

State of New Mexico

# MELROSE MUNICIPAL SCHOOLS



FOR YEAR ENDED JUNE 30, 2016

ANNUAL FINANCIAL REPORT

*"We at Melrose Municipal School Strive to: Maximize Education,  
Leadership, Responsibility, Opportunity, & Success through  
Excellence enabling our students to become productive citizens."*

***RICE & ASSOCIATES***

CERTIFIED PUBLIC ACCOUNTANTS

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
AUDIT REPORT  
For The Year Ended June 30, 2016  
(with Auditor's Report Thereon)

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
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STATE OF NEW MEXICO  
Melrose Municipal Schools  
Official Roster  
Year Ended June 30, 2016

Board of Education

<u>Name</u>	<u>Title</u>
Vacant	President
Mr. Joe Reed	Vice-President
Mr. Tyler Belcher	Secretary
Mr. Barry Allen	Member
Mr. Larry Devaney	Member

School Officials

Mr. Jamie Widner	Superintendent
Ms. Pamela Beevers	Business Manager



# Rice and Associates, C.P.A.

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BOOKKEEPING  
(505) 292-8275

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TAX PREPARATION  
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## INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller  
New Mexico State Auditor  
and  
Board of Education  
Melrose Municipal Schools  
Melrose, New Mexico

### 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, Cafeteria, Title I and Rural Vision Funds of the Melrose Municipal Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Melrose Municipal Schools basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Melrose Municipal Schools non-major governmental and fiduciary funds and the budgetary comparisons for the Major Capital Project and Debt Services Funds and all non-major funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016 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 Melrose Municipal Schools, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Cafeteria, Title I and Rural Vision Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Melrose Municipal Schools, as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other Matters

##### *Required Supplementary Information*

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

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

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Melrose Municipal Schools financial statements, the combining and the individual fund financial statements, and the budgetary comparisons. The budgetary comparisons for the Major Capital Project and Debt Service Funds, the non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and Schedule of Changes in Assets and Liabilities - All Agency Funds and Schedule of Vendor Information required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparisons for the Major Capital Project and Debt Service Funds and non-major governmental funds, the Schedule of Cash Receipts and Disbursements - All Funds by School District Classification and Schedule of Changes in Assets and Liabilities - All Agency Funds are the responsibility of management and were derived from and relates 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 basis 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 budgetary comparisons for the Major Capital Project and Debt Service Funds and the non-major governmental funds, the Schedule of Cash Receipts, Disbursements - All Funds by School District Classification and Schedule of Changes in Assets and Liabilities - All Agency Funds fairly states, in all material respects, in relation to the basic financial statements as a whole.

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016 on our consideration of the Melrose Municipal Schools internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Melrose Municipal Schools internal control over financial reporting and compliance.

*Rice & Associates, LLP*

Albuquerque, New Mexico  
October 19, 2016.

**FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Net Position  
June 30, 2016

Statement 1  
Page 1 of 2

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	\$ 528,927
Accounts receivable	2,893
Due from grantor	47,361
Inventory	2,106
Total current assets	581,287
Non-current assets	
Land (non-depreciable)	27,672
Capital assets (depreciable)	12,001,309
Less accumulated depreciation	(9,926,614)
Total non-current assets	2,102,367
Total assets	2,683,654
 <b>Deferred outflows of resources</b>	
Change in proportion in Net Pension Liability	120,439
Post measurement date contributions	229,764
Total deferred outflows of resources	350,203
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,033,857</b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Net Position  
June 30, 2016

Statement 1  
Page 2 of 2

**LIABILITIES**

Current liabilities	
Accounts payable	\$ -
Current portion of long-term liabilities	<u>85,000</u>
Total current liabilities	<u>85,000</u>
Long-term obligations:	
Net pension liability	3,501,626
Compensated absences	-
Non-current portion of long-term liabilities	<u>735,000</u>
Total long-term liabilities	<u>4,236,626</u>
Total liabilities	<u>4,321,626</u>

**Deferred inflows of resources**

Actuarial experience in Net Pension Liability	64,917
Investment experience in Net Pensionn Liability	15,762
Change in proportion in Net Pension Liability	46,233
Reallocation of Net Pension Liability	<u>65,594</u>
Total deferred inflows of resources	<u>192,506</u>

**NET POSITION**

Net investment in capital assets	1,282,367
Restricted for:	
Cafeteria fund (inventory)	2,106
Capital outlay	257,019
Debt service	108,525
State mandated reserves	2,263
Special grants	84,975
Unrestricted	<u>(3,217,530)</u>
Total net position	<u>(1,480,275)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b><u>\$ 3,033,857</u></b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Activities  
Year Ended June 30, 2016

Statement 2

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenue and Changes Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>EXPENSES:</b>					
Governmental activities:					
Direct instruction	\$1,620,952	\$ 22,445	\$ 223,408	\$ -	\$ (1,375,099)
Instructional support	1,417,314	-	252,212	151,125	(1,013,977)
Food services	124,066	17,328	64,783	-	(41,955)
Depreciation - unallocated	247,228	-	-	-	(247,228)
Interest on long-term obligations	29,092	-	-	-	(29,092)
Total governmental activities	<u>3,438,652</u>	<u>39,773</u>	<u>540,403</u>	<u>151,125</u>	<u>(2,707,351)</u>
General revenues:					
Taxes					
Property taxes, levied for general purposes					14,495
Property taxes, levied for capital projects					59,213
Property taxes, levied for debt service					114,242
Federal and State aid not restricted to specific purpose General					2,503,793
Interest					1,711
Sub-total, general revenues					<u>2,693,454</u>
Change in net position					(13,897)
Net position - beginning of year					<u>(1,466,378)</u>
<b>Net position - end of year</b>					<b><u>\$ (1,480,275)</u></b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Balance Sheet - All Governmental Funds  
June 30, 2016

Statement 3

	General	Cafeteria	Title I	Rural Vision/MDC	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>ASSETS</b>								
Cash on deposit	\$ 97,683	\$ 24,519	\$ -	\$ 24,347	\$ 256,119	\$ 106,748	\$ 19,511	\$ 528,927
Accounts receivable, collectible	216	-	-	-	900	1,777	-	2,893
Due from grantor	-	-	17,000	-	-	-	30,361	47,361
Due from other funds	47,361	-	-	-	-	-	-	47,361
Inventory, at cost	-	2,106	-	-	-	-	-	2,106
<b>Total assets</b>	<b>\$ 145,260</b>	<b>\$ 26,625</b>	<b>\$ 17,000</b>	<b>\$ 24,347</b>	<b>\$ 257,019</b>	<b>\$ 108,525</b>	<b>\$ 49,872</b>	<b>\$ 628,648</b>
<b>LIABILITIES</b>								
Due to other funds	\$ -	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ 30,361	\$ 47,361
Accounts payable	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>17,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,361</b>	<b>47,361</b>
<b>FUND BALANCE</b>								
Nonspendable	-	2,106	-	-	-	-	-	2,106
Restricted for:								
Special revenue grants	16,598	24,519	-	24,347	-	-	19,511	84,975
Capital outlay	-	-	-	-	257,019	-	-	257,019
Debt service	-	-	-	-	-	108,525	-	108,525
State mandated cash reserves	2,263	-	-	-	-	-	-	2,263
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	126,399	-	-	-	-	-	-	126,399
<b>Total fund balance</b>	<b>145,260</b>	<b>26,625</b>	<b>-</b>	<b>24,347</b>	<b>257,019</b>	<b>108,525</b>	<b>19,511</b>	<b>581,287</b>
<b>Total liabilities and fund balance</b>	<b>\$ 145,260</b>	<b>\$ 26,625</b>	<b>\$ 17,000</b>	<b>\$ 24,347</b>	<b>\$ 257,019</b>	<b>\$ 108,525</b>	<b>\$ 49,872</b>	<b>\$ 628,648</b>

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position  
June 30, 2016

Statement 4

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

Total fund balances - governmental funds	\$	581,287
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

The cost of capital assets	12,028,981	
Accumulated depreciation	<u>(9,926,614)</u>	
		2,102,367

Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds

Deferred outflows of resources related to employer contributions subsequent to the measurement date		229,764
Deferred outflows of resources related to changes in proportion		120,439
Deferred inflows of resources related to actuarial experience		(64,917)
Deferred inflows or resources related to investment experience		(15,762)
Deferred inflows of resources related to changes in proportion		(46,233)
Deferred inflows of resources related to changes in reallocation		(65,594)

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

Net pension liability		(3,501,626)
Bonds Payable		<u>(820,000)</u>

Total net position - governmental funds		<u><b>\$ (1,480,275)</b></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - All Governmental Funds  
Year Ended June 30, 2016

Statement 5

	General	Cafeteria	Title I	Rural Vision/MDC	Capital Improvements SB-9	Debt Service	Other Governmental	Total
<b>REVENUES</b>								
Property taxes	\$ 14,495	\$ -	\$ -	\$ -	\$ 59,213	\$ 114,242	\$ -	\$ 187,950
Charges for services	-	17,328	-	-	-	-	22,445	39,773
Local sources	15,408	-	-	-	-	-	1,200	16,608
State sources	2,741,493	-	-	-	26,125	-	185,805	2,953,423
Federal sources	-	64,548	65,991	-	-	-	94,751	225,290
Earnings from investments	1,396	-	-	-	198	117	-	1,711
<b>Total revenues</b>	<b>2,772,792</b>	<b>81,876</b>	<b>65,991</b>	<b>-</b>	<b>85,536</b>	<b>114,359</b>	<b>304,201</b>	<b>3,424,755</b>
<b>EXPENDITURES</b>								
<b>Current:</b>								
Direct instruction	1,402,164	-	65,991	-	-	-	163,425	1,631,580
Instructional support	1,364,115	-	-	-	38,295	1,145	13,759	1,417,314
Food services	45,002	78,829	-	-	-	-	235	124,066
Capital outlay	35,245	-	-	-	40,789	-	208,834	284,868
<b>Debt service:</b>								
Bonds	-	-	-	-	-	80,000	-	80,000
Interest	-	-	-	-	-	29,092	-	29,092
<b>Total expenditures</b>	<b>2,846,526</b>	<b>78,829</b>	<b>65,991</b>	<b>-</b>	<b>79,084</b>	<b>110,237</b>	<b>386,253</b>	<b>3,566,920</b>
Net change in fund balance	(73,734)	3,047	-	-	6,452	4,122	(82,052)	(142,165)
Fund balance beginning of year	218,994	23,578	-	24,347	250,567	104,403	101,563	723,452
<b>Fund balance end of year</b>	<b>\$ 145,260</b>	<b>\$ 26,625</b>	<b>\$ -</b>	<b>\$ 24,347</b>	<b>\$ 257,019</b>	<b>\$ 108,525</b>	<b>\$ 19,511</b>	<b>\$ 581,287</b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2016

Statement 6

Total net change in fund balances - governmental funds \$ (142,165)

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 assets and allocated over their estimated  
useful lives as annual depreciation expenses in the  
statement of activities. This is the amount by which  
capital outlays exceeds depreciation in the period

Capital outlays	284,868	
Depreciation expense	(247,228)	

Excess of depreciation expense over capital outlay 37,640

Governmental funds report School district pension  
contributions as expenditures. However in the Statement  
of Activities, the cost of pension benefits earned net of employee  
contributions is reported as pension expense

Pension contributions	229,792	
Pension expense	(219,164)	

The issuance of long-term debt (e.g. bonds) provides  
current financial resources to government funds  
while the repayment of the principal of long-term debt  
consumes the current financial resources of governmental  
funds

Proceeds of bond issue	-	
Repayment of long-term debt	80,000	

Change in net position of governmental activities \$ (13,897)

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 13,826	\$ 13,826	\$ 14,535	\$ 709
Charges for services	-	-	-	-
Local sources	9,690	9,690	15,408	5,718
State sources	2,696,443	2,742,396	2,741,493	(903)
Federal sources	-	-	-	-
Earnings from investments	1,000	1,000	1,396	396
<b>Total revenues</b>	<b><u>\$ 2,720,959</u></b>	<b><u>\$ 2,766,912</u></b>	<b><u>\$ 2,772,832</u></b>	<b><u>\$ 5,920</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 1,436,841	\$ 1,441,343	\$ 1,402,164	\$ 39,179
Instructional support	1,440,094	1,487,880	1,399,360	88,520
Food services	56,427	56,427	45,002	11,425
<b>Total expenditures</b>	<b><u>\$ 2,933,362</u></b>	<b><u>\$ 2,985,650</u></b>	<b><u>\$ 2,846,526</u></b>	<b><u>\$ 139,124</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 212,403</u></b>	<b><u>\$ 218,738</u></b>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Cafeteria  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 18,500	\$ 18,500	\$ 17,328	\$ (1,172)
Federal sources	<u>64,116</u>	<u>64,116</u>	<u>64,548</u>	<u>432</u>
Total revenues	<u><b>\$ 82,616</b></u>	<u><b>\$ 82,616</b></u>	<u><b>\$ 81,876</b></u>	<u><b>\$ (740)</b></u>
EXPENDITURES				
Food services	\$ 91,077	\$ 104,584	\$ 79,325	\$ 25,259
Total expenditures	<u><b>\$ 91,077</b></u>	<u><b>\$ 104,584</b></u>	<u><b>\$ 79,325</b></u>	<u><b>\$ 25,259</b></u>
BUDGETED CASH BALANCE	<u><b>\$ 8,461</b></u>	<u><b>\$ 21,968</b></u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Title I  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	<u>\$ 67,765</u>	<u>\$ 69,858</u>	<u>\$ 67,135</u>	<u>\$ (2,723)</u>
Total revenues	<u><u>\$ 67,765</u></u>	<u><u>\$ 69,858</u></u>	<u><u>\$ 67,135</u></u>	<u><u>\$ (2,723)</u></u>
EXPENDITURES				
Direct instruction	<u>\$ 67,765</u>	<u>\$ 69,858</u>	<u>\$ 65,991</u>	<u>\$ 3,867</u>
Total expenditures	<u><u>\$ 67,765</u></u>	<u><u>\$ 69,858</u></u>	<u><u>\$ 65,991</u></u>	<u><u>\$ 3,867</u></u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Rural Vision/MDC  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 24,347	\$ 24,347	\$ -	\$ 24,347
Total expenditures	<u>\$ 24,347</u>	<u>\$ 24,347</u>	<u>\$ -</u>	<u>\$ 24,347</u>
BUDGETED CASH BALANCE	<u>\$ 24,347</u>	<u>\$ 24,347</u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Fiduciary  
Assets and Liabilities - Agency Funds  
June 30, 2016

ASSETS	
Cash	\$ <u>78,532</u>
Total Assets	<u><u>\$ 78,532</u></u>
LIABILITIES	
Deposits held for others	\$ <u>78,532</u>
Total Liabilities	<u><u>\$ 78,532</u></u>

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Notes to Financial Statements  
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Melrose Municipal Schools (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the District's accounting policies are described below.

In June 1999, the GASB unanimously approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In June 2001, the GASB approved Statement No. 37, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements.

The District implemented the provisions of GASB #'s 34, 37 and 38 effective July 1, 2000. As part of Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, etc.). The District does not own any infrastructure assets and therefore is unaffected by this requirement.

A. Reporting Entity

The Melrose Municipal Schools School Board was created under the provision of Chapter 22, Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the State of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

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

## Notes to Financial Statements (continued)

own taxes or set rates or charges, and issue bonded debt. The District also has no *component units* as defined by GASB Statement No. 14 as there are no other legally separate organizations for which the elected School Board members are financially accountable. There are no other primary governments with which the School Board Members are financially accountable. There are no other primary governments with which the District has a significant relationship.

### B. Basis of Presentation

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

The funds of the District are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types.

#### Governmental Funds

Under the requirements of GASB 34, the District is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund):

General Fund - the primary operating fund of the District accounts for all financial resources, except those required to be accounted for in other funds.

Special Revenue Fund - School Lunch - this program provides financing for school hot lunch program. Funding is provided from fees from patrons and USDA food reimbursements, under the National School Lunch Act of 1946, U.S.C. 1751 et seq.; 80 Stat. 889, as amended; 84 Stat. 270; and the Child Nutrition Act of 1966, as amended; Sections 4 and 10. Public Law 89-642, 80 Stat. 886, 889, 42 U.S.C. 1773, 1779; Public Law 99-591, 100 Stat. 3341; Public Law 100-71, 101 Stat. 430. Also State Law NMSA 22-13-13.

Special Revenue Fund - Title I - Title I ESEA Fund - The Title I project provides remedial instruction in the language arts for educationally deprived students in low income areas. The project is funded by the Federal Government through the New Mexico State Department of Education, under the Elementary and Secondary Education Act of 1965, Title I, Chapter 1, Part A, 20 U.S.C. 2701 et seq.

Special Revenue Fund - Rural Vision/MDC - To account for resources received from the sale of telecommunications time to cable networks.

Notes to Financial Statements (continued)

Capital Projects Fund - Capital Improvements SB-9 - To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Also, for resources received from State of New Mexico Severance Tax Bonds.

Debt Service Fund - Debt Service - To account for resources for the purpose of paying general obligation bonds and interest coupons. Funds are received from property taxes levied against property located within the school district and levied specifically for this purpose.

Agency Funds - account for assets that the government holds for others in an agency capacity. These agency funds are as follows:

School Activity Fund - accounts for assets held by the District as an agent for the individual schools and school organizations.

The District also reports additional Governmental funds as non-major. They include:

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

Capital Project Funds - these funds are used to account for the acquisition of capital assets or construction of major capital projects.

C. 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 Net Assets 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-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**Program Revenues**

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

**Allocation of Indirect Expenses**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**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 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Any effect of interfund activity has been eliminated from the district-wide financial statements.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

**REVENUES**

Ad valorem taxes (property taxes) are susceptible to full accrual on the government wide financial statements. Property tax revenues recognize revenues net of estimated refunds and uncollectible accounts in the period for which the taxes are levied. Total delinquent property taxes are not available from the County Treasurers for the current year.

Notes to Financial Statements (continued)

Entitlements 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.

Sales and use taxes (which include oil/gas taxes and equipment taxes) are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available.

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

EXPENDITURES

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

OTHER FINANCING SOURCES (USES)

Transfers between funds 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.

**Fiduciary Funds**

Agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

D. Budgets and Budgetary Accounting

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 accounting principles generally accepted in the United States of America (GAAP). These budgets are prepared using the cash basis of accounting. Budgetary comparisons for the various funds in this report are on this non-GAAP budgetary basis.

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

1. Prior to April 15, (unless a later date is fixed by the Superintendent of Public Instruction) the local school board submits to the School Budget Planning Unit (SBPU) of the New

Notes to Financial Statements (continued)

- Mexico Department of Education an estimated budget for the school district 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 State Department of Education (SDE) by the school district 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 SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
  3. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
  4. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
  5. No school board or officer or employee of a school district shall make any expenditures or incur any obligation for the expenditure 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 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.
  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 Melrose Municipal Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflects the approved budget and amendments thereto.

E. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances lapse at the fiscal year end and are therefore not included as a reservation of fund balance. Authorization for the eventual expenditure will be included in the following years budget appropriations.

F. Assets, Liabilities and Fund Equity

1. **Cash & Cash Equivalents**

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

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

2. **Investments**

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

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

If the District is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance (which is no less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of the deposit) from financial institutions within the geographic boundaries of the governmental unit, the District may invest its money with the New Mexico State Treasurer's short-term investment pool.

Notes to Financial Statements (continued)

**3. Accounts Receivable**

Accounts receivable are recorded in the various governmental funds. They consist of amounts receivable from local governments relating to various grant agreements and property taxes receivable. The information required to report property taxes at full accrual was not available during the year.

Accounts receivable consist of the following:

	<u>General</u>	<u>Other Major</u>	<u>Other Governmental</u>	<u>Total</u>
Property taxes	\$ 216	\$ 2,677	\$ -	\$ 2,893
Intergovernmental	-	17,000	30,361	47,361
Other	-	-	-	-
	<u>\$ 216</u>	<u>\$ 19,677</u>	<u>\$ 30,361</u>	<u>\$ 50,254</u>

**4. Inventories**

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.

**5. Capital Assets**

Capital assets are recorded at historical cost and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. This is an increase from the \$1,000 threshold reported in prior years. This is a change in accounting estimate. All previously reported Capital Assets that do not meet the updated amount will be depreciated currently and in future periods until they are fully depreciated. Donated capital assets are recorded at their estimated fair value at the date of donation. 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. The District does not capitalize interest in regards to its 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:

Land improvements	40 years
Buildings & building improvements	40 years
Furniture & equipment	10 years
Auto/Vehicle	10 years
Computer equipment	3 years



Notes to Financial Statements (continued)

GASB Statement 34 requires the recording and depreciation of infrastructure assets, which include roads, bridges, traffic signals, etc. The District did not own any infrastructure assets.

The District does not capitalize computer software or software developed for internal use (if applicable) unless they exceed the \$5,000 threshold. Also, the District does not capitalize library books unless they exceed the \$5,000 threshold.

**6. Compensated Absences**

Sick pay does not vest and is recorded as an expenditure when it is paid.

The District does not allow employees to earn or accumulate any vacation leave during the year. Thus, there is no compensated absence liability reported on the government-wide financial statements.

**7. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (School District ordinances).

Enabling legislation authorizes the School District to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the School District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposed specified by the legislation.

Notes to Financial Statements (continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the School District Board. Those committed amounts cannot be used for any other purpose unless the School District Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School District Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School District Board or a School District official delegated that authority by the School District Board or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**8. Restricted Net Position**

The governmental activities financial statements utilize a net assets presentation. Net positions are categorized as follows:

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - This category reflects the portion of net position that have third party limitations on their use.

Unrestricted net position - This category reflects net position of the District not restricted for any project or other purposes.

The District's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**9. Deferred Inflows of Resources**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. The School District has two types of items, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**10. Deferred Outflows of Resources**

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

**11. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**12. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**13. Pensions**

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

Notes to Financial Statements (continued)

2. DEPOSITORY COLLATERAL

The following is the Cash on Deposit at each financial institution.

American Heritage Bank	Operational	\$ 651,086
American Heritage Bank	Athletics	4,429
American Heritage Bank	Activity	5,322
American Heritage Bank	FTD	87,279
American Heritage Bank	SB-9	-
American Heritage Bank	Debt Service	405
American Heritage Bank	Money Market	220,854
American Heritage Bank	Certificate of Deposit	<u>16,936</u>
Total		<u><b>\$ 986,311</b></u>
Total amount on deposit		\$ 986,311
Outstanding checks		(378,854)
Deposit in transit		-
Rounding		<u>2</u>
Total per financial statements		<u><b>\$ 607,459</b></u>

At June 30, 2016, the carrying amount of the School Districts deposits was \$607,459 and the bank balance was \$986,311. Of this balance \$250,000 was covered by federal depository insurance and \$736,311 was covered by collateral. The remaining \$368,155 is comprised of amounts in excess of those required to be collateralized under State law.

Cash on deposit at June 30	\$ 986,311
Less F.D.I.C.	<u>(250,000)</u>
Uninsured Funds	736,311
50% Collateral Requirement	368,156
Pledged Collateral	<u>750,000</u>
Excess of Pledged Collateral	<u><b>\$ 381,844</b></u>

*Custodial Credit Risk - Deposits* - Custodial Credit Risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, \$736,311 of the School's bank balance of \$986,311 was exposed to custodial credit risk as follows:

Notes to Financial Statements (continued)

A. Uninsured and uncollateralized	\$ -
B. Uninsured and collateralized with Securities held by the pledging banks trust department, not in the Schools name	<u>736,311</u>
Total	<u><b>\$ 736,311</b></u>

According to the Federal Deposit Insurance Authority, public unit deposits are funds owned by the schools Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the School District for at least one half of the amount on deposit with the institution.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico. The collateral pledged is shown as follows:

Texas Independent Bank			
<u>Dallas, TX</u>		<u>Maturity Date</u>	<u>Fair Market Value</u>
FHLB	#3133ECFZ2	2-22-22	<u>\$ 750,000</u>

As of June 30, 2016, the School District had the following cash and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
Checking accounts	<u>\$ 986,311</u>	Less than 6 months

*Interest Rate Risk* — As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy limits the School District's investment portfolio to maturities of less than one year.

Notes to Financial Statements (continued)

3. CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities:				
Land	\$ 27,672	\$ -	\$ -	\$ 27,672
Total not being depreciated	<u>27,672</u>	<u>-</u>	<u>-</u>	<u>27,672</u>
Land improvements	9,000	-	-	9,000
Buildings and improvements	11,075,507	279,868	-	11,355,375
Vehicles	442,595	5,000	-	447,595
Equipment/Software	<u>189,339</u>	<u>-</u>	<u>-</u>	<u>189,339</u>
Total	<u>11,716,441</u>	<u>284,868</u>	<u>-</u>	<u>12,001,309</u>
Less accumulated depreciation for:				
Land improvements	(8,100)	(900)	-	(9,000)
Buildings and improvements	(9,263,298)	(211,435)	-	(9,474,733)
Vehicles	(274,154)	(23,404)	-	(297,558)
Equipment/Software	<u>(133,834)</u>	<u>(11,489)</u>	<u>-</u>	<u>(145,323)</u>
Total accumulated depreciation	<u>(9,679,386)</u>	<u>(247,228)</u>	<u>-</u>	<u>(9,926,614)</u>
Total capital assets being depreciated	<u>2,037,055</u>	<u>37,640</u>	<u>-</u>	<u>2,074,695</u>
Net capital assets	<u>\$ 2,064,727</u>	<u>\$ 37,640</u>	<u>\$ -</u>	<u>\$ 2,102,367</u>

4. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

During the year the following changes occurred in the liabilities reported in the District-Wide Statement of Net Assets:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	\$ 900,000	\$ -	\$ 80,000	\$ 820,000	\$ 85,000
Total	<u>\$ 900,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 820,000</u>	<u>\$ 85,000</u>

Payments on the general obligation bonds are made by the Debt Service Funds.

Notes to Financial Statements (continued)

The following is a summary of bond transactions of the district for the year ended June 30:

General obligation bonds payable, June 30, 2015	\$ 900,000
Bonds paid	(80,000)
Bonds issued	<u>          -</u>
 General obligation bonds payable, June 30, 2016	 <b><u>\$ 820,000</u></b>

The details of the bond issues and the remaining retirement schedule are summarized below. The bonds were issued for the purpose of erecting, furnishing, remodeling and making additions to school buildings and improving school grounds. For the purpose of providing the necessary funds to meet the interest and principal as they become due, there is annually assessed, levied, and collected a tax upon all of the taxable property within the school district.

Original amount: \$1,100,000  
 Dated: May 13, 2012  
 Principal payable: \$1,100,000  
 Interest rates: 1.388% to 3.859%  
 Retirement schedule:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
6/30/17	\$ 85,000	\$ 27,064
6/30/18	90,000	24,668
6/30/19	95,000	21,867
6/30/20	100,000	18,653
6/30/21	105,000	15,030
6/30/22	110,000	10,998
6/30/23	115,000	6,756
6/30/24	<u>120,000</u>	<u>2,315</u>
	<b><u>\$ 820,000</u></b>	<b><u>\$127,351</u></b>

B. Operating Lease

The District did not have any capital or operating leases during the fiscal year.

C. Short-Term Liabilities

The District did not have any short-term liabilities during the fiscal year.



5. REVENUES

A. Property Tax Levies

The School District's property taxes are levied each year on the assessed valuation of property located in the School District as of the preceding January 1st. Mill levy rates are set by the State of New Mexico each year for the General Fund and SB-9 Capital Improvement Fund. Taxes are payable in two equal installments on November 10 and April 10 following the levy and become delinquent after 30 days. Taxes on real property are liens on the property on January 1 of the year for which the taxes are imposed.

B. State Equalization Guarantee

Each school district in the State of New Mexico receives a "state equalization guarantee distribution" which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined" (in Chapter 22, Section 8-25, NMSA 1978) "is at least equal to the school district's program cost."

A school district's program costs are determined through the use of various formulas using "program units" which take into consideration (1) early childhood education; (2) basic education; (3) special education; (4) bilingual-multi cultural education; (5) size, etc. Payment is made from the public school fund under the authority of the chief (director of public school finance). The District received \$2,503,793 state equalization guarantee distributions during the year ended June 30, 2016.

C. Transportation Distribution

Money in the transportation distribution of the public school fund shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in the grades K through twelve attending public school within the school district. Except in unusual circumstances as determined by the local school board and confirmed by the state transportation director, midday bus routes for early childhood education students shall not be approved for funding in excess of twenty miles one way.

Money in the vocational education transportation distribution of the public school fund is used for the purpose of making payments to school districts for transportation of students to and from their regular attendance centers and the place where vocation education programs are being offered, pursuant to Section 22-16-4.1 (NMSA 1978) of the Act. The transportation distribution is allocated to each school district according to an objective formula developed by the state transportation director and the director of public school finance.

Notes to Financial Statements (continued)

In the event the sum of the proposed transportation allocations to each school district exceeds the amounts in the transportation distribution, each school district to receive an allocation shares in a reduction in the proportion that each school district's forty-day average daily membership bears to the forty-day average daily membership of all school districts to receive allocations.

Local school boards shall negotiate school bus contracts in accordance with regulations promulgated by the state transportation director with the approval of the State Board of Education.

Local school boards, with the approval of the state transportation director, may provide additional transportation services pursuant to Section 22-16-2 NMSA 1978 to meet established program needs.

The District received \$223,045 in transportation distribution during the year ended June 30, 2016.

D. SB-9 State Match

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

The District received \$26,125 in state SB-9 matching during the year ended June 30, 2016.

E. Public School Capital Outlay

Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

The council shall approve an application for grant assistance from the fund when the council determines that:

1. A critical need exists requiring action;
2. The residents of the school district have provided all available resources to the district to meet its capital outlay requirements;
3. The school district has used its resources in a prudent manner.
4. The District is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and

5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

The council shall consider all applications for assistance from the fund and after public hearing shall either approve or deny the application. Applications for grant assistance shall only be accepted by the council after a district has complied with the provisions of this section. The council shall list all applications in order of priority and all allocations shall be made on a priority basis.

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

During the year ended June 30, 2016, the District received \$- in special capital outlay funds.

F. Instructional Materials

The New Mexico State Department of Education (Department) received federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Beginning with the fiscal year ended June 30, 2011, Districts received their total allocation at the beginning of the fiscal year, instead of being reimbursed for purchases as was done in the prior year. During the year ended June 30, 2016, the District received \$14,655 in instructional materials allocation.

G. Federal Grants

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

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food service operations, and distributions of commodities through the New Mexico Human Services Department.

6. CASH OVERDRAFTS

The cash overdrafts shown in some federal, state and local projects in the special revenue fund represent expenditures made by the District which will be reimbursed by the grantor. Receivables from the grantor are presented to off-set these overdrafts.

7. REGION VI EDUCATION COOPERATIVE

Certain special revenue (federal) funds of the District were administered by the Region VI Education Cooperative in Portales, New Mexico. The purpose of the REC is to allow the submission of a consolidated application to the State Department of Education for certain funds granted to the State of New Mexico by the United States Department of Education. There are ten schools that participate in the REC, they include Dora, Elida, Fort Sumner, Grady, House, Logan, Melrose, San Jon and Texico. The agreement became effective on July 1, 1995 and is to remain in effect until the end of any fiscal year during which the school gives notice of intent to terminate.

These funds are audited separately by another IPA. That report may be obtained by writing to: Regional Education Cooperative No. 6, 1500 South Avenue K, Station 9, Portales, NM 88130.

8. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

	<u>General</u>	<u>Cafeteria</u>	<u>Title I</u>	<u>Rural/ Vision</u>
Revenues per modified accrual basis	\$ 2,772,792	\$ 81,876	\$ 65,991	\$ -
Receivables	40	-	-	-
Deferred revenues/ Due from grantor	-	-	1,144	-
Revenues per budgetary basis	<u>\$ 2,772,832</u>	<u>\$ 81,876</u>	<u>\$ 67,135</u>	<u>\$ -</u>
Expenditures per modified accrual basis	\$ 2,846,526	\$ 78,829	\$ 65,991	\$ -
Accounts payable	-	-	-	-
Inventory	-	496	-	-
Expenditures per budgetary basis	<u>\$ 2,846,526</u>	<u>\$ 79,325</u>	<u>\$ 65,991</u>	<u>\$ -</u>
	<u>Capital Improvements SB-9</u>	<u>Debt Service</u>	<u>Non-Major Special Revenue</u>	<u>Non-Major Capital Projects</u>
Revenues per modified accrual basis	\$ 85,536	\$ 114,359	\$ 179,201	\$ 125,000
Receivables	172	409	(4,482)	-
Deferred revenues Due from grantor	-	-	-	64,373
Revenues per budgetary basis	<u>\$ 85,708</u>	<u>\$ 114,768</u>	<u>\$ 174,719</u>	<u>\$ 189,373</u>
Expenditures per modified accrual basis	\$ 79,084	\$ 110,237	\$ 177,419	\$ 208,834
Accounts payable	-	-	-	-
Inventory	-	-	-	-
Expenditures per budgetary basis	<u>\$ 79,084</u>	<u>\$ 110,237</u>	<u>\$ 177,419</u>	<u>\$ 208,834</u>

9. INSURANCE COVERAGE

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

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

10. RISK MANAGEMENT

The school is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The school carries insurance for all risks listed above.

11. PENSION-PLAN - EDUCATIONAL RETIREMENT BOARD

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

The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates. ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at [www.nmerb.org](http://www.nmerb.org).

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

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

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after

that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

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

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

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

**Contributions.** The contribution requirements of defined benefit plan members and the school district are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. For fiscal year ended June 30, 2016 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their annual salary. Contributions to the pension plan from the school district were \$229,764 for the year ended June 30, 2016.

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

The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. At June 30, 2016, the school district reported a liability of \$3,501,626 for its proportionate share of the net pension liability. The school district's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2015. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2015, the school district's proportion was 0.0546 percent, which was an increase of 0.00289 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the school district recognized pension expense of \$219,164. At June 30, 2016, the school district reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 64,917
Changes of assumptions	120,439	-
Reallocation	-	65,594
Net difference between projected and actual earnings on pension plan investments	-	15,762
Changes in proportion and differences between the school district contributions and proportionate share of contributions	-	46,233
School district's contributions subsequent to the measurement date	<u>229,764</u>	<u>-</u>
Total	<u>\$ 350,203</u>	<u>\$ 192,506</u>

Notes to Financial Statements (continued)

The \$229,764 is reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:

2017	\$ (55,189)
2018	(50,324)
2019	(15,188)
2020	(48,634)
2021	-

**Actuarial assumptions.** As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2014. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. Specifically, the liabilities measured as of June 30, 2015 incorporate the following assumptions:

1. All members with an annual salary of more than \$20,000 will contribute 10.70% during the fiscal year ending June 30, 2015 and 10.7% thereafter.
2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by ERB on July 12, 2015 in conjunction with the six-year experience study period ending June 30, 2014.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized - closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%



Notes to Financial Statements (continued)

Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	90% of RP-2000 Combined Mortality Table with White Collar Adjustment projected to 2014 using Scale AA (one year setback for females)

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

<u>Asset Class</u>	<u>2015 Long-Term Expected Real Rate of Return</u>	<u>2014 Long-Term Expected Real Rate of Return</u>
Cash	1.50%	1.50%
Treasuries	2.00%	2.00%
IG Corp Credit	3.50%	3.50%
MBS	2.25%	2.25%
Core Bonds	2.53%	2.53%
TIPS	2.50%	2.50%
High Yield Bonds	4.50%	4.50%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	1.25%
Global Bonds (Hedged)	1.38%	1.38%
EMD External	5.00%	5.00%
EMD Local Currency	5.75%	5.75%
Large Cap Equities	6.25%	6.25%
Small/Mid Cap	6.25%	6.25%
International Equities (Unhedged)	7.25%	7.25%
International Equities (Hedged)	7.50%	7.50%
Emerging International Equities	9.50%	9.50%
Private Equity	8.75%	8.75%
Private Debt	8.00%	8.00%
Private Real Assets	7.75%	7.75%
Real Estate	6.25%	6.25%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	5.50%
Hedge Funds Mod Vol	5.50%	5.50%

**Discount rate:** A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2015 and June 30, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

**Sensitivity of the school district's proportionate share of the net pension liability to changes in the discount rate.**

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Current Discount</u> <u>Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
School district's proportionate share of the net pension liability	\$ 4,711,650	\$ 3,501,610	\$ 2,485,050

**Pension plan fiduciary net position.** Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2015 and 2014 which are publicly available at [www.nmerb.org](http://www.nmerb.org).

**Payables to the pension plan.** The School District remits the legally required employer and employee contributions on a monthly basis to ERB. The ERB requires that the contributions be remitted by the 15<sup>th</sup> day of the month following the month for which contributions are withheld. At June 30, 2016 the School District owed the ERB \$80,720 for the contributions withheld in the month of June 2016.

**12. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

**Plan Description.** Melrose Municipal School District contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978). The

Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employers 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 post-employment healthcare plan. The report and further information can be obtained by writing to Retiree Health Care Authority, 4308 Carlisle Boulevard, Suite 104, Albuquerque, New Mexico 87107.

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

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

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, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each

Notes to Financial Statements (continued)

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 Melrose Municipal Schools contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$33,060, \$30,733, and \$45,839, respectively, which equal the required contributions for each year.

14. CONCENTRATIONS

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

15. LEGISLATIVE APPROPRIATIONS

The following appropriations have been awarded to the School District:

<u>Capital Appropriation</u>	<u>Expenditures</u>	<u>Balance</u>	<u>Reversion Date</u>
Project DFA#15-0430 Laws of 2015, Chapter 3, Section 15, Paragraph 206 To purchase and install bleachers	<u>\$ 125,000</u>	<u>\$ -0-</u>	6/30/18

16. FUND BALANCE CLASSIFIED

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned upon the in the government funds. The constraints placed on fund balances for the major governmental funds and funds are presented here.

Fund Balances	General	Rural		Capital	Debt	Non-Major	Totals
	Fund	Vision/MDC	Cafeteria	Improvements	Service	Governmental	
				SB-9		Fund	
<u>Nonspendable:</u>							
Interfund loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory	-	-	2,106	-	-	-	2,106
Total nonspendable	-	-	2,106	-	-	-	2,106
<u>Restricted for:</u>							
Transportation services	-	-	-	-	-	-	-
Instructional materials	16,598	-	-	-	-	-	16,598
Capital improvements	-	-	-	257,019	-	-	257,019
Debt service payments	-	-	-	-	108,525	-	108,525
Athletic services	-	-	-	-	-	3,911	3,911
Special grants	-	24,347	-	-	-	15,600	39,947
Cafeteria services	-	-	24,519	-	-	-	24,519
State mandated cash reserve	2,263	-	-	-	-	-	2,263
Total restricted	18,861	24,347	24,519	257,019	108,525	19,511	452,782
<u>Committed to:</u>							
Other purposes	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	-	-
<u>Unassigned:</u>	126,399	-	-	-	-	-	126,399
Total Fund Balances	<u>\$ 145,260</u>	<u>\$ 24,347</u>	<u>\$ 26,625</u>	<u>\$ 257,019</u>	<u>\$ 108,525</u>	<u>\$ 19,511</u>	<u>\$ 581,287</u>

**OTHER MAJOR FUNDS BUDGETS**

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Capital Improvements - SB-9 Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 56,543	\$ 56,543	\$ 59,385	\$ 2,842
Local sources	-	-	-	-
State sources	-	23,473	26,125	2,652
Earnings from Investments	850	850	198	(652)
Total revenues	<u>\$ 57,393</u>	<u>\$ 80,866</u>	<u>\$ 85,708</u>	<u>\$ 4,842</u>
EXPENDITURES				
Capital outlay	\$ 321,246	\$ 330,361	\$ 79,084	\$ 251,277
Total expenditures	<u>\$ 321,246</u>	<u>\$ 330,361</u>	<u>\$ 79,084</u>	<u>\$ 251,277</u>
BUDGETED CASH BALANCE	<u>\$ 263,853</u>	<u>\$ 249,495</u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Debt Service Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 109,093	\$ 109,093	\$ 114,651	\$ 5,558
Earnings from investments	<u>125</u>	<u>125</u>	<u>117</u>	<u>(8)</u>
Total revenues	<b><u>\$ 109,218</u></b>	<b><u>\$ 109,218</u></b>	<b><u>\$ 114,768</u></b>	<b><u>\$ 5,550</u></b>
<b>EXPENDITURES</b>				
Instructional support	\$ 1,320	\$ 1,320	\$ 1,145	\$ 175
Bonds paid	80,000	80,000	80,000	-
Coupons paid	<u>29,092</u>	<u>29,092</u>	<u>29,092</u>	<u>-</u>
Total expenditures	<b><u>\$ 110,412</u></b>	<b><u>\$ 110,412</u></b>	<b><u>\$ 110,237</u></b>	<b><u>\$ 175</u></b>
BUDGETED CASH BALANCE	<b><u>\$ 1,194</u></b>	<b><u>\$ 1,194</u></b>		

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



**NON-MAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Governmental Funds  
Combining Balance Sheet - By Fund Type  
June 30, 2016

Statement A-1

	Special Revenue Funds	Capital Project Funds	Total
<b>ASSETS</b>			
Cash on deposit	\$ 19,511	\$ -	\$ 19,511
Taxes receivable	-	-	-
Due from grantor	10,983	19,378	30,361
Total assets	<b>\$ 30,494</b>	<b>\$ 19,378</b>	<b>\$ 49,872</b>
<b>LIABILITIES</b>			
Cash overdraft	\$ 10,983	\$ 19,378	\$ 30,361
Total liabilities	10,983	19,378	30,361
<b>FUND BALANCE</b>			
Restricted	19,511	-	19,511
Total fund balance	19,511	-	19,511
Total liabilities and fund balance	<b>\$ 30,494</b>	<b>\$ 19,378</b>	<b>\$ 49,872</b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances - By Fund Type  
Year Ended June 30, 2016

	Special Revenue Funds	Capital Project Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	22,445	-	22,445
Local sources	1,200	-	1,200
State sources	60,805	125,000	185,805
Federal sources	94,751	-	94,751
Earnings from investments	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	<u>179,201</u>	<u>125,000</u>	<u>304,201</u>
EXPENDITURES			
Current:			
Direct instruction	163,425	-	163,425
Instructional support	13,759	-	13,759
Food services	235	-	235
Capital outlay	-	208,834	208,834
	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	<u>177,419</u>	<u>208,834</u>	<u>386,253</u>
Net change in fund balances	1,782	(83,834)	(82,052)
Fund balance beginning of year	<u>17,729</u>	<u>83,834</u>	<u>101,563</u>
Fund balance end of year	<u><u>\$ 19,511</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,511</u></u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Combined Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Governmental Fund Types - Non-Major  
Special Revenue Funds  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 22,000	\$ 22,000	\$ 22,445	\$ 445
Local sources	-	-	-	-
State sources	59,546	60,805	58,680	(2,125)
Federal sources	71,152	102,782	93,594	(9,188)
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 152,698</u></b>	<b><u>\$ 185,587</u></b>	<b><u>\$ 174,719</u></b>	<b><u>\$ (10,868)</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ 161,483	\$ 189,766	\$ 163,425	\$ 26,341
Instructional support	9,546	13,917	13,759	158
Food services	-	235	235	-
<b>Total expenditures</b>	<b><u>\$ 171,029</u></b>	<b><u>\$ 203,918</u></b>	<b><u>\$ 177,419</u></b>	<b><u>\$ 26,499</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ 18,331</u></b>	<b><u>\$ 18,331</u></b>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Combined Statement of Revenue and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Governmental Fund Types - Non-Major  
Capital Projects Fund  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 125,000	\$ 189,373	\$ 64,373
Earnings from investments	-	-	-	-
Total revenues	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 189,373</u>	<u>\$ 64,373</u>
EXPENDITURES				
Capital outlay	\$ 83,855	\$ 208,855	\$ 208,834	\$ 21
Total expenditures	<u>\$ 83,855</u>	<u>\$ 208,855</u>	<u>\$ 208,834</u>	<u>\$ 21</u>
BUDGETED CASH BALANCE	<u>\$ 83,855</u>	<u>\$ 83,855</u>		

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

## NON-MAJOR SPECIAL REVENUE FUNDS

**ALL FUNDS** - All funds were created by the State Department of Education.

**IDEA-B ENTITLEMENT-** To account for resources for the operation and maintenance of meeting special education needs of children with disabilities. Financing and authority is the Individual With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**IDEA-B - PRESCHOOL** - To account for monies received for the operation and maintenance of meeting the special education needs of children with disabilities. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**IDEA-B - "RISK POOL"** - To account for resources received to provide for special educational needs for handicapped children 6-21 years old. Financing and authority is the Individuals With Disabilities Act, Part B, Sec. 611, as amended; Public Law 105-17.

**IMPROVING TEACHER QUALITY** - To account for grant funds to increase student academic achievement through strategies such as improving teacher and principal quality. Financing and authority is Elementary and Secondary Education Act of 1965 as amended, Title II, Part A, Public Law 107-110.

**REAP (RURAL EDUCATIONAL ACHIEVEMENT PROGRAM)** - To account for monies received to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning. Authority for this program is contained in Title VI, Part B of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by Public Law 107-110.

**ITFS/FCC (INSTRUCTIONAL TELEVISION FIXED SERVICE)** - To account for resources received from Plateau Telecommunications, Inc. To provide an instructional television fixed service channel to be used for educational needs. The fund was created by grant provisions.

**DUAL CREDIT INSTRUCTIONAL MATERIALS** - To account for resources received from House Bill 2, 2009, to be used for dual credit instructional materials through a course approved by Higher Education Department and through a college/university for which the district has an approved agreement.

NON-MAJOR SPECIAL REVENUE FUNDS - CONTINUED

**GO BOND STUDENT LIBRARY** - To account for monies received from the SB66, Laws 2012, 2<sup>nd</sup> Session, Chapter 54, Section 10.B.(3), Appropriation to be used to improve the library, acquire library books or library resources that support the library program.

**READ2LEAD** - To account for resources received to provide funds to support a reading K-3 Formative Assessment System providing regional and district reading coaches, supports for intervention, and professional administrators. Financing and authority is a special legislative appropriation, Laws of 2014, Chapter 63, Section 4, Item 1 (other Education), Early Reading Initiative.

**FRESH FRUIT & VEGETABLES** - To account for resources to purchase New Mexico grown fresh fruits and vegetables for use in school nutrition programs. Authority is from the Public Education Department.

**ATHLETICS FUND** - This fund provides financing for school athletic activities. Funding is provided by fees from patrons. Fund is authorized by 6-20-2 NMAC.

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2016

Statement B-1  
Page 1 of 2

	IDEA-B Entitlement	IDEA-B Preschool	IDEA-B "Risk Pool"	Improving Teacher Quality	REAP	ITFS/FCC
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,600
Due from grantor	-	-	38	1,399	-	-
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 38</u></b>	<b><u>\$ 1,399</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,600</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ -	\$ 38	\$ 1,399	\$ -	\$ -
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>38</u></b>	<b><u>1,399</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>						
Restricted	-	-	-	-	-	15,600
<b>Total fund balance</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>15,600</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 38</u></b>	<b><u>\$ 1,399</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 15,600</u></b>

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2016

Statement B-1  
Page 2 of 2

	Dual Credit Instructional Materials	GO Bond Student Library	NM Read2Lead	Fresh Fruits & Vegetables	Athletics	Total
<b>ASSETS</b>						
Cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 3,911	\$ 19,511
Due from grantor	-	9,546	-	-	-	10,983
<b>Total assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 9,546</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,911</u></b>	<b><u>\$ 30,494</u></b>
<b>LIABILITIES</b>						
Cash overdraft	\$ -	\$ 9,546	\$ -	\$ -	\$ -	\$ 10,983
<b>Total liabilities</b>	<u>-</u>	<u>9,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,983</u>
<b>FUND BALANCES</b>						
Restricted	-	-	-	-	3,911	19,511
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,911</u>	<u>19,511</u>
<b>Total liabilities and fund balance</b>	<b><u>\$ -</u></b>	<b><u>\$ 9,546</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,911</u></b>	<b><u>\$ 30,494</u></b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

Statement B-2  
Page 1 of 2

	IDEA-B Entitlement	IDEA-B Preschool	IDEA-B "Risk Pool"	Improving Teacher Quality	REAP	ITFS/FCC
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local sources	-	-	-	-	-	1,200
State sources	-	-	-	-	-	-
Federal sources	<u>63,016</u>	<u>4,165</u>	<u>38</u>	<u>11,776</u>	<u>15,756</u>	<u>-</u>
Total revenues	<u>63,016</u>	<u>4,165</u>	<u>38</u>	<u>11,776</u>	<u>15,756</u>	<u>1,200</u>
<b>EXPENDITURES</b>						
Direct instruction	60,174	4,165	38	11,776	14,385	-
Instructional support	2,842	-	-	-	1,371	-
Food Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>63,016</u>	<u>4,165</u>	<u>38</u>	<u>11,776</u>	<u>15,756</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-	1,200
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,400</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,600</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2015

	Dual Credit Instructional Materials	GO Bond Student Library	NM Read2Lead	Fresh Fruits & Vegetables	Athletics	Total
<b>REVENUES</b>						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ 22,445	\$ 22,445
Local sources	-	-	-	-	-	1,200
State sources	1,024	9,546	50,000	235	-	60,805
Federal sources	-	-	-	-	-	94,751
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,751</u>
Total revenues	<u>1,024</u>	<u>9,546</u>	<u>50,000</u>	<u>235</u>	<u>22,445</u>	<u>179,201</u>
<b>EXPENDITURES</b>						
Direct instruction	1,024	-	50,000	-	21,863	163,425
Instructional support	-	9,546	-	-	-	13,759
Food Service	-	-	-	235	-	235
	<u>-</u>	<u>-</u>	<u>-</u>	<u>235</u>	<u>-</u>	<u>235</u>
Total expenditures	<u>1,024</u>	<u>9,546</u>	<u>50,000</u>	<u>235</u>	<u>21,863</u>	<u>177,419</u>
Net change in fund balance	-	-	-	-	582	1,782
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,329</u>	<u>17,729</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,911</u>	<u>\$ 19,511</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - IDEA-B Entitlement  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Federal sources	\$ 57,370	\$ 69,122	\$ 63,016	\$ (6,106)
Total revenues	<u>\$ 57,370</u>	<u>\$ 69,122</u>	<u>\$ 63,016</u>	<u>\$ (6,106)</u>
EXPENDITURES				
Direct instruction	\$ 57,370	\$ 66,122	\$ 60,174	\$ 5,948
Instructional support	-	3,000	2,842	158
Total expenditures	<u>\$ 57,370</u>	<u>\$ 69,122</u>	<u>\$ 63,016</u>	<u>\$ 6,106</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - IDEA-B Preschool  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 4,196	\$ 4,899	\$ 4,401	\$ (498)
Total revenues	<u>\$ 4,196</u>	<u>\$ 4,899</u>	<u>\$ 4,401</u>	<u>\$ (498)</u>
EXPENDITURES				
Direct instruction	\$ 4,196	\$ 4,899	\$ 4,165	\$ 734
Total expenditures	<u>\$ 4,196</u>	<u>\$ 4,899</u>	<u>\$ 4,165</u>	<u>\$ 734</u>
REVENUES				
Budgetary basis			\$ 4,401	
(Decrease) in due from grantor			<u>(236)</u>	
Modified accrual basis			<u>\$ 4,165</u>	

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - IDEA-B "Risk Pool"  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ -	\$ 38	\$ 44	\$ 6
Total revenues	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 44</u>	<u>\$ 6</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 38	\$ 38	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 38</u>	<u>\$ 38</u>	<u>\$ -</u>
REVENUES				
Budgetary basis			\$ 44	
(Decrease) in due from grantor			<u>(6)</u>	
Modified accrual basis			<u>\$ 38</u>	

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Improving Teacher Quality  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Federal sources	\$ 9,586	\$ 12,967	\$ 10,377	\$ (2,590)
Total revenues	<u>\$ 9,586</u>	<u>\$ 12,967</u>	<u>\$ 10,377</u>	<u>\$ (2,590)</u>
EXPENDITURES				
Direct instruction	\$ 9,586	\$ 12,967	\$ 11,776	\$ 1,191
Total expenditures	<u>\$ 9,586</u>	<u>\$ 12,967</u>	<u>\$ 11,776</u>	<u>\$ 1,191</u>
REVENUES				
Budgetary basis			\$ 10,377	
Increase in due from grantor			<u>1,399</u>	
Modified accrual basis			<u>\$ 11,776</u>	

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - REAP  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Federal sources	\$ -	\$ 15,756	\$ 15,756	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 15,756</u>	<u>\$ 15,756</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ 14,385	\$ 14,385	\$ -
Instructional support	-	1,371	1,371	-
Total expenditures	<u>\$ -</u>	<u>\$ 15,756</u>	<u>\$ 15,756</u>	<u>\$ -</u>

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - ITFS/FCC  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local sources	\$ -	\$ -	\$ 1,200	\$ 1,200
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>
EXPENDITURES				
Direct instruction	\$ 14,400	\$ 14,400	\$ -	\$ 14,400
Total expenditures	<u>\$ 14,400</u>	<u>\$ 14,400</u>	<u>\$ -</u>	<u>\$ 14,400</u>
BUDGETED CASH BALANCE	<u>\$ 14,400</u>	<u>\$ 14,400</u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Dual Credit Instructional Materials  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 1,024	\$ 1,024	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ -	\$ 1,024	\$ 1,024	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - GO Bond Student Library  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ 9,546	\$ 9,546	\$ 6,221	\$ (3,325)
Total revenues	<u>\$ 9,546</u>	<u>\$ 9,546</u>	<u>\$ 6,221</u>	<u>\$ (3,325)</u>
EXPENDITURES				
Instructional Support	\$ 9,546	\$ 9,546	\$ 9,546	\$ -
Total expenditures	<u>\$ 9,546</u>	<u>\$ 9,546</u>	<u>\$ 9,546</u>	<u>\$ -</u>
REVENUES				
Budgetary Basis			\$ 6,221	
Increase in due from grantor			<u>3,325</u>	
Modified accrual basis			<u>\$ 9,546</u>	

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - NM Reads2Lead  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
State sources	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total revenues	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Direct instruction	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Total expenditures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Fresh Fruits & Vegetables  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ 235	\$ 235	\$ -
Total revenues	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ -</u>
EXPENDITURES				
Food services	\$ -	\$ 235	\$ 235	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Special Revenue - Athletics  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
REVENUES				
Charges for services	\$ 22,000	\$ 22,000	\$ 22,445	\$ 445
Total revenues	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ 22,445</u>	<u>\$ 445</u>
EXPENDITURES				
Direct instruction	\$ 25,931	\$ 25,931	\$ 21,863	\$ 4,068
Total expenditures	<u>\$ 25,931</u>	<u>\$ 25,931</u>	<u>\$ 21,863</u>	<u>\$ 4,068</u>
BUDGETED CASH BALANCE	<u>\$ 3,931</u>	<u>\$ 3,931</u>		

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

**NON-MAJOR CAPITAL PROJECTS FUND**

**SCHOOL BUSES** - To account for monies received from the Department of Education, Transportation Division for the purchase of new school buses.

**BOND BUILDING** - To account for resources received from the sale of general obligation bonds for the purpose of constructing and renovating school buildings.

**SPECIAL CAPITAL OUTLAY STATE** - To account for a legislative appropriation (Laws of 2015, Chapter 3, Section 15, Paragraph 206) to purchase and install bleachers at the School District.

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Capital Projects Funds  
Balance Sheet  
June 30, 2016

Statement C-1

	School Buses Fund	Bond Buildings Fund	Special Capital Outlay State	Total
<b>ASSETS</b>				
Cash on deposit	\$ -	\$ -	\$ -	\$ -
Due from grantor	-	-	19,378	19,378
Total assets	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,378</b>	<b>\$ 19,378</b>
<b>LIABILITIES</b>				
Cash overdraft	\$ -	\$ -	\$ 19,378	\$ 19,378
Total liabilities	-	-	19,378	19,378
<b>FUND BALANCE</b>				
Restricted	-	-	-	-
Total fund balance	-	-	-	-
Total liabilities and fund balance	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,378</b>	<b>\$ 19,378</b>

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Capital Projects Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2016

Statement C-2

	School Buses Fund	Bond Building Fund	Special Capital Outlay State	Total
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
State sources	-	-	125,000	125,000
Earnings from investments	-	-	-	-
	-	-	125,000	125,000
<b>EXPENDITURES</b>				
Instructional support	-	-	-	-
Capital outlay	-	83,834	125,000	208,834
	-	83,834	125,000	208,834
Net change in fund balance	-	(83,834)	-	(83,834)
Fund balance at beginning of year	-	83,834	-	83,834
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Capital Projects Fund - School Buses Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
State sources	\$ -	\$ -	\$ 83,751	\$ 83,751
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,751</u>	<u>\$ 83,751</u>
EXPENDITURES				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Capital Projects Fund - Bond Building Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Earnings from investments	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Capital outlay	\$ 83,855	\$ 83,855	\$ 83,834	\$ 21
Total expenditures	<u>\$ 83,855</u>	<u>\$ 83,855</u>	<u>\$ 83,834</u>	<u>\$ 21</u>
BUDGETED CASH BALANCE	<u>\$ 83,855</u>	<u>\$ 83,855</u>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Non-Major Capital Projects Fund - Special Capital Outlay State  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
State sources	\$ -	\$ 125,000	\$ 105,622	\$ (19,378)
Total revenues	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 105,622</u>	<u>\$ (19,378)</u>
EXPENDITURES				
Capital outlay	\$ -	\$ 125,000	\$ 125,000	\$ -
Total expenditures	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>
BUDGETED CASH BALANCE	<u>\$ -</u>	<u>\$ -</u>		
REVENUES				
Budgetary Basis			\$ 105,622	
Increase in due from grantor			<u>19,378</u>	
Modified accrual basis			<u>\$ 125,000</u>	

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

**GENERAL FUND**

**OPERATIONAL FUND** - This fund is the chief operating fund of the School District. It is used to account for all financial resources of the School District except for those required to be accounted for in another fund.

**TRANSPORTATION FUND** - To account for resources received from the Public Education Department to be used only for eligible to and from school transportation costs.

**INSTRUCTIONAL MATERIALS FUND** - to account for resources received from the Public Education Department to be used to purchase materials used as the basis for instruction.

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Combining Balance Sheet  
General Fund  
June 30, 2016

Statement D-1

	Operational	Transporation	Instructional Materials	Total
<b>ASSETS</b>				
Cash on deposit	\$ 128,446	\$ -	\$ 16,598	\$ 145,044
Accounts receivable, collectible	216	-	-	216
Total assets	<b>\$ 128,662</b>	<b>\$ -</b>	<b>\$ 16,598</b>	<b>\$ 145,260</b>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	2,263	-	16,598	18,861
Unassigned	126,399	-	-	126,399
Total fund balance	128,662	-	16,598	145,260
Total liabilities and fund balance	<b>\$ 128,662</b>	<b>\$ -</b>	<b>\$ 16,598</b>	<b>\$ 145,260</b>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
General Fund  
Year Ended June 30, 2016

Statement D-2

	Operational	Transportation	Instructional Materials	Total
REVENUES				
Taxes	\$ 14,495	\$ -	\$ -	\$ 14,495
Charges for services	-	-	-	-
Local sources	15,408	-	-	15,408
State sources	2,503,793	223,045	14,655	2,741,493
Federal sources	-	-	-	-
Earnings from investments	1,396	-	-	1,396
	<u>2,535,092</u>	<u>223,045</u>	<u>14,655</u>	<u>2,772,792</u>
EXPENDITURES				
Direct instruction	1,391,119	-	11,045	1,402,164
Instructional support	1,141,070	223,045	-	1,364,115
Food service	45,002	-	-	45,002
Capital outlay	35,245	-	-	35,245
	<u>2,612,436</u>	<u>223,045</u>	<u>11,045</u>	<u>2,846,526</u>
Net change in fund balance	(77,344)	-	3,610	(73,734)
Fund balance at beginning of year	<u>206,006</u>	<u>-</u>	<u>12,988</u>	<u>218,994</u>
Fund balance at end of year	<u><u>\$ 128,662</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 16,598</u></u>	<u><u>\$ 145,260</u></u>

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
General Fund - Operational Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 13,826	\$ 13,826	\$ 14,535	\$ 709
Charges for services	-	-	-	-
Local sources	9,690	9,690	15,408	5,718
State sources	2,441,927	2,504,696	2,503,793	(903)
Federal sources	-	-	-	-
Earnings from investments	1,000	1,000	1,396	396
Total revenues	<u>\$ 2,466,443</u>	<u>\$ 2,529,212</u>	<u>\$ 2,535,132</u>	<u>\$ 5,920</u>
EXPENDITURES				
Direct instruction	\$ 1,413,701	\$ 1,413,701	\$ 1,391,119	\$ 22,582
Instructional support	1,196,315	1,264,835	1,176,315	88,520
Food services	56,427	56,427	45,002	11,425
Total expenditures	<u>\$ 2,666,443</u>	<u>\$ 2,734,963</u>	<u>\$ 2,612,436</u>	<u>\$ 122,527</u>
BUDGETED CASH BALANCE	<u>\$ 200,000</u>	<u>\$ 205,751</u>		

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



STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
General Fund - Transportation Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	243,779	223,045	223,045	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
<b>Total revenues</b>	<b><u>\$ 243,779</u></b>	<b><u>\$ 223,045</u></b>	<b><u>\$ 223,045</u></b>	<b><u>\$ -</u></b>
<b>EXPENDITURES</b>				
Direct instruction	\$ -	\$ -	\$ -	\$ -
Instructional support	243,779	223,045	223,045	-
Food services	-	-	-	-
<b>Total expenditures</b>	<b><u>\$ 243,779</u></b>	<b><u>\$ 223,045</u></b>	<b><u>\$ 223,045</u></b>	<b><u>\$ -</u></b>
<b>BUDGETED CASH BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>		

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

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
General Fund - Instructional Materials Fund  
Statement of Revenues and Expenditures -  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Local sources	-	-	-	-
State sources	10,737	14,655	14,655	-
Federal sources	-	-	-	-
Earnings from investments	-	-	-	-
Total revenues	<u>\$ 10,737</u>	<u>\$ 14,655</u>	<u>\$ 14,655</u>	<u>\$ -</u>
EXPENDITURES				
Direct instruction	\$ 23,140	\$ 27,642	\$ 11,045	\$ 16,597
Instructional support	-	-	-	-
Food services	-	-	-	-
Total expenditures	<u>\$ 23,140</u>	<u>\$ 27,642</u>	<u>\$ 11,045</u>	<u>\$ 16,597</u>
BUDGETED CASH BALANCE	<u>\$ 12,403</u>	<u>\$ 12,987</u>		

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

**REQUIRED SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Schedule of Proportionate Share of the Net Pension Liability  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<u>2015</u>
Melrose Municipal School District's proportion of net pension liability (asset)	0.05406%
Melrose Municipal School District's proportionate share of the net pension liability (asset)	\$ 3,501,626
Melrose Municipal School District's covered-employee payroll	\$ 1,476,011
Melrose Municipal School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207%
Plan fiduciary net position as a percentate of the total pension liability	66.54%

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

See Independent Auditor's Report  
See notes to required supplementary information

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Schedule of Contributions  
Educational Retirement Board (ERB) Pension Plan  
Last 10 Fiscal Years\*

	<u>2016</u>
Contractually required contributions	\$ 229,764
Contributions in relation to the contractually required Contribution	<u>229,764</u>
Contribution deficiency (excess)	<u>\$ -</u>
Melrose Municipal School District's covered-employee payroll	\$1,652,977
Contribution as a percentage of covered-employee payroll	13.90%

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

See Independent Auditor's Report  
See notes to required supplementary information

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Notes to Required Supplementary Information  
Year Ended June 30, 2016

*Changes in benefit terms.*

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

*Changes of assumptions.*

1. Fiscal year 2015 valuation assumptions that changed based on this study:
  - a. Lower wage inflation from 4.25% to 3.75%
  - b. Minor changes to demographic assumptions
  - c. Remove population growth assumptions for projections.
  
2. Assumptions that were not changed:
  - a. Investment return will remain at 7.75%
  - b. Inflation will remain at 3.00%
  - c. Maintain payroll growth at 3.50%

See also the *Actuarial Assumptions* subsection of the financial statement note disclosure *Pension Plan - Educational Retirement Board, General Information on the Pension Plan*

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
MELROSE MUNICIPAL SCHOOLS  
Schedule of Cash Receipts and  
Disbursements - All Funds by  
School District Classification  
Year Ended June 30, 2016

	<u>Operational</u>	<u>Transportation</u>	<u>Instructional Materials</u>	<u>Food Services</u>	<u>Athletics</u>	<u>Non- Instructional</u>	
Cash Balance, June 30, 2015	\$ 205,750	\$ -	\$ 12,988	\$ 21,968	\$ 3,329	\$ 56,679	
Cash Receipts, 2015-2016	2,535,132	223,045	14,655	81,876	22,445	188,131	
Cash Disbursements, 2015-2016	<u>(2,612,436)</u>	<u>(223,045)</u>	<u>(11,045)</u>	<u>(79,325)</u>	<u>(21,863)</u>	<u>(166,278)</u>	
Cash Balance, June 30, 2016	<b><u>\$ 128,446</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,598</u></b>	<b><u>\$ 24,519</u></b>	<b><u>\$ 3,911</u></b>	<b><u>\$ 78,532</u></b>	
	<u>Local</u>	<u>State</u>	<u>Federal Projects</u>	<u>Bond Building</u>	<u>Special Capital Outlay State</u>	<u>Capital Improvement SB-9</u>	<u>Debt Service</u>
Cash Balance, June 30, 2015	\$ 38,747	\$ (6,221)	\$ (18,424)	\$ 83,834	\$ -	\$ 249,495	\$ 102,217
Cash Receipts, 2015-2016	1,200	57,480	160,729	-	105,622	85,708	114,768
Cash Disbursements, 2015-2016	<u>-</u>	<u>(60,805)</u>	<u>(160,742)</u>	<u>(83,834)</u>	<u>(125,000)</u>	<u>(79,084)</u>	<u>(110,237)</u>
Cash Balance, June 30, 2016	<b><u>\$ 39,947</u></b>	<b><u>\$ (9,546)</u></b>	<b><u>\$ (18,437)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (19,378)</u></b>	<b><u>\$ 256,119</u></b>	<b><u>\$ 106,748</u></b>



STATE OF NEW MEXICO Schedule IV  
MELROSE MUNICIPAL SCHOOLS  
Schedule of Fiduciary Net Assets and Liabilities - Agency Funds  
Year Ended June 30, 2016

	Beginning Balance <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>6/30/2016</u>
General	\$ 318	\$ 4,457	\$ 3,813	\$ 962
FFA	638	27,972	27,480	1,130
FCCLA	4,942	22,777	15,849	11,870
Concession	3,407	26,779	26,309	3,877
BPA	60	28,990	23,120	5,930
Vo Ag Shop	14	80	-	94
Elementary	7,375	10,811	11,664	6,522
Football	1,831	3,618	3,480	1,969
Girls Basketall	30	3,108	3,134	4
Class of 2016	1,470	-	1,363	107
Class of 2015	430	-	430	-
Volleyball	8	3,026	2,665	369
Boys Basketball	274	1,577	1,623	228
Student Council	15	262	276	1
Yearbook	1,047	6,535	5,140	2,442
Activity Buses	9,958	20,762	13,953	16,767
Music	90	1,493	770	813
Interest	23	120	-	143
Cheerleaders	597	2,677	2,979	295
Baseball	679	-	-	679
Boys Track	2,972	-	844	2,128
Science Club	910	-	455	455
Girls Track	886	-	-	886
Class of 2017	101	6,909	4,814	2,196
Class of 2018	-	-	-	-
Class of 2019	3	-	-	3
Athletic Student Travel	731	15,174	14,878	1,027
District 4A 8Man Footbaall	363	600	299	664
District 3A	35	-	-	35
Region A2 BPA	620	320	940	-
General Activity - CD	16,852	84	-	16,936
Total	<u>\$ 56,679</u>	<u>\$ 188,131</u>	<u>\$ 166,278</u>	<u>\$ 78,532</u>

MELROSE MUNICIPAL SCHOOLS  
 SCHEDULE OF VENDOR INFORMATION  
 (for Purchases Exceeding \$60,000 excluding GRT)  
 For the Year Ended June 30, 2016

Prepared by (Agency Staff Name): Pam Beevers

Title: Business Manager

Date: October 19, 2016

<u>RFB#/RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>	<u>Name and Physical Address of All Respondents</u>	<u>In-State/Out-of-State Vendor</u>	<u>Veteran's Preference N/A for Federal Funds</u>	<u>Scope of Work</u>
N/A	EXEMPT	CES	\$ -	\$ -	CES PO Box 92223 Albuquerque, NM 87199	In-State	N	Ag Barn
N/A	EXENOT	CES	\$ -	\$ -	CES PO Box 92223 Albuquerque, NM 87199	In-State	N	Bleachers
N/A	Competitive	Crump School Buses, Inc.	\$ 166,016	\$ 170,908	2811 SR 311 Melrose, NM 88124	In-State	N	School Bus Contractor
N/A	EXEMPT	Farmers Electric Coop	\$ -	\$ -	3701 N Thornton St Clovis, NM 88101	In-State	N	Electric Service

*Rice and Associates, C.P.A.*

AUDITING  
BOOKKEEPING  
(505) 292-8275

CERTIFIED PUBLIC ACCOUNTANTS  
11805 Menaul NE  
Albuquerque, NM 87112

TAX PLANNING  
TAX PREPARATION  
FAX (505) 294-8904

**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  
New Mexico State Auditor  
and  
Board of Education  
Melrose Municipal Schools  
Melrose, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the General, Cafeteria, Title I, and Rural Vision Funds of the Melrose Municipal Schools, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Melrose Municipal Schools basic financial statements, and the combining and individual funds and the related budgetary comparisons of the Major Capital Project and Debt Service Funds and non-major funds, presented as supplemental information, and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Melrose Municipal Schools internal control over financial reporting as a basis for designing our auditing procedures 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 Melrose Municipal Schools internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Melrose Municipal Schools internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses 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 a material weakness. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Melrose Municipal Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### Purpose of this Report

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

*Price & Associates, CPA*

Albuquerque, New Mexico  
October 19, 2016

**STATUS OF COMMENTS AND RESPONSES**

**Prior Year Audit Findings:**

NONE

**Current Year Audit Findings:**

NONE

#### FINANCIAL STATEMENT PREPARATION

The combining and individual fund financial statements and notes to the financial statements for the year ended, June 30, 2016 were prepared by Rice & Associates, CPA, based on managements chart of accounts and trial balances including any adjusting, correcting or closing entries approved by management. These services are allowable under SAS 115.

#### EXIT CONFERENCE

An exit conference was held at the School District on October 19, 2016, to discuss the current audit report. In attendance were Ms. Pamela Beevers, Business Manager, Ms. Deanna Roach, Assistant Business Manager, Mr. Joe Reed, Board President, Mr. Antonio Lucero, Contract Auditor and Ms. Pamela A. Rice, CPA, Contract Auditor.