



State of New Mexico
Rio Gallinas Charter School

Annual Financial Report
June 30, 2017

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Clovis, New Mexico



Official Roster.....	4
Independent Auditor's Report.....	5-6

Financial Section

Basic Financial Statements

Government Wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9

Fund Financial Statements	
Government Funds - Balance Sheet.....	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	12

Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13-14
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Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15
--	----

General Fund-Operational 11000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	16-18

General Fund-Instructional Material-14000	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	19

Major Special Revenue Fund	
IDEA B Entitlement-24106	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget (Budgetary Basis) and Actual.....	20

Statement of Fiduciary Assets and Liabilities-Agency Funds	21
--	----

Notes to Financial Statements.....	22-39
------------------------------------	-------

Supplemental Information Related to Nonmajor Funds

Non-Major Funds	
Combining Balance Sheet.....	42-44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	45-47

Required Supplemental Information	
Schedules of Required Supplementary Information and notes for the Pension Plan.....	49
Other Supplemental Information	
Activity	
Schedule of Fiduciary Assets and Liabilities-Agency Funds	52
Cash Reconciliations-All Funds.....	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	54-55
Schedule of Findings and Responses.....	56-58

State of New Mexico
Rio Gallinas Charter School
Official Roster
June 30, 2017

Governing Council

Rae Laing	Chairman
Georgina Ortega	Vice-Chairman
Jude Romero	Secretary
Michael Immerman	Member
Emilio Aragon	Member
Crystal Gallegos	Member
Rudy Castellano	Member

Charter School Officials

Kirk Ludi	Director
Elizabeth Romero	Business Manager

Independent Auditor's Report

Mr. Tim Keller
State Auditor of New Mexico
Governing Council of the Rio Gallinas Charter School

Mr. Keller and Members of the Council

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of Rio Gallinas Charter (Charter), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Charter's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Charter's nonmajor governmental 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 Charter as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue 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 Charter as of June 30, 2017, and the respective changes in financial position 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 Pension Plan and related notes be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 are not a required part of the basic financial statements.

The schedule required by 2.2.2 NMAC is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule 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 October 2, 2017 on our consideration of the Charter'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 Charter's internal control over financial reporting and compliance.

De'Ann Willoughby CPA PC

Clovis, New Mexico

October 2, 2017

Financial Section

State of New Mexico
Rio Gallinas Charter School
Government-Wide Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 166,516
Due from Grantor	4,540
Total Current Assets	<u>171,056</u>
Noncurrent Assets	
Capital Assets	174,095
Less: Accumulated Depreciation	<u>(160,698)</u>
Total Noncurrent Assets	<u>13,397</u>
Total Assets	<u>184,453</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	
Actuarial Experience	5,663
Investment Experience	77,923
Changes of Assumptions	26,574
Changes in Proportion	723,136
Contributions Subsequent to Measurement Date	<u>61,453</u>
Total Deferred Outflows of Resources	<u>894,749</u>
Liabilities	
Current Liabilities	
Accounts Payable	1,597
Total Current Liabilities	<u>1,597</u>
Noncurrent Liabilities	
Pension Liability	1,305,433
Total Noncurrent Liabilities	<u>1,305,433</u>
Total Liabilities	<u>1,307,030</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	
Actuarial Experience	12,416
Changes in Proportion	<u>247,490</u>
Total Deferred Inflows of Resources	<u>259,906</u>
Net Position	
Invested in Net Capital Assets	13,397
Unrestricted	<u>(501,131)</u>
Total Net Position	<u>\$ (487,734)</u>

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

State of New Mexico
Rio Gallinas Charter School
Governmental Funds
Balance Sheet
June 30, 2017

	General		Special Revenue
	Operational 11000	Instructional Materials 14000	IDEA B Entitlement 24106
Assets			
Cash and Cash Equivalents	\$ 145,362	\$ 5,747	\$ 0
Receivables			
Due From Grantor	0	0	4,540
Interfund Balance	4,540	0	0
Total Assets	<u>\$ 149,902</u>	<u>\$ 5,747</u>	<u>\$ 4,540</u>
Liabilities			
Accounts Payable	\$ 1,483	\$ 0	\$ 0
Interfund Balance	0	0	4,540
Total Liabilities	<u>1,483</u>	<u>0</u>	<u>4,540</u>
Fund Balances			
Restricted for:			
Special Revenue Funds	0	0	0
Capital Improvements	0	0	0
Unassigned	148,419	5,747	0
Total Fund Balances	<u>148,419</u>	<u>5,747</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 149,902</u>	<u>\$ 5,747</u>	<u>\$ 4,540</u>

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

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Balance Sheet
 June 30, 2017

	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>
Assets		
Cash and Cash Equivalents	\$ 15,407	\$ 166,516
Receivables		
Due From Grantor	0	4,540
Interfund Balance	0	4,540
Total Assets	<u>\$ 15,407</u>	<u>\$ 175,596</u>
Liabilities		
Accounts Payable	\$ 114	\$ 1,597
Interfund Balance	0	4,540
Total Liabilities	<u>114</u>	<u>6,137</u>
Fund Balances		
Restricted for:		
Special Revenue Funds	15,293	15,293
Capital Improvements	0	0
Unassigned	0	154,166
Total Fund Balances	<u>15,293</u>	<u>169,459</u>
 Total Liabilities and Fund Balances	 <u>\$ 15,407</u>	 <u>\$ 175,596</u>

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

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 June 30, 2017

Total Fund Balance - Governmental Funds \$ 169,459

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

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

Capital Assets	\$ 174,095	
Accumulated Depreciation	<u>(160,698)</u>	13,397

Deferred Outflows and Inflows Related to Pensions are the results of differences in expected and actual actuary experience and the difference in actuary projected and actual earnings. Also changes in proportion and differences between contributions and proportionate share of contributions.

Deferred Outflows Related to Pensions	894,749	
Deferred Inflows Related to Pensions	<u>(259,906)</u>	634,843

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

Pension Liability		<u>(1,305,433)</u>
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Total Net Position - Governmental Activities		<u><u>\$ (487,734)</u></u>
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The notes to the financial statements are an integral part of this statement.

State of New Mexico
Rio Gallinas Charter School
 Governmental Funds
 Statement of Revenues, Expenditures and Changes
 in Fund Balance
 For the Year Ended June 30, 2017

	General		Special Revenue
	Operational 11000	Instructional Materials 14000	IDEA B Entitlement 24106
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	731,583	5,274	0
Federal Grants	0	0	36,016
Miscellaneous	4,916	0	0
Total Revenues	<u>736,499</u>	<u>5,274</u>	<u>36,016</u>
Expenditures			
Current			
Instruction	342,760	96	26,260
Support Services			
Students	62,911	0	9,756
Instruction	2,650	0	0
General Administration	12,351	0	0
School Administration	116,549	0	0
Central Services	76,429	0	0
Operation of Plant	67,701	0	0
Student Transportation	18,996	0	0
Other	58	0	0
Food Service Operations	16,970	0	0
Total Expenditures	<u>717,375</u>	<u>96</u>	<u>36,016</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>19,124</u>	<u>5,178</u>	<u>0</u>
Fund Balances at Beginning of Year	129,295	1,489	0
Restatement	0	(920)	0
Restated Beginning Fund Balance	<u>129,295</u>	<u>569</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 148,419</u>	<u>\$ 5,747</u>	<u>\$ 0</u>

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

State of New Mexico
Rio Gallinas Charter School
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		
Fees	\$ 12,654	\$ 12,654
State & Local Grants	57,768	794,625
Federal Grants	54,089	90,105
Miscellaneous	0	4,916
Total Revenues	<u>124,511</u>	<u>902,300</u>
Expenditures		
Current		
Instruction	54,703	423,819
Support Services		
Students	1,336	74,003
Instruction	0	2,650
General Administration	155	12,506
School Administration	57,212	173,761
Central Services	61	76,490
Operation of Plant	0	67,701
Student Transportation	0	18,996
Other	0	58
Food Service Operations	0	16,970
Total Expenditures	<u>113,467</u>	<u>866,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>11,044</u>	<u>35,346</u>
Fund Balances at Beginning of Year	4,249	135,033
Restatement	0	(920)
Restated Beginning Fund Balance	<u>4,249</u>	<u>134,113</u>
Fund Balance End of Year	<u>\$ 15,293</u>	<u>\$ 169,459</u>

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

State of New Mexico
Rio Gallinas Charter School
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2017

Excess (Deficiency) of Revenues Over Expenditures \$ 35,346

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

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	\$ (4,672)	
Capital Outlays	<u>0</u>	(4,672)

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	61,453	
Pension Expense	<u>(404,847)</u>	<u>(343,394)</u>

Changes in Net Position of Governmental Activities \$ (312,720)

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

State of New Mexico
Rio Gallinas Charter School
 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				
State Grant	\$ 760,972	\$ 731,235	\$ 731,583	\$ 348
Miscellaneous	0	0	4,916	4,916
Total Revenues	<u>760,972</u>	<u>731,235</u>	<u>736,499</u>	<u>5,264</u>
Expenditures				
Instruction				
Personnel Services	251,522	251,551	245,281	6,270
Employee Benefits	94,693	95,090	77,722	17,368
Professional & Tech Services	0	83	82	1
Purchased Property Services	5,250	5,232	3,903	1,329
Other Purchased Services	18,000	19,902	12,308	7,594
Supplies	18,050	16,627	3,464	13,163
Supply Assets	51,000	26,279	0	26,279
Total Instruction	<u>438,515</u>	<u>414,764</u>	<u>342,760</u>	<u>72,004</u>
Support Services				
Students				
Personnel Services	28,403	28,525	27,711	814
Employee Benefits	8,218	10,549	10,115	434
Professional & Tech Services	42,974	47,114	22,671	24,443
Other Purchased Services	250	1,649	2,132	(483)
Supplies	250	300	283	17
Total Students	<u>80,095</u>	<u>88,137</u>	<u>62,912</u>	<u>25,225</u>
Instruction				
Personnel Services	0	651	1,267	(616)
Employee Benefits	0	275	375	(100)
Supplies	4,000	2,752	1,008	1,744
Total Instruction	<u>4,000</u>	<u>3,678</u>	<u>2,650</u>	<u>1,028</u>
General Administration				
Professional & Tech Services	16,700	20,382	10,116	10,266
Other Purchased Services	2,500	2,896	2,114	782
Supplies	0	122	121	1
Total General Administration	<u>19,200</u>	<u>23,400</u>	<u>12,351</u>	<u>11,049</u>
School Administration				
Personnel Services	89,201	85,341	83,577	1,764
Employee Benefits	23,029	28,781	26,654	2,127
Professional & Tech Services	5,500	6,545	2,483	4,062
Other Purchased Services	1,000	1,624	2,406	(782)
Supplies	2,500	2,606	677	1,929
Supply Assets	0	782	752	30
Total School Administration	<u>\$ 121,230</u>	<u>\$ 125,679</u>	<u>\$ 116,549</u>	<u>\$ 9,130</u>

State of New Mexico
Rio Gallinas Charter School
 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		
Central Services				
Personnel Services	\$ 1,139	\$ 1,435	\$ 1,435	\$ 0
Employee Benefits	97	333	329	4
Professional & Tech Services	68,956	68,956	64,663	4,293
Other Purchased Services	0	228	256	(28)
Supplies	10,750	10,750	9,747	1,003
Total Central Services	<u>80,942</u>	<u>81,702</u>	<u>76,430</u>	<u>5,272</u>
Operation of Plant				
Personnel Services	13,572	13,030	12,402	628
Employee Benefits	3,549	3,551	3,239	312
Professional & Tech Services	47,302	54,351	39,678	14,673
Other Purchased Services	10,308	10,436	10,436	0
Supplies	2,000	2,000	1,431	569
Supply Assets	0	0	319	(319)
Total Operation of Plant	<u>76,731</u>	<u>83,368</u>	<u>67,505</u>	<u>15,863</u>
Student Transportation				
Personnel Services	12,713	13,237	13,309	(72)
Employee Benefits	3,268	3,272	3,158	114
Professional & Tech Services	0	98	98	0
Purchased Property Services	250	315	93	222
Other Purchased Services	1,582	1,582	1,585	(3)
Supplies	3,500	4,088	753	3,335
Supply Assets	0	871	0	871
Total Student Transportation	<u>21,313</u>	<u>23,463</u>	<u>18,996</u>	<u>4,467</u>
Other Support Service				
Other Support Services	<u>200</u>	<u>200</u>	<u>56</u>	<u>144</u>
Total Other Support Service	<u>200</u>	<u>200</u>	<u>56</u>	<u>144</u>
Total Support Services	<u>403,711</u>	<u>429,627</u>	<u>357,449</u>	<u>72,178</u>
Food Service				
Personnel Services	12,932	13,061	12,817	244
Employee Benefits	3,384	4,110	4,105	5
Other Purchased Services	7,610	111	0	111
Supplies	0	144	48	96
Total Food Service	<u>23,926</u>	<u>17,426</u>	<u>16,970</u>	<u>456</u>
Total Expenditures	<u>\$ 866,152</u>	<u>\$ 861,817</u>	<u>\$ 717,179</u>	<u>\$ 144,638</u>

State of New Mexico
Rio Gallinas Charter School
 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		
Excess (Deficiency) of Revenues Over Expenditures	\$ (105,180)	\$ (130,582)	\$ 19,320	\$ 149,902
Cash Balance Beginning of Year	<u>130,582</u>	<u>130,582</u>	<u>130,582</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 25,402</u>	<u>\$ 0</u>	<u>\$ 149,902</u>	<u>\$ 149,902</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ 19,320	
Net Change in Accounts Payable			<u>(196)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 19,124</u>	

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

State of New Mexico
Rio Gallinas Charter School
 General Fund-Instructional Materials-14000
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
State Grant	\$ 4,074	\$ 3,154	\$ 5,273	\$ 2,119
Total Revenues	<u>4,074</u>	<u>3,154</u>	<u>5,273</u>	<u>2,119</u>
Expenditures				
Instruction				
Supplies	5,563	4,643	95	4,548
Total Instruction	<u>5,563</u>	<u>4,643</u>	<u>95</u>	<u>4,548</u>
Total Expenditures	<u>5,563</u>	<u>4,643</u>	<u>95</u>	<u>4,548</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,489)</u>	<u>(1,489)</u>	<u>5,178</u>	<u>6,667</u>
Other Financial Sources (Uses)				
Funds returned to PED	0	0	(920)	(920)
Total Other Financial Sources (Uses)	<u>0</u>	<u>0</u>	<u>(920)</u>	<u>(920)</u>
Net Change in Cash Balance	(1,489)	(1,489)	4,258	5,747
Cash Balance Beginning of Year	<u>1,489</u>	<u>1,489</u>	<u>1,489</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>5,747</u>	\$ <u>5,747</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 4,258	
Returned to PED			920	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 5,178</u>	

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

State of New Mexico
Rio Gallinas Charter School
Special Revenue Fund-IDEA B Entitlement-24106
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				
Federal Grant	\$ 0	\$ 36,540	\$ 31,476	\$ (5,064)
Total Revenues	<u>0</u>	<u>36,540</u>	<u>31,476</u>	<u>(5,064)</u>
Expenditures				
Instruction				
Personnel Services	0	15,528	15,528	0
Employee Benefits	<u>0</u>	<u>11,256</u>	<u>10,732</u>	<u>524</u>
Total Instruction	<u>0</u>	<u>26,784</u>	<u>26,260</u>	<u>524</u>
Support Services				
Students				
Professional & Tech Services	<u>0</u>	<u>9,756</u>	<u>9,756</u>	<u>0</u>
Total Students	<u>0</u>	<u>9,756</u>	<u>9,756</u>	<u>0</u>
Total Support Services	<u>0</u>	<u>9,756</u>	<u>9,756</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>36,540</u>	<u>36,016</u>	<u>524</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	(4,540)	(4,540)
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (4,540)</u>	<u>\$ (4,540)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (4,540)	
Net Change in Due from Grantor			<u>4,540</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 0</u>	

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

State of New Mexico
Rio Gallinas Charter School
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 2,625
Total Assets	<u>\$ 2,625</u>
Liabilities	
Deposits Held for Others	\$ 2,625
Total Liabilities	<u>\$ 2,625</u>

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

Summary of Significant Accounting Policies

The financial statements of the Rio Gallinas Charter School (Charter), a component unit of West Las Vegas Schools, 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 Charter's accounting policies are described below.

Financial Reporting Entity

The Charter has been in existence since 2000, and is currently operating under the provisions of the Public School Charter Code, Chapter 22, of the New Mexico Statutes Annotated, 1978 Compilation. The Charter 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 Charter is considered a component unit, since its budget is approved by West Las Vegas School elected officials. GASB Statement No. 14 defines a component unit as one who is not fiscally independent meaning the Charter may not, 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 Charter has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Charter 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 Charter has a significant relationship.

The accounts of the Charter 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 Charter 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 Charter'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 Charter and accounts for all revenues and expenditures of the Charter 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 Charter.

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 Charter.

The Student Activity Fund, an agency fund, accounts for assets held by the Charter as an agent for the Charter organizations. These organizations exist with the explicit approval of and are subject to revocation by the Charter's Board of Education. This accounting reflects the Charter's agency relationship with the student activity organizations.

Major Funds

The Charter reports the following major governmental funds:

General Fund (11000)(14000) The General Fund consist of two sub funds. The first is the Operational Fund of the Charter and accounts for all revenues and expenditures of the Charter not encompassed within other funds. The Instructional Materials Fund accounts for a state grant to provide text books for students in the Charter.

IDEA B Entitlement (24106) P.L. 94-142, Individuals with Disabilities Education Act - to account for a federal grant restricted to operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public laws 91-230,93-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17.

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 Charter's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Charter'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 Charter-wide financial statements.

Revenues

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 charters).
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).

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

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

Expenditures

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

Other Financing Sources (Uses)

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

Basis of Budgeting

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

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

The Charter 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 Charter for the ensuing fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the New Mexico Public Education Department (PED) by the Charter shall contain headings and details as prescribed by law.
2. Prior to June 20, of each year, the proposed "operating" budget will be reviewed and approved by the SBFAU and certified and approved by the local school board at the public hearing of which notice has been published by the local school board which fixed the estimated budget for the Charter for the ensuing fiscal year.
3. The "operating" budget will be used by the Charter 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 Charter 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 Charter 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 Charter 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 Charter 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 Charter'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 Charter 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 Charter may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or school Charter 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.

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 Cafeteria Fund consists of purchased food and non-food items and United States Department of Agriculture (USDA) commodities. Commodities are shown at the USDA procurement cost. Costs are recorded as expenditures at the time individual inventory items are used (consumption method). Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Charter-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 Charter 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 Charter does not have any activity in short-term debt.

Long-Term Liabilities

For Charter-wide reporting, the costs associated with the bonds are recognized over the life of the bond. As permitted by GASB Statement No. 34 the amortization of the costs of bonds will be amortized prospectively from the date of adoption of GASB Statement No. 34.

Restricted Net Position

For the government-wide statement of net position, net positions are reported as restricted when constraints placed 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 Outflows

The Charter reports deferred revenues on its Statement of Net Position and Fund Balance Sheet. Deferred outflows arise when resources are received by the Charter 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 Charter 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 outflows also occur in the fund financial statements when revenue is earned but is not available. The revenue becomes available if received within 30 days of the fiscal year end.

Estimates

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

A. Deposits and Investments

The Charter 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.

Southwest Capital Bank

<u>Name of Account</u>	Balance Per Bank 6/30/17	Reconciled Balance	<u>Type</u>
Rio Gallinas School for Ecology and the Arts	\$ 213,199	\$ 169,141	Checking
Total Deposited	213,199	<u>169,141</u>	
Less: FDIC Coverage	<u>(213,199)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

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

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Balance</u>
Collateralized:	
Insured	213,199
Total Deposits	<u>\$ 213,199</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 none of the Charter's balance of \$213,199 was exposed to custodial risk.

B. Receivables

Following is a schedule of receivables as of June 30, 2017:

	IDEA B Entitlement 24106
Due From Grantors:	
State	\$ 0
Federal Agencies	4,540
	<u>\$ 4,540</u>

C. Interfund Receivables, Payables and Transfers

Interfund balances during the year ending June 30, 2017 were as follows:

Due to General Fund from:	
IDEA B Entitlement-24106	\$ 4,540
Totals	<u>\$ 4,540</u>

Short term loans from the General Fund to the above fund were to cover costs during the year until the grant revenue is received, the loans 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, being Depreciated				
Buildings Improvements	\$ 29,249	\$ 0	\$ 0	\$ 29,249
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	144,846	0	0	144,846
Total Capital Assets, being Depreciated	174,095	0	0	174,095
Total Capital Assets	\$ 174,095	\$ 0	\$ 0	\$ 174,095
Less Accumulated Depreciation				
Buildings & Improvements	\$ 12,309	\$ 1,067	\$ 0	\$ 13,376
Equipment, Vehicles, Information Technology Equipment, Software & Library Books	143,717	3,605	0	147,322
Total Accumulated Depreciation	156,026	4,672	0	160,698
Capital Assets, net	\$ 18,069	\$ (4,672)	\$ 0	\$ 13,397

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 4,672
Total Depreciation Expenses	\$ 4,672

E. Commitments

The Charter has no construction commitments on June 30, 2017.

F. 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,

- *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
- *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.

*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 \$106,038.56.

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 \$10,537,018 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 0.14642%, which was a decrease of 0.01053% from their proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Charter recognized pension expense of \$404,847. At the June 30, 2017, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,663	\$ 12,416
Net difference between projected and actual earnings on pension plan investments	77,923	0
Changes of assumptions	26,574	0
Changes in proportion and differences between the Charter's contributions and proportionate share of contributions	723,136	247,490
Charter's contributions subsequent to the measurement date	61,453	0
Total	\$ <u>894,749</u>	\$ <u>259,906</u>

\$61,453 reported as deferred outflows of resources related to pensions resulting from Charter'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

<u>Year ended June 30:</u>	
2016	\$ 306,247
2017	280,041
2018	(31,901)
2019	19,002
Total	\$ <u>573,389</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,
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	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</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	\$ 1,729,016	\$ 1,305,433	\$ 953,979

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

H. Retiree Health Care

Plan Description. The Charter 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 Charter's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$8,842, \$10,364, and \$13,296 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).

The reconciliation of budgetary basis to GAAP basis statements are located at the bottom of each budget actual.

J. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Charter expects such amount, if any, to be immaterial.

K. Risk Management

The Charter 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 Charter, as a New Mexico Public School, is insured through the New Mexico Public Schools Insurance Authority (NMPSIA). Annual premiums are paid by the Charter to NMPSIA for coverage provided in the following areas:

- 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 Charter are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

L. Subsequent Events

Subsequent events were evaluated through October 2, 2017 which is the date the financial statements were available to be issued.

M. Restatement

Fund Balance was restated \$(920) in Instructional Materials-14000 for funds returned to PED because of budget cuts.

Net Position was restated \$1,091,844 for the following:

Deferred Outflows related to pension	\$ 1,099,244
Deferred Inflows related to pension	64,985
Pension Liability	(71,465)
Instructional Materials-Returned to PED	(920)
	<u>\$ 1,091,844</u>

**Supplemental Information Related to
Nonmajor Funds**

Food Service (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.

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.

Teacher/Principal Training & 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. Elementary and Secondary Education Act of 1965, as amended, Title II, Part A (PL 107-110).

Title I School Improvement (24162).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.

Medicaid (25153). To account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. The fund was created by the authority of federal grant provisions. (Title XIX Social Security Act).

Grow Dome (29102). To account for grants and donations to support the green house for student instruction. Authority is provided by the council.

Public School Capital Outlay (31200). To account for a grant received from the state for rent for facilities.

Senate Bill Nine (31700). The revenues are derived from a state grant. Expenditures are restricted to capital improvements, repairs and maintenance, supplies and supply assets used in the upkeep of the facilities.

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Title I 24101	Teacher/Principal Training & Recruiting 24154
Assets			
Cash and Cash Equivalents	\$ 1,882	\$ 0	\$ 0
Receivables			
Due From Grantor	0	0	0
Total Assets	\$ 1,882	\$ 0	\$ 0
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Balance	0	0	0
Total Liabilities	0	0	0
Fund Balances			
Restricted for:			
Special Revenue	1,882	0	0
Total Fund Balances	1,882	0	0
Total Liabilities and Fund Balances	\$ 1,882	\$ 0	\$ 0

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Fund		
	Title I School Improvement 24162	Medicaid 25153	Grow Dome 29102
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 12,568	\$ 957
Receivables			
Due From Grantor	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 12,568</u>	<u>\$ 957</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 114	\$ 0
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>114</u>	<u>0</u>
Fund Balances			
Restricted for:			
Special Revenue	<u>0</u>	<u>12,454</u>	<u>957</u>
Total Fund Balances	<u>0</u>	<u>12,454</u>	<u>957</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 12,568</u>	<u>\$ 957</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Balance Sheet
 June 30, 2017

	<u>Capital Outlay</u>		
	<u>Public School Capital Outlay 31200</u>	<u>Senate Bill Nine-State 31700</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 15,407
Receivables			
Due From Grantor	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,407</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 114
Interfund Balance	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>114</u>
Fund Balances			
Restricted for:			
Special Revenue	<u>0</u>	<u>0</u>	<u>15,293</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>15,293</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,407</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Food Service 21000	Title I 24101	Teacher/Principal Training & Recruiting 24154
Revenues			
Fees	\$ 0	\$ 0	\$ 0
State & Local Grants	0	0	0
Federal Grants	0	28,525	4,538
Total Revenues	<u>0</u>	<u>28,525</u>	<u>4,538</u>
Expenditures			
Current			
Instruction	0	28,525	4,538
Support Services			
Students	0	0	0
Central Services	0	0	0
Operation of Plant	0	0	0
Food Service Operations	61	0	0
Total Expenditures	<u>61</u>	<u>28,525</u>	<u>4,538</u>
Excess (Deficiency) of Revenues Over Expenditures	(61)	0	0
Fund Balances at Beginning of Year	<u>1,943</u>	<u>0</u>	<u>0</u>
Fund Balance End of Year	<u>\$ 1,882</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Special Revenue Fund		
	Title I School Improvement 24162	Medicaid 25153	Grow Dome 29102
Revenues			
Fees	\$ 0	\$ 12,654	\$ 0
State & Local Grants	0	0	556
Federal Grants	21,026	0	0
Total Revenues	<u>21,026</u>	<u>12,654</u>	<u>556</u>
Expenditures			
Current			
Instruction	21,026	0	614
Support Services			
Students	0	1,336	0
Central Services	0	155	0
Operation of Plant	0	0	0
Food Service Operations	0	0	0
Total Expenditures	<u>21,026</u>	<u>1,491</u>	<u>614</u>
Excess (Deficiency) of Revenues Over Expenditures	0	11,163	(58)
Fund Balances at Beginning of Year	<u>0</u>	<u>1,291</u>	<u>1,015</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 12,454</u>	<u>\$ 957</u>

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

State of New Mexico
Rio Gallinas Charter School
 Nonmajor Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balance
 For the Year Ended June 30, 2017

	Capital Outlay		Total
	Public School Capital Outlay 31200	Senate Bill Nine-State 31700	
Revenues			
Fees	\$ 0	\$ 0	\$ 12,654
State & Local Grants	57,212	0	57,768
Federal Grants	0	0	54,089
Total Revenues	<u>57,212</u>	<u>0</u>	<u>124,511</u>
Expenditures			
Current			
Instruction	0	0	54,703
Support Services			
Students	0	0	1,336
Central Services	0	0	155
Operation of Plant	57,212	0	57,212
Food Service Operations	0	0	61
Total Expenditures	<u>57,212</u>	<u>0</u>	<u>113,467</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	11,044
Fund Balances at Beginning of Year	<u>0</u>	<u>0</u>	<u>4,249</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,293</u>

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

Required Supplemental Information

State of New Mexico

Rio Gallinas Charter School

Schedules of Required Supplementary Information and Notes for Pension Plan

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

Last 10 Fiscal Years*

Fiscal Year Measurement Date	June 30,		
	2015 2014	2016 2015	2017 2016
District's proportion of the net pension liability	0.03084%	0.02340%	0.01814%
District's proportionate share of the net pension liability	\$ 1,074,252	\$ 1,444,215	\$ 1,305,433
District's covered-employee payroll	\$ 664,777	\$ 518,209	\$ 442,108
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	161.60%	278.69%	295.27%
Plan fiduciary net position as a percentage of the total pension liability	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	\$ 92,404	\$ 72,031	\$ 61,453
Contributions in relation to the contractually required	92,404	72,031	61,453
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
District's covered-employee payroll	\$ 664,777	\$ 518,209	\$ 442,108
Contributions as a percentage of covered-employee	13.90%	13.90%	13.90%

* These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Charter will present information for those years for which information is available.

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
Rio Gallinas Charter School
 Agency Funds - Activities
 Schedule of Fiduciary Assets and Liabilities-Agency Funds
 For the Year Ended June 30, 2017

	Balance 6/30/16	Receipts	Expenditures	Balance 6/30/17
Student Activity	\$ 731	\$ 2,773	\$ 1,168	\$ 2,336
Middle School	7	0	0	7
Art Fund	100	0	0	100
4th & 5th Grades	132	0	0	132
Staff Appreciation	0	50	0	50
Total Activities	<u>\$ 970</u>	<u>\$ 2,823</u>	<u>\$ 1,168</u>	<u>\$ 2,625</u>

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

State of New Mexico
Rio Gallinas Charter School
Cash Reconciliation-All Funds
For the Year Ended June 30, 2017

		Beginning Cash <u>6/30/16</u>	Revenue	Expenditures	Ending Cash <u>6/30/17</u>
Operational	11000 \$	130,582 \$	736,498 \$	717,178 \$	149,902 \$
Instructional Materials	14000	1,489	5,273	1,015	5,747
Food Service	21000	1,943	0	61	1,882
Federal Flow through	24000	0	85,566	90,106	(4,540)
Federal Direct	25000	1,314	12,654	1,400	12,568
Local/State	29000	1,015	556	614	957
Public School Capital Outlay	31200	(24,480)	81,692	57,212	0
Senate Bill Nine-State	31700	(26,344)	26,344	0	0
Activities	23000	970	2,823	1,168	2,625
Total		<u>\$ 86,489</u>	<u>\$ 951,406</u>	<u>\$ 868,754</u>	<u>\$ 169,141</u>

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

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
Governing Council of the Rio Gallinas Charter School

Mr. Keller and Members of the Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, of the Rio Gallinas Charter School (Charter) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Charter's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Charter, presented as supplemental information, and have issued our report thereon dated October 2, 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 Charter'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. 2016-001, 2017-001, 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter'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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Responses as item 2016-001, 2017-001, 2017-002.

Charter's Responses to Findings

The Charter's responses to the findings identified in our audit as described in the accompanying Schedule of Findings and Responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter'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 Charter's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

De'Ann Willoughby CPA PC

Clovis, New Mexico
October 2, 2017

Findings

Prior Year Audit Findings		Status
2016-001	Payroll Issues	Repeated & Modified
2016-002	Board Minutes Review	Resolved
2016-003	Certification of Inventory	Resolved

Current Year Audit Findings

2016-001 Payroll Issues-Compliance and Internal Control-Significant Deficiency

Condition

Thirteen of thirteen I-9s sampled were incomplete or incorrectly completed.

Management has not made progress in correcting this finding.

Criteria

Employers have certain responsibilities under immigration law during the hiring process. The employer sanctions provisions, found in section 274A of the Immigration and Nationality Act (INA), were added by the Immigration Reform and Control Act of 1986 (IRCA). These provisions further changed with the passage of the Immigration Act of 1990 and the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA) of 1996.

Cause

Management was not aware of how to complete an I-9 correctly nor the importance of it.

Effect

Improper completion, retention or making it available for inspection fines range from \$100 to \$1,100 for each I-9.

Recommendation

All I-9s should be updated after additional training has occurred to assure they are completed correctly.

Response

During FY2017, some staff changes took place and new staff has been made aware of the requirements. The interpretation of filling out the I-9 within 3 days of hire was not interpreted as being 3 days after hire date.

The assistant business manager is responsible for this finding and it is expected that the issues will be resolved during the current fiscal year.

2017-001 Expenditure Issues-Compliance and Internal Control-Significant Deficiency

Condition

Out of 40 expenditures totaling \$124,954.20 sampled we noted:

Fund 11000 - Of the 34 expenditures for this fund totaling \$111,527.76, 6 had after fact PO's totaling \$13,020.14 or 11.67% of the population tested, 2 were written to a individual instead of the company's name that was on the invoice totaling \$804.76 or .72%, and 1 PO totaling \$210.41 had no date.

24106 - Of the 3 expenditures for this fund totaling \$12,410.75, 1 had an after fact PO totaling \$751.18 or 6.05% of the population tested .

Criteria

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

Cause

A lack of training or enforcement caused purchases were made before obtaining a purchase order.

Effect

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

Recommendation

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

Response

We will review our processes and provide more training.

The director is responsible for this finding and expects it to be resolved in the current fiscal year.

2017-002 Receipts-Compliance and Internal Control-Significant Deficiency

Condition

The original receipt was still in the receipt book rather than given to the individual issued the receipt. Receipts are made out to activities rather than individuals.

Criteria

NMAC 6.20.2.11 and NMAC 6.20.2.14 and PSAB Supplement 18-Student Activity and Athletics describe internal controls for receipting money.

Cause

Some of the personnel were not aware of the requirements for receipting money.

Effect

Activity funds pose a high risk of fraud making the implementation of a strong internal control system very important. Without a strong working control system, activity funds could easily be misappropriated.

Recommendation

The Charter should provide the personnel responsible for handling activity receipts with sufficient training and supervision to ensure compliance with internal control systems.

Response

We will provide training and supervision to those issuing receipts.

The director is responsible for this finding and expects it to be resolved in the current fiscal year.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on October 2, 2017. Those in attendance were Kurt Ludi, Director, Katherine Espinoza, Assistant Business Manager, Elizabeth Romero, Business Manager and DeAun Willoughby, CPA.