,952	32,093	10,093
Support Services			
Students	0	0	0
Instruction	0	0	0
General Administration	223	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service	0	0	0
Capital Outlay	0	0	0
Total Expenditures	<u>11,175</u>	<u>32,093</u>	<u>10,093</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	55,676
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 55,676</u>

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue		
	Duel Credits Instructional Materials 27103	GO Student Library 27107	Breakfast for Elementary 27155
Revenues			
Property Taxes	\$ 0	\$ 0	\$ 0
Fees	0	0	0
State and Local Grants	1,325	4,618	18,992
Federal Grants	0	0	0
Miscellaneous	0	0	0
Total Revenues	<u>1,325</u>	<u>4,618</u>	<u>18,992</u>
Expenditures			
Current			
Instruction	1,325	0	0
Support Services			
Students	0	0	0
Instruction	0	4,618	0
General Administration	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service	0	0	18,992
Capital Outlay	0	0	0
Total Expenditures	<u>1,325</u>	<u>4,618</u>	<u>18,992</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Jal Public Schools
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
	School Bus 27178	Senate Bill Nine-Local 31701	
Revenues			
Property Taxes	\$ 0	\$ 2,232,650	\$ 2,232,650
Fees	0	0	44,970
State and Local Grants	82,200	0	172,904
Federal Grants	0	0	320,442
Miscellaneous	0	12,904	12,904
Total Revenues	<u>82,200</u>	<u>2,245,554</u>	<u>2,783,870</u>
Expenditures			
Current			
Instruction	0	599	223,553
Support Services			
Students	0	0	12,170
Instruction	0	0	4,618
General Administration	0	3,939	12,578
Central Services	0	0	3,228
Operation of Plant	0	1,862,390	1,862,390
Food Service	0	0	144,959
Capital Outlay	82,200	702,951	785,151
Total Expenditures	<u>82,200</u>	<u>2,569,879</u>	<u>3,048,647</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(324,325)	(264,777)
Fund Balances at Beginning of Year	<u>0</u>	<u>2,001,237</u>	<u>2,063,207</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 1,676,912</u>	<u>\$ 1,798,430</u>

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

Required Supplemental Information

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

Last 10 Fiscal Years*

	Fiscal Year Measurement Date	2015	2016	2017
		2014	2015	2016
District's proportionate share of the net pension liability		0.09472% \$ 5,404,459	0.87110% \$ 5,642,347	0.09469% \$ 6,814,303
District's covered-employee payroll		\$ 2,476,004	\$ 2,703,068	\$ 2,830,983
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		218.27%	208.74%	240.70%
Plan fiduciary net position as a percentage of the total pension		66.54%	63.97%	61.58%

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

Schedule of District's Contributions

Last 10 Fiscal Years*

	June 30,		
	2015	2016	2017
Contractually required contribution	\$ 344,165	\$ 375,726	\$ 393,507
Contributions in relation to the contractually required contribution	344,165	375,726	393,507
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	2,476,004	\$ 2,703,068	\$ 2,830,983
Contributions as a percentage of covered-employee payroll	13.90%	13.90%	13.90%

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

Notes to Required Supplementary Information

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

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

Other Supplemental Information

Fiduciary Fund

Activity Trust Fund

To account for funds of various student groups that are custodial in nature.

State of New Mexico
Jal Public Schools
Agency Funds - Activities
Schedule of Fiduciary Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2017

	Balance 6/30/16	Additions	Deductions	Balance 6/30/17
Assets				
Elementary				
Educational Enhancement	\$ 18,038	\$ 18,304	\$ 21,080	\$ 15,262
Annuals	280	170	0	450
Administration	4,512	1,517	4,923	1,106
Total Elementary	<u>22,830</u>	<u>19,991</u>	<u>26,003</u>	<u>16,818</u>
Junior and Senior High School				
Annual	0	738	738	0
Cheerleaders	948	10,796	6,413	5,331
Educational Enhancement	9,815	17,110	25,486	1,439
Football Clearing Account	0	1,000	1,000	0
Gas Capital Relays	1,237	1,050	747	1,540
Junior Class	0	20,891	18,391	2,500
National Honor Society	984	2,107	2,452	639
District Clearing	0	3,305	3,187	118
Senior Class	3,162	117	3,279	0
STEM or Shop	923	76,600	21,099	56,424
Sports Booster	6,142	6,907	7,873	5,176
Sports Misc.	7,710	34,900	33,641	8,969
Student Council	2,928	1,226	1,117	3,037
Technology Fund	1,030	369	1,257	142
Culinary	652	2,079	852	1,879
Jr High Athletics	23	0	0	23
Jr High Cheerleaders	665	838	713	790
Total Jr. & Sr. High	<u>36,218</u>	<u>180,033</u>	<u>128,245</u>	<u>88,006</u>
Scholarships				
Woolworth Scholarship	10,288	25,600	14,792	21,096
New Mexico Junior College	70,066	0	3,600	66,466
Owen Scholarship	1,218	0	0	1,218
Short Scholarship	25,391	0	2,000	23,391
RRR Ranch Scholarship	0	2,000	0	2,000
Total Scholarships	<u>106,963</u>	<u>27,600</u>	<u>20,392</u>	<u>114,171</u>
Total Assets	<u>\$ 166,011</u>	<u>\$ 227,624</u>	<u>\$ 174,640</u>	<u>\$ 218,995</u>
Liabilities				
Deposits Held for Others	<u>\$ 166,011</u>	<u>\$ 227,624</u>	<u>\$ 174,640</u>	<u>\$ 218,995</u>
Total Liabilities	<u>\$ 166,011</u>	<u>\$ 227,624</u>	<u>\$ 174,640</u>	<u>\$ 218,995</u>

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

State of New Mexico
Jal Public Schools
Cash Reconciliations - All Funds
For the Year Ended June 30, 2017

		Beginning Cash Balance 6/30/16	Revenue	Expenditures	Ending Cash Balance 6/30/17
Operational	11000	\$ 636,321	\$ 4,308,786	\$ 4,490,496	\$ 454,611
Teachorage	12000	7,030	15,100	22,520.00	(390)
Transportation	13000	26,935	138,796	154,626	11,105
Instructional Materials	14000	4,793	32,393	24,913	12,273
Food Services	21000	50,529	119,860	125,927	44,462
Athletics	22000	5,044	27,024	25,868	6,200
Federal Flowthrough	24000	(91,351)	246,471	176,899	(21,779)
Federal Direct	25000	0	25,998	31,479	(5,481)
Local Grants	26000	0	65,769	10,093	55,676
State Flowthrough	27000	(5,400)	112,535	107,135	0
Bond Building	31100	7,564,440	38,219,469	22,609,861	23,174,048
Senate Bill Nine-Local	31701	1,932,115	2,169,243	2,572,876	1,528,482
Debt Service	41000	1,274,006	3,473,728	1,884,473	2,863,261
Agency Funds		166,011	227,625	174,640	218,996
Total		<u>\$ 11,570,473</u>	<u>\$ 49,182,797</u>	<u>\$ 32,411,806</u>	<u>\$ 28,341,464</u>

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

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(855) 253-4313

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

Independent Auditor's Report

Mr. Tim Keller
State Auditor of the State of New Mexico
Board Members of the Jal 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 comparison of the general fund and major special revenue funds, of Jal Public Schools (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and the combining and individual funds and budgetary comparisons of the major capital projects and debt service funds of the District, presented as supplemental information, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies. 2013-001, 2013-002, 2017-001, 2017-002

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses; 2013-001, 2013-002, 2017-001, 2017-002

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 purpose.

 De'Aun Willoughby, CPA PC

Clovis, New Mexico
November 1, 2017

State of New Mexico
Jal Public Schools
 Schedule of Findings and Responses
 For the Year Ended June 30, 2017

Prior Year Audit Findings	Status
2013-001 Bank Reconciliations	Repeated & Modified
2013-002 PED Cash Report	Repeated & Modified
2013-006 Payroll	Resolved
2013-008 Cash Appropriations in Excess of Available Cash Balances	Resolved
2015-001 Expenditures	Resolved
2015-002 Budget Violation	Resolved

Current Year Audit Findings

2013-001 Bank Reconciliations - Compliance and Internal Control-Significant Deficiency Condition

As of June 30, 2017 the bank reconciliations for all bank accounts show variances. Variances were as follows; Operational Account (\$179,221.45), and Activity \$1,986.94.

Management has not made progress in this area.

Criteria

NMAC 2.2.5.8 (4) Bank reconciliations are to be performed timely and agreed to the general ledger.

Cause

Management continues to allow variances.

Effect

When bank statements are not reconciled to the general ledger there is an opportunity for misappropriation of cash assets and incorrect financial reporting. Management decisions may be skewed by the incorrect financials.

Recommendation

We recommend the bank statements are reconciled to the general ledger.

Response

The business office has attempted to find the cause of the variance. Part of the variance is due to payroll liabilities and use of incorrect cash accounts. The business office worked with CPA to reconcile & update the bank reconciliation to begin 2017-2018 year with no variance. The business office also corrected general ledger payroll errors that were automated by Infinite Vision software. We will continue working on causes of any future variances.

The Business Manager is responsible for bank reconciliations. It is unknown when this finding will be resolved.

2013-002 PED Cash Reports -Compliance and Internal Control-Significant Deficiency

Condition

The audited cash balances did not agree to the cash balances on the final cash report submitted to PED. The audited balance difference was \$4,782.61 more than reported to

Management has not made progress in this area.

Criteria

6.20.2.11 (B) (6) NMAC and Regulation SBE-6 states the reports sent to the New Mexico Public Education Department (PED) must agree to the District's general ledger and must be submitted quarterly and annually by July 31.

Cause

The failure of the bank reconciliation process prevents the amounts from agreeing.

Effect

The District is not in compliance with NMAC 6.20.2.11 (b) (6) and Regulation SBE-6. Noncompliance may result in impaired decision making by the District's governing board.

Recommendation

The PED cash reports must agree with a reconciled general ledger.

Response

Solving the bank reconciliation problem should resolve this finding as well.

The business manager is responsible for this finding and hopes to have this issue resolved before the current fiscal year end.

2017-001 NMPSIA-Compliance and Internal Control-Significant Deficiency

Condition

Of the 15 employees sampled, three participants in NMPSIA were not employed by the District. They were employed by the Public Library. The Public Library reimbursed the school for both the Public Library portion as well as the Public Library employees portion. The district was not out any money.

Criteria

According to NMPSIA rules and regulations an individual must be employed by the District to be eligible for benefits.

Cause

This was a finding in the 2013 Audit. The acting superintendent in 2013 immediately removed the ineligible employees. The proceeding and current superintendent reverted back to allowing the Public Library personnel to participate in NMPSIA. The current superintendent stated he was not aware that this was a current audit finding and that he could not find a law prohibiting this. The superintendent felt because the students use the public library as their research center (the district has no library) that the school should provide this benefit to the Public Library employees.

Effect

The library employees do not have medical coverage because they are not employees of the District and able to participate in NMPSIA. The District could be liable for the Library employees' medical claims that are not paid by NMPSIA.

Recommendation

The District cannot allow nonemployees of the District to participate in NMPSIA through the District.

Response

While the auditors were here for fieldwork the superintendent contacted NMPSIA, they told him that the District could not allow the library employees to participate in NMPSIA. Public Library personnel will no longer participate in the NMPSIA under Jal Public Schools effective December 1, 2017.

The Superintendent is responsible and hopes to have this finding resolved by the calendar year end.

2017-002 New Hires-Compliance and Internal Control-Significant Deficiency

Condition

Out of 31 new hires 6 were sampled. Of those 6 the District could not provide documentation of timely submission for 1 of them.

Criteria

New Mexico law (§50-13-1 to 50-13-4) and Federal law (42 USC §653.a.(b)(1)(A)), all public, private, non-profit, and government employers are required to report all newly hired employees within 20 days of hire.

Cause

Management was not aware new hires had to be reported within 20 days of hire.

Effect

Pursuant to federal law, states have the option of imposing civil monetary penalties on employers who fail to report new hires. The fine can be up to \$20 per newly hired employee, and if there is a conspiracy between the employer and employee not to report, the penalty can be up to \$500 per newly hired employee.

Recommendation

The District should report new hires within 20 days of hire.

Response

Employee verification was immediately re-submitted & documented.

The payroll clerk is responsible for this finding. It is expected to be resolved immediately.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on November 1, 2017 Brian Snider-Superintendent, Jamie Earp-audit committee member, Nicole Herrera-Business Manager, and De'Aun Willoughby CPA.