



State of
New Mexico
Pojoaque Valley
Schools

Annual Financial Report
For the Year Ended June 30, 2017



POJOAQUE
VALLEY SCHOOL DISTRICT

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Pojoaque Valley Schools
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STATE OF NEW MEXICO
Pojoaque Valley Schools
Official Roster
June 30, 2017

Name	<u>Board of Education</u>	Title
Jon Paul Romero		Board President
Jeffrey D. Atencio		Board Vice President
Toby G. Velasquez		Board Secretary
Sharon Dogruel		Board Member
Fernando Quintana		Board Member
 <u>Administrative Officials</u>		
Dr. Melville Morgan		Superintendent
Sondra Adams		Assistant Superintendent
Michelle Ortiz		Business Manager

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
The Board of Education
Office of Management and Budget
Pojoaque Valley Schools
Pojoaque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the General Fund and major special revenue funds of Pojoaque Valley Schools (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 from 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 District'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 District'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.

Basis for Qualified Opinion on Capital Assets Presented in the Governmental Activities

Material weaknesses in internal controls over capital assets from gaining sufficient evidence as to whether the capital assets of the governmental activities of the District are presented fairly, in all material respects. The amount by which this departure would affect the capital assets and net position of the governmental activities has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matters described in the 'Basis for Qualified Opinion on Capital Assets Presented in the Governmental Activities' paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Management has omitted the *Management Discussion and Analysis* that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules I and II and the Notes to the Required Supplementary Information on pages 60 through 62 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements, and the budgetary comparisons. The introductory section, combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Supporting Schedules III

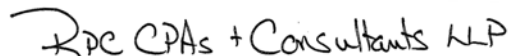
through VII required by section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VII required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards and Supporting Schedules III through VII have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards and Supporting Schedules III through VII required by section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 15, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Statement of Net Position
 June 30, 2017

	Primary Government
	Governmental
	Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 285,289
Investments	706,581
Receivables:	
Property taxes	290,549
Due from other governments	592,710
Other	203,986
Inventory	20,152
	2,099,267
Total current assets	2,099,267
Noncurrent assets	
Restricted assets:	
Cash and cash equivalents	2,663,170
Capital assets	51,357,978
Less: accumulated depreciation	(14,233,628)
	39,787,520
Total noncurrent assets	39,787,520
Total assets	41,886,787
Deferred outflows of resources	
Net difference in investments	1,500,607
Changes in proportion	140,615
Changes of assumption	511,735
Employer contributions subsequent to the measurement date	1,279,193
Actual experience	109,064
	3,541,214
Total deferred outflows of resources	3,541,214
<i>Total assets and deferred outflows of resources</i>	\$ 45,428,001

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

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Liabilities	
Current liabilities	
Cash overdraft	\$ 1,806,148
Accounts payable	171,319
Accrued payroll	654,178
Accrued interest	64,612
Accrued compensated absences	160,435
Current portion of bonds payable	<u>1,175,000</u>
Total current liabilities	<u>4,031,692</u>
Noncurrent liabilities	
Accrued compensated absences	197,426
Bonds payable	4,770,000
Net pension liability	<u>25,139,301</u>
Total noncurrent liabilities	<u>30,106,727</u>
Total liabilities	<u>34,138,419</u>
Deferred inflows of resources	
Differences between expected and actuarial experience	239,106
Change in proportion	<u>1,220,753</u>
Total deferred inflows of resources	<u>1,459,859</u>
Net position	
Net investment in capital assets	6,599,886
Restricted for:	
Debt service	2,889,934
Capital projects	1,980,362
Special revenue	316,872
Unrestricted (deficit)	<u>(1,957,331)</u>
Total net position	<u>9,829,723</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 45,428,001</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Statement of Activities
 For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary government:			
Governmental Activities:			
Instruction	\$ 11,766,017	\$ 224,399	\$ 2,813,008
Support services - students	2,310,968	44,074	552,504
Support services - instruction	664,743	12,678	158,926
Support services - general administration	436,501	8,325	104,358
Support services - school administration	1,417,301	27,030	338,847
Central services	518,521	9,889	123,967
Operation and maintenance of plant	2,840,357	54,171	679,070
Student transportation	926,951	17,679	221,614
Other support services	18,675	356	4,465
Food services operations	1,162,120	22,164	277,838
Community services operations	77,612	1,480	18,555
Interest and other charges	159,746	3,047	38,192
<i>Total governmental activities</i>	<u>\$ 22,299,512</u>	<u>\$ 425,292</u>	<u>\$ 5,331,344</u>

General Revenues

Taxes:

Property taxes, levied for operating programs

Property taxes, levied for debt services

Property taxes, levied for capital projects

State equalization guarantee

Investment income

Miscellaneous income

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Capital Grants and Contributions</u>	<u>Government Activities</u>
\$ -	\$ (8,728,610)
-	(1,714,390)
-	(493,139)
-	(323,818)
-	(1,051,424)
-	(384,665)
-	(2,107,116)
-	(687,658)
-	(13,854)
-	(862,118)
-	(57,577)
-	(118,507)
<u>\$ -</u>	<u>(16,542,876)</u>

46,902
1,021,493
336,835
12,683,821
8,017
<u>110,763</u>
<u>14,231,228</u>
(2,311,648)
<u>12,141,371</u>
<u>\$ 9,829,723</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund	Food Services	Teacher and School Leader Incentive Pay
	11000, 13000, 14000	21000	27188
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ 284,389	\$ -
Restricted cash and cash equivalents	-	-	-
Investments	271,810	100,304	-
Receivables:			
Property taxes	8,001	-	-
Federal sources	-	31,487	224,881
State sources	-	-	-
Other	-	-	-
Inventory	-	20,152	-
Due from other funds	751,253	-	-
<i>Total assets</i>	<u>\$ 1,031,064</u>	<u>\$ 436,332</u>	<u>\$ 224,881</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Cash overdraft	\$ 1,806,148	\$ -	\$ -
Accounts payable	87,629	36,724	-
Accrued payroll	602,549	-	-
Due to other funds	-	-	224,881
<i>Total liabilities</i>	<u>2,496,326</u>	<u>36,724</u>	<u>224,881</u>
<i>Deferred inflows of resources</i>			
Unavailable revenue - property taxes	6,138	-	-
<i>Total deferred inflows of resources</i>	<u>6,138</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
<i>Nonspendable:</i>			
Inventory	-	20,152	-
<i>Spendable</i>			
<i>Restricted for:</i>			
Transportation	822,921	-	-
Instructional materials	168,480	-	-
Food services	-	379,456	-
Education	-	-	-
Capital acquisitions and improvements	-	-	-
Debt service	-	-	-
<i>Committed for:</i>			
Unassigned (deficit)	(2,462,801)	-	-
<i>Total fund balances</i>	<u>(1,471,400)</u>	<u>399,608</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,031,064</u>	<u>\$ 436,332</u>	<u>\$ 224,881</u>

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

Debt Service 41100	Other Governmental Funds	Total
\$ -	\$ 900	\$ 285,289
1,649,364	1,013,806	2,663,170
-	334,467	706,581
226,945	55,603	290,549
-	-	256,368
-	508,550	508,550
-	31,778	31,778
-	-	20,152
-	-	751,253
<u>\$ 1,876,309</u>	<u>\$ 1,945,104</u>	<u>\$ 5,513,690</u>
\$ -	\$ -	\$ 1,806,148
-	46,966	171,319
-	51,629	654,178
-	526,372	751,253
-	624,967	3,382,898
182,846	42,712	231,696
182,846	42,712	231,696
-	-	20,152
-	-	822,921
-	-	168,480
-	-	379,456
-	200,148	200,148
1,693,463	339,402	2,032,865
-	779,578	779,578
-	(41,703)	(2,504,504)
<u>1,693,463</u>	<u>1,277,425</u>	<u>1,899,096</u>
<u>\$ 1,876,309</u>	<u>\$ 1,945,104</u>	<u>\$ 5,513,690</u>

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

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STATE OF NEW MEXICO

Pojoaque Valley Schools

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2017

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 1,899,096
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds	37,124,350
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities	231,696
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in funds:	
Deferred outflows related to changes in proportion	140,615
Deferred outflows related to changes of assumption	511,735
Deferred outflows related to employer contribution subsequent to measurement date	1,279,193
Deferred outflows related to net difference in investments	1,500,607
Deferred inflows related to changes in proportion	(1,220,753)
Deferred inflows related to differences between expected and actuarial experience	(239,106)
Deferred inflows related to net difference between projected and actual investment earnings on pension plan investments	109,064
Liabilities, including bonds payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the funds:	
Accrued compensated absences not due and payable	(357,861)
Accrued interest payable	(64,612)
Bonds payable	(5,945,000)
Net pension liability	(25,139,301)
<i>Total net position - governmental funds</i>	<u>\$ 9,829,723</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

	General Fund	Food Services	Teacher and School Leader Incentive Pay
	11000, 13000, 14000	21000	27188
<i>Revenues</i>			
Property taxes	\$ 48,632	\$ -	\$ -
Intergovernmental revenue:			
Federal flowthrough	26,739	-	-
Federal direct	1,027,523	886,881	-
Local sources	-	-	-
State flowthrough	119,005	76,805	224,881
State direct	12,658,734	-	-
Transportation distribution	818,078	-	-
Charges for services	100,185	222,227	-
Investment income	8,017	-	-
Miscellaneous	118,385	-	-
Total revenues	14,925,298	1,185,913	224,881
<i>Expenditures</i>			
Current:			
Instruction	8,722,747	-	174,664
Support services - students	1,833,492	-	-
Support services - instruction	616,286	-	-
Support services - general administration	383,238	-	-
Support services - school administration	1,332,809	-	50,217
Central services	511,883	-	-
Operation and maintenance of plant	2,369,066	-	-
Student transportation	918,129	-	-
Other support services	-	-	-
Food services operations	-	1,055,648	-
Community services operations	56,126	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	16,743,776	1,055,648	224,881
<i>Excess (deficiency) of revenues over expenditures</i>	(1,818,478)	130,265	-
<i>Other financing sources (uses)</i>			
Bond proceeds	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(1,818,478)	130,265	-
Fund balances - beginning of year	347,078	269,343	-
Fund balances - end of year	\$ (1,471,400)	\$ 399,608	\$ -

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

Debt Service 41100	Other Governmental Funds	Total
\$ 1,104,919	\$ 349,969	\$ 1,503,520
-	780,291	807,030
-	700,506	2,614,910
-	4,935	4,935
-	665,700	1,086,391
-	25,087	12,683,821
-	-	818,078
-	102,879	425,291
-	-	8,017
-	15,775	134,160
<u>1,104,919</u>	<u>2,645,142</u>	<u>20,086,153</u>
-	1,355,533	10,252,944
-	453,496	2,286,988
-	2,547	618,833
10,914	30,294	424,446
-	15,910	1,398,936
-	-	511,883
-	4,268	2,373,334
-	190	918,319
1,000	-	1,000
-	49,690	1,105,338
-	23,280	79,406
-	1,404,554	1,404,554
1,850,000	-	1,850,000
173,204	-	173,204
<u>2,035,118</u>	<u>3,339,762</u>	<u>23,399,185</u>
<u>(930,199)</u>	<u>(694,620)</u>	<u>(3,313,032)</u>
-	516,327	516,327
-	516,327	516,327
(930,199)	(178,293)	(2,796,705)
<u>2,623,662</u>	<u>1,455,718</u>	<u>4,695,801</u>
<u>\$ 1,693,463</u>	<u>\$ 1,277,425</u>	<u>\$ 1,899,096</u>

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

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STATE OF NEW MEXICO

Pojoaque Valley Schools

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds \$ (2,796,705)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures 1,051,813
Depreciation expense (1,542,987)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Change in unavailable revenue related to property taxes receivable (98,290)

Governmental funds report 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:

District pension contribution 1,279,193
Pension expense (1,472,338)

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Bond proceeds (516,327)
Increase in accrued compensated absences not due and payable (85,037)
Increase in accrued interest payable 19,030
Principal payments on bonds 1,850,000

Change in net position of governmental activities \$ (2,311,648)

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 General Fund (11000, 13000, 14000)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Exhibit C-1

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 49,041	\$ 49,041	\$ 46,769	\$ (2,272)
Intergovernmental revenue:				
Federal flowthrough	12,880	12,880	26,739	13,859
Federal direct	745,001	1,770,742	1,027,523	(743,219)
State flowthrough	104,084	89,542	119,005	29,463
State direct	12,937,952	12,655,429	12,658,734	3,305
Transportation distribution	992,503	898,272	821,883	(76,389)
Charges for services	95,000	95,000	103,992	8,992
Investment Income	10	10	8,017	8,007
Miscellaneous	50,450	50,450	118,385	67,935
<i>Total revenues</i>	<u>14,986,921</u>	<u>15,621,366</u>	<u>14,931,047</u>	<u>(690,319)</u>
<i>Expenditures</i>				
Current:				
Instruction	7,606,403	8,099,599	8,684,803	(585,204)
Support services - students	1,599,532	1,832,781	1,805,810	26,971
Support services - instruction	511,590	616,565	616,286	279
Support services - general administration	362,117	381,041	377,431	3,610
Support services - school administration	1,310,407	1,333,791	1,332,809	982
Central services	504,930	513,053	511,883	1,170
Operation and maintenance of plant	2,243,870	2,370,604	2,362,340	8,264
Student transportation	1,019,116	994,888	994,093	795
Other support services	15,520	6,120	-	6,120
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>15,251,815</u>	<u>16,226,772</u>	<u>16,740,342</u>	<u>(513,570)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(264,894)</u>	<u>(605,406)</u>	<u>(1,809,295)</u>	<u>(1,203,889)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	264,894	605,406	-	(605,406)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>264,894</u>	<u>605,406</u>	<u>-</u>	<u>(605,406)</u>
<i>Net change in fund balance</i>	-	-	(1,809,295)	(1,809,295)
<i>Fund balance - beginning of year</i>	-	-	422,661	422,661
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,386,634)</u>	<u>\$ (1,386,634)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (1,809,295)
Adjustments to revenues for taxes and intergovernmental revenue				(5,749)
Adjustments to expenditures for supplies and payroll expenditures				(3,434)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (1,818,478)</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Food Services Special Revenue Fund (21000)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

Exhibit C-2

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	750,000	750,000	837,910	87,910
State flowthrough	75,580	75,580	76,805	1,225
State direct	-	-	-	-
Charges for services	218,000	218,000	222,227	4,227
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	1,043,580	1,043,580	1,136,942	93,362
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	1,175,685	1,175,685	1,020,993	154,692
Capital outlay	-	-	-	-
Total expenditures	1,175,685	1,175,685	1,020,993	154,692
<i>Excess (deficiency) of revenues over expenditures</i>	(132,105)	(132,105)	115,949	248,054
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	132,105	132,105	-	(132,105)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	132,105	132,105	-	(132,105)
<i>Net change in fund balance</i>	-	-	115,949	115,949
<i>Fund balance - beginning of year</i>	-	-	268,744	268,744
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 384,693	\$ 384,693
Net change in fund balance (Non-GAAP budgetary basis)				\$ 115,949
Adjustments to revenues for federal flowthrough grants				48,971
Adjustments to expenditures for food service				(34,655)
Net change in fund balance (GAAP Basis)				\$ 130,265

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

STATE OF NEW MEXICO

Exhibit C-3

Pojoaque Valley Schools

Teacher and School Leader Incentive Pay Special Revenue Fund (27188)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	252,769	-	(252,769)
State direct	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>252,769</u>	<u>-</u>	<u>(252,769)</u>
<i>Expenditures</i>				
Current:				
Instruction	-	195,419	174,664	20,755
Support services	200,817	143,655	50,217	93,438
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Food services operations	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>200,817</u>	<u>339,074</u>	<u>224,881</u>	<u>114,193</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(200,817)</u>	<u>(86,305)</u>	<u>(224,881)</u>	<u>(138,576)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	200,817	86,305	-	(86,305)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>200,817</u>	<u>86,305</u>	<u>-</u>	<u>(86,305)</u>
<i>Net change in fund balance</i>	-	-	(224,881)	(224,881)
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (224,881)</u>	<u>\$ (224,881)</u>
Net change in fund balance (Non-GAAP budgetary basis)				\$ (224,881)
Adjustments to revenues for federal flowthrough grants				224,881
Adjustments to expenditures for instruction and payroll expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ -</u>

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit D-1

Assets

Current assets	
Cash and cash equivalents	<u>\$ 268,266</u>
<i>Total assets</i>	<u><u>\$ 268,266</u></u>

Liabilities

Due to student organizations	<u>\$ 268,266</u>
<i>Total liabilities</i>	<u><u>\$ 268,266</u></u>

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies

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

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

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

During the year ended June 30, 2017, the District adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial)*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. These five Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the District, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the District’s financial statements directly; however, the effects on the District’s OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government’s tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The District’s pension plan does not meet the criteria for exclusion.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

A. *Financial Reporting Entity*

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

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

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

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

B. *Government-wide and fund financial statements*

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion.

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided by the District's school tax levy, state equalization and transportation funds, state instructional material allocations, and earnings from investments. Expenditures include all costs associated with the daily operations of the school except for those items included in other funds. The General Fund includes the *Pupil Transportation Fund*, which is used to account for transportation distribution received from the New Mexico Public Education Department which is used to pay for the costs associated with transporting school age children. It also includes the *Instructional Materials Fund*, which is used to account for the monies received from the New Mexico Public Education Department for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Food Services Special Revenue Fund* is used to account for all financial transactions related to the food service operation. Authority for the creation of this fund is the National School Lunch Act, as amended, 42 U.S.C. 1751 1760, 1779.

The *Teacher and School Leader Incentive Pay Special Revenue Fund* is used to account for a Public Education Department grant that was applied for by any school district that moved up a grade or made a certain grade on the school report cards. Funding authority is the New Mexico Public Education Department.

The *Debt Service – Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Funding authority is the New Mexico Public Education Department.

Additionally, the District reports the following agency fund:

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

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

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

D. *Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity*

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (continued)

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP). The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted Assets: The Debt Service Fund is used to report resources set aside for the payment of long-term debt principal and interest. The Capital Outlay funds are used to report resources set aside for special capital outlay projects.

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

The District receives monthly income from a tax levy in Santa Fe County. The funds are collected by the County Treasurer and are remitted to the District the following month. Under the modified accrual method of accounting, the amount remitted by the County Treasurer in July and August 2017 is considered "measurable and available" and, accordingly, is recorded as revenue in the governmental fund statements during the year ended June 30, 2017. Period of availability is deemed to be sixty days subsequent to year end.

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Construction projects paid for by the Public School Capital Outlay Council are included in the District's capital assets. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Equipment and vehicles	3-15

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The District has one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes and unavailable revenue - grants, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District has recorded \$231,696 related to property taxes considered "unavailable." In addition, the District has two types of items present on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, changes in proportion \$1,220,753 and differences between expected and actuarial experience \$239,106, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The District has five types of items that qualify for reporting in this category. Accordingly, the items changes in proportion \$140,615, changes of assumptions \$511,735, actual experience \$109,064, net difference in investments \$1,500,607 and employer contributions subsequent to measurement date in the amount of \$1,279,199.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (continued)

This amount is reported in the Statement of Net Position. This amount is deferred and recognized as outflows of resources the next period.

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.

Compensated Absences: It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Twelve-month employees may accumulate up to 20 days of vacation leave.

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accrued Payroll: In the fund financial statements, governmental fund types recognize the accrual of unpaid wages and benefits that employees have earned at the close of each fiscal year. The amount recognized in the fund financial statements represents checks that were held at year end in relation to employee's summer payroll.

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

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

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

For assigned fund balance, the Board of Education or an official or body to which the School Board of Education delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

- D. *Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (continued)*

This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the District considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the District considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2017, the nonspendable fund balance in the food service fund is made up of inventory in the amount of \$20,152 that is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2017, the restricted fund balance on the governmental funds balance sheet is made up of \$1,571,005 restricted for instructional materials, transportation food services, extracurricular activities and education to the students of the District, \$2,032,865 restricted for the purpose of erecting, remodeling, making additions to and furnishing school buildings and purchasing or improving school grounds and purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act [22-24-1 NMSA 1978], or any combination of these purposes, and \$779,578 restricted for the payment of principal and interest of the future debt service requirements.

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

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. For the fiscal year ending June 30, 2017, the District had unspent bond proceeds of \$0.
- b. Restricted Net Position: Net position is reported as restricted when constraints are placed on the use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, capital projects, and debt service" are described on pages 32 and 66-69.
- c. Unrestricted Net Position: Net position that does not meet the definition of "Restricted" or "Net Investment in Capital Assets."

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred outflows of resources, Liabilities, Deferred inflows of resources, and Net position or Equity (continued)

District are management's estimate of depreciation on assets over their estimated useful lives, net pension liability and related deferred inflows and outflows of resources, and the current portion of accrued compensated absences.

E. Revenues

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

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$12,683,821 in state equalization guarantee distributions during the year ended June 30, 2017.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The District recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The District records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements. The District recognized \$1,405,230 in tax revenues in the government-wide financial statements during the year ended June 30, 2017. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportation distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through 12 attending public school within the school district. The District received \$894,467 in transportation distributions during the year ended June 30, 2017.

Instructional Materials: The Public Education Department (Department) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2017 totaled \$133,547.

STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

E. Revenues (continued)

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

The District received \$223,718 in state SB-9 matching during the year ended June 30, 2017.

Public School Capital Outlay: The public school capital outlay fund was created under the provisions of Chapter 22, Article 24, NMSA 1978. The money in the fund may be used for: capital expenditures deemed by the public school capital outlay council to be necessary for an adequate educational program per Section 22-24-4(B); core administrative functions of the public school facilities authority and for project management expenses upon approval of the council per Section 22-24-4(G); and for the purpose of demolishing abandoned school district facilities, upon application by a school district to the council, per Section 22-24-4(L).

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

The District did not receive any Public School Capital Outlay matching during the year ended June 30, 2017.

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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Notes to Financial Statements
June 30, 2017

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

Budgetary Information (continued)

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

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

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

1. In April or May, the local school board submits to the District Budget Planning Unit (DBPU) of the New Mexico Public Education Department (PED) a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets are submitted to the State of New Mexico Public Education Department.
2. In May or June of each year, the proposed “operating” budget will be reviewed and approved by the DBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
3. The school board meeting is open for the general public unless a closed meeting has been called.
4. The “operating” budget will be used by the District until they have been notified that the budget has been approved by the DBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system.
5. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the DBPU.
6. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
7. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the DBPU.
8. Legal budget control for expenditures is by function.
9. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year’s budget. The budget schedules included in the accompanying financial statements reflect the original budget and the final budget.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

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

Budgetary Information (continued)

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

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

The appropriated budget for the year ended June 30, 2017, was not properly amended by the District's Board of Education throughout the year. These resulting deficiencies resulted in the following changes:

	Excess (deficiency) of	
	revenues over expenditures	
	Original	Final
	Budget	Budget
Budgeted Funds:		
General Fund	\$ (264,894)	\$ (605,406)
Food Service Special Revenue Fund	(132,105)	(132,105)
Other Governmental Funds	(4,348,719)	(4,450,794)

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

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

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of District funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the District properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the District. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance. The collateral pledged is listed on Schedule V in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, District or political subdivision of the State of New Mexico.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

All of the District's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2017, \$2,568,698 of the District's bank balances of \$2,818,698 was exposed to custodial credit risk. \$2,655,667 was uninsured and collateralized by collateral held by the pledging bank's trust department not in the District's name, and \$(86,969) was uninsured and uncollateralized.

	Wells Fargo
Amount of deposits	\$ 2,818,698
FDIC coverage	(250,000)
Total uninsured public funds	2,568,698
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the District's name	2,655,667
Uninsured and uncollateralized	\$ (86,969)
Collateral requirement (50%)	\$ 1,284,349
Pledged securities	1,376,269
Over (under) collateralized	\$ 91,920

The collateral pledged is listed on Schedule V of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, School district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

The District utilizes internal pooled accounts for some of their programs and funds. Negative cash balances in individual funds that were part of the pooled accounts were reclassified as due to/from accounts in the combining balance sheet as of June 30, 2017. Funds 24101 through 24154 are federal funds and 27103 through 27195 are nonfederal funds. The following individual funds had negative cash balances as of June 30, 2017:

<u>Fund</u>	<u>Fund Name</u>	<u>Amount</u>
11000	General Fund - Operational	\$ 1,054,895
22000	Athletics	34,404
24101	Title I - IASA	59,729
24106	Entitlement IDEA-B	64,086
24132	IDEA-B Result Plans	10,060
24153	English Language Acquisition	7,316
24154	Teacher/Principal Training/Recruiting	13,282
25145	Impact Aid Special Education	76,536
25147	Impact Aid Indian Education	90,888
27103	Dual Credit Instructional Materials	819
27149	PreK Initiative	39,197
27188	Teacher & School Leader Incentive Pay	224,881
27190	Teacher & School Leader Incentive Pay- Group	92,202
27195	Teachers "hard to staff" Stipend	6,075
31700	Capital Improvements SB-9	31,778

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ (1,520,859)
Restricted cash per Exhibit A-1	2,663,170
Investments per Exhibit A-1	706,581
Cash - Statement of Fiduciary Assets and Liabilities per Exhibit D-1	<u>268,266</u>
Total cash and cash equivalents	2,117,158
Add: outstanding checks	1,409,127
Less: deposits in transit	(105)
Less: petty cash	(900)
Less: investments held in New MexiGROW LGIP	(171)
Less: restricted investments with Morgan Stanley	<u>(706,410)</u>
Bank balance of deposits	<u><u>\$ 2,818,699</u></u>

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 3. Deposits and Investments (continued)

Investments

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

In addition, the District has investments which are considered restricted held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans.

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

<u>Investment Type</u>	<u>Weighted Average Maturities (F)</u>	<u>Fair Value</u>	<u>Rating</u>
New MexiGROW LGIP	106 day- WAM (F) and 58 day-WAM (R)	\$ 171	AAAm **
Investments per Exhibit A-1		<u>\$ 171</u>	

* Based on Moody's Rating

** Based on Standard & Poor's rating

The investments are listed on Schedule III of this report. The types of investment, interest rate, maturity date and fair value per security are included in the schedule.

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

Concentration Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. Since the District only purchases investment with high credit ratings, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 4. Accounts Receivable

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

	General Fund 11000, 13000, 14000	Food Services 21000	Teacher and School Leader Incentive Pay 27188	Debt Service 41000	Other Governmental Funds	Total
Property taxes receivable	\$ 8,001	\$ -	\$ -	\$ 226,945	\$ 55,603	\$ 290,549
Due from other governments:						
Federal sources	-	31,487	224,881	-	-	256,368
State sources	-	-	-	-	508,550	508,550
Miscellaneous	-	-	-	-	31,778	31,778
Totals	\$ 8,001	\$ 31,487	\$ 224,881	\$ 226,945	\$ 595,931	\$ 1,087,245

The above receivables are deemed 100% collectible.

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$231,696 that was not collected within the period of availability has been reclassified as deferred inflows for unavailable revenue in the governmental fund financial statements. All of the above receivables are deemed to be fully collectible.

NOTE 5. Interfund Receivables, Payables, and Transfers

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

Due from Other Funds		Due to Other Funds		Amount
11000	Operational	22000	Athletics	\$ 34,404
11000	Operational	24101	Title I - IASA	59,729
11000	Operational	24106	Entitlement IDEA-B	64,086
11000	Operational	24132	IDEA-B Result Plans	10,060
11000	Operational	24153	English Language Acquisiton	7,316
11000	Operational	24154	Teacher/Principal Training/Recruiting	13,282
11000	Operational	25145	Impact Aid Special Education	76,536
11000	Operational	25147	Impact Aid Indian Education	90,888
11000	Operational	27103	Dual Credit Instructional Materials	819
11000	Operational	27149	PreK Initiative	39,197
11000	Operational	27188	Teacher and School Leader Incentive Pay	224,881
11000	Operational	27190	Teacher and School Leader Incentive Pay-Group	92,202
11000	Operational	27195	Teachers "hard to staff" stipend	6,075
11000	Operational	31700	SB-9 Capital Improvement - State	31,778
Total				\$ 751,253

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

The District did not have any operating transfers during the year end June 30, 2017.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Capital assets, net of accumulated depreciation, at June 30, 2017 appear in the Statement of Net Position as follows:

Governmental activities:	Balance			Balance
	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets not being depreciated:				
Land	\$ 899,359	\$ -	\$ -	\$ 899,359
Construction in progress	299,987	-	-	299,987
	<u>1,199,346</u>	<u>-</u>	<u>-</u>	<u>1,199,346</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	47,068,180	1,028,137	-	48,096,317
Equipment and vehicles	2,038,640	23,675	-	2,062,315
	<u>49,106,820</u>	<u>1,051,812</u>	<u>-</u>	<u>50,158,632</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings and improvements	11,854,795	1,398,730	-	13,253,525
Equipment and vehicles	1,018,704	144,257	-	1,162,961
	<u>12,873,499</u>	<u>1,542,987</u>	<u>-</u>	<u>14,416,486</u>
Total accumulated depreciation				
Total capital assets, net of depreciation	<u>\$ 37,432,667</u>	<u>\$ (491,175)</u>	<u>\$ -</u>	<u>\$ 36,941,492</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions:

Governmental Activities	
Direct instruction	\$ 1,319,092
Support services-students	38,256
Support services-instruction	-
General administration	9,261
School administration	-
Central services	-
Operation and maintenance of plant	97,875
Student transportation	7,337
Other support services	17,675
Food service operations	53,491
	<u>1,542,987</u>
Total	<u>\$ 1,542,987</u>

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 7. Long-term Debt

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

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued with varying terms and varying amounts of principal maturing each year. All general obligation bonds as of June 30, 2017 are for governmental activities.

Bonds outstanding at June 30, 2017 are comprised of the following:

	<u>GO Bond 4/2009</u>	<u>GO Bond 11/2009</u>	<u>GO Bond 2012</u>
Original Issue:	\$ 2,000,000	\$ 3,000,000	\$ 1,000,000
Principal:	August 1	August 1	August 1
Interest:	February 1	February 1	February 1
	August 1	August 1	August 1
Interest Rates:	3-4%	3-3.625%	.698-2.928%
Maturity Date:	August 1, 2018	August 1, 2019	August 1, 2023
	<u>GO Bond 2014</u>	<u>GO Bond 2015</u>	
Original Issue:	\$ 4,000,000	\$ 2,000,000	
Principal:	August 1	August 1	
Interest:	August 1	August 1	
	February 1	February 1	
Interest Rates:	.41785-3.02785%	.35-2.38%	
Maturity Date:	August 1, 2023	August 1, 2025	

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds					
Series 4/2009	\$ 1,000,000	\$ -	\$ 250,000	\$ 750,000	\$ 300,000
General Obligation Bonds					
Series 11/2009	1,725,000	-	400,000	1,325,000	400,000
General Obligation Bonds					
Series 2012	500,000	-	50,000	450,000	50,000
General Obligation Bonds					
Series 2014	2,570,000	-	275,000	2,295,000	225,000
General Obligation Bonds					
Series 2015	2,000,000	-	875,000	1,125,000	200,000
Total Bonds	7,795,000	-	1,850,000	5,945,000	1,175,000
Compensated Absences	272,824	245,472	160,435	357,861	160,435
Total Long-Term Debt	<u>\$ 8,067,824</u>	<u>\$ 245,472</u>	<u>\$ 2,010,435</u>	<u>\$ 6,302,861</u>	<u>\$ 1,335,435</u>

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 7. Long-term Debt (continued)

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

Fiscal Year Ending	Principal	Interest	Total Debt Service
2018	\$ 1,175,000	\$ 141,279	\$ 1,316,279
2019	1,160,000	109,020	1,269,020
2020	835,000	79,159	914,159
2021	625,000	61,550	686,550
2022	630,000	47,971	677,971
2023-2027	1,520,000	52,470	1,572,470
	\$ 5,945,000	\$ 491,449	\$ 6,436,449

Compensated Absences – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$85,037 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

NOTE 8. Risk Management

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

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$15,000 deductible per occurrence with a maximum annual deductible of \$60,000. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor’s Forgery, Credit Card Forgery, and Money Orders. A limit of \$100,000 applies to Money and Securities, which include a \$750 deductible.

In case the NMPSIA’s assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2017, there have been no claims that have exceeded insurance coverage.

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Notes to Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board

General Information about the Pension Plan

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

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

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%.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

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

Contributions. The contribution requirements of plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2016 employers contributed 13.90% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.70% of their gross annual salary. For fiscal year ended June 30, 2017 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$1,279,193 for the year ended June 30, 2017.

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, 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. Therefore, the employer's portion was established as of the measurement date June 30, 2016. At June 30, 2017, the District reported a liability of \$25,139,301 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2016. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2017, the District's proportion was 0.34933 percent, which was an decrease of 0.01426 from its proportion measured as of June 30, 2016.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,472,338. At the June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 239,106
Changes in proportion	-	1,220,753
Net difference between projected and actual earnings on pension plan investments	1,500,607	-
Changes in proportion	140,615	-
Change of assumptions	511,735	-
Actual experience	109,064	-
District's contributions subsequent to the measurement date	1,279,193	-
Total	<u>\$ 3,541,214</u>	<u>\$ 1,459,859</u>

\$1,279,193 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year ended June 30:	
2018	\$ (353,659)
2019	265,870
2020	524,013
2021	365,938
2022	-
Thereafter	-

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on actuarial valuation and performed as of June 30, 2015. The liabilities reflect the impact of Senate Bill 115, signed into law March 29, 2013 and new assumptions adopted by the Board of Trustees on June 12, 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 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.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
4. These assumptions were adopted by the Board on June 12, 2015 in conjunction with the six year experience study period ending June 30, 2014.
5. For purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years.

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Period	Amortized – closed 30 years from June 30, 2012 to June 30, 2042
Asset Valuation Method	5 year smoothed market for funding valuation (fair value for financial valuation)
Inflation	3.00%
Salary Increases	Composition: 3% inflation, plus 1.25% productivity increase rate, plus step rate promotional increases for members with less than 10 years of service
Investment Rate of Return	7.75%
Retirement Age	Experience based table of age and service rates
Mortality	Healthy males: RP-2000 Combined Mortality Table, set back one year, generational mortality improvements in accordance with scale BB from the table’s base year of 2012

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. ERB’s investment allocation policy was reviewed and amended by the Board of Trustees on August 26, 2016. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following schedule shows the current asset allocation policy adopted on August 26, 2016, as well as the prior allocation policy targets.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

Comparative Schedule of Target Investment Allocation

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>After 8/26/2016</u>	<u>Prior to 8/26/2016</u>
<i>Domestic Equities</i>		
Large cap equities	16%	18%
Small- mid cap equities	3%	2%
<i>Total domestic</i>	19%	20%
<i>International Equities</i>		
Developed	5%	5%
Emerging markets	9%	10%
<i>Total international</i>	14%	15%
Total equities	33%	35%
Fixed Income		
Opportunistic credit	18%	20%
Core bonds	6%	6%
Emerging market debt	2%	2%
Total fixed income	26%	28%
Alternatives		
Real estate - REITS	7%	7%
Real assets	8%	8%
Private equity	13%	11%
Global asset allocation	4%	5%
Risk parity	3%	5%
Other	5%	0%
Total alternatives	40%	36%
Cash	1%	1%
Total	100%	100%

For the years ended June 30, 2016 and 2015, the annual money-weighted rates of return on pension plan investments were 2.68% and 4.06%, respectively.

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.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Pension Plan – Educational Retirement Board (continued)

The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB’s defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year end 2015. In particular, the table presents the (employer’s) net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
District's proportionate share of the net pension liability	<u>\$ 33,296,421</u>	<u>\$ 25,139,301</u>	<u>\$ 18,371,197</u>

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2016 and June 30, 2014 which are publicly available at www.nmerb.org.

Payables to the pension plan. Pojoaque Valley 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 15th day of the month following the month for which contributions are withheld. At June 30, 2016 the District owed the ERB \$118,732 for the contributions withheld in the month of June 2017.

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (continued)

further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The District's contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$313,509, \$480,164, and \$305,639, respectively, which equal the required contributions for each year.

NOTE 11. Contingent Liabilities

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

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 12. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Notes to Financial Statements
 June 30, 2017

NOTE 12. Other Required Individual Fund Disclosures (continued)

- A. Deficit fund balance of individual funds. The District had no funds that maintained a deficit fund balance at June 30, 2017.
- B. Excess of expenditures over appropriations. The District had the following funds with excess of expenditures over appropriations for the year ended June 30, 2017:

Nonmajor Funds

Athletics - Instructional Support	\$ 15,279
Total Governmental Funds	\$ 15,279

- C. Designated cash appropriations in excess of available balance. The District had the following funds with designated cash appropriations in excess of available balances for the year ended June 30, 2017:

	Designated Cash	Beginning of Year Cash and Interfund Receivable Available	Cash Appropriation in excess of Available
General Fund - Operational	\$ (1,590,452)	\$ 515,802	\$ 1,074,650
General Fund - Transportation	(901,040)	80,195	820,845
General Fund - Instructional Materials	(89,542)	49,475	40,067
Athletics Fund	(8,616)	8,518	98
Impact Aid Special Education Special Revenue Fund	(30,156)	-	30,156
Impact Aid Indian Education Special Revenue Fund	(170,661)	14	170,647
Bond Building Capital Improvement Fund	-	(69,297)	69,297
SB-9 Capital Improvement Local Capital Improvement Fund	-	(476)	476

NOTE 13. 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.

NOTE 14. Commitments

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

	Expected Total Project
HVAC East Wing	\$ 228,807
PVHS Infant Daycare Room	73,653
Water Trust Board Project	59,402
Total Commitments	\$ 361,862

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 15. Restricted Net Position

The government-wide statement of net position reports \$5,187,168 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related restrictions for net position restricted for special revenue, debt service and capital projects, see pages 32 and 66-69.

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 15, 2017, which is the date on which the financial statements were issued.

NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The District expects this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Financial Statements
June 30, 2017

NOTE 17. Subsequent Pronouncements (continued)

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The District does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District is still evaluating how this pronouncement will affect the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Proportionate Share of the Net Pension Liability
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

Schedule I

	2017	2016	2015
	Measurement	Measurement	Measurement
	Date (As of and	Date (As of and	Date (As of and
	for the Year	for the Year	for the Year
	Ended June 30,	Ended June 30,	Ended June 30,
	2016)	2015)	2014)
Pojoaque Valley Schools' proportion of the net pension liability (asset)	0.34933%	0.36359%	0.35904%
Pojoaque Valley Schools' proportionate share of the net pension	\$ 25,139,301	\$ 23,550,693	\$ 20,485,847
Pojoaque Valley Schools' covered-employee payroll	\$ 9,927,172	\$ 9,896,433	\$ 10,335,407
Pojoaque Valley Schools' proportionate share of the net pension	253%	238%	198%
Plan fiduciary net position as a percentage of the total pension liability	63.97%	63.97%	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, Pojoaque Valley Schools will present information for those years for which information is available.

See independent auditors' report.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Contributions
 Educational Retirement Board (ERB) Pension Plan
 Last 10 Fiscal Years*

Schedule II

	<u>As of and for the Year Ended June 30, 2017</u>	<u>As of and for the Year Ended June 30, 2016</u>	<u>As of and for the Year Ended June 30, 2015</u>
Contractually required contribution	\$ 1,279,193	\$ 1,387,351	\$ 1,435,925
Contributions in relation to the contractually required contribution	<u>1,279,193</u>	<u>1,387,351</u>	<u>1,435,925</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Pojoaque Valley Schools' covered-employee payroll	\$ 9,202,825	\$ 9,983,213	\$ 10,333,156
Contribution as a percentage of covered-employee payroll	13.90%	13.90%	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, Pojoaque Valley Schools will present information for those years for which information is available.

See independent auditors' report.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms.

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

Changes of assumptions.

The Board of Trustees approved the following economic and demographic assumptions used in the fiscal year 2015 actuarial calculation of the total pension liability on June 12, 2015:

- 1) Lower wage inflation from 4.25% to 3.75%
- 2) Update the mortality tables to incorporate generational improvements
- 3) Update demographic assumptions to use currently published tables, which may result in minor calculation changes
- 4) Maintain in current 3.00% inflation assumption
- 5) Retain net 4.75% real return assumption
- 6) Retain 7.75% nominal return assumption
- 7) No change to COLA assumption of 2.00% per year
- 8) Maintain current payroll growth assumption of 3.50%
- 9) Maintain experience-based rates for members who joined NMERB by June 30, 2010
- 10) Remove population growth assumption for projections
- 11) Lower population growth from .50% to zero (no impact on valuation results)

Assumption changes increased the Education Retirement Board's total pension liability by \$299,084,856 for fiscal year ending June 30, 2015 as a result of the changes of assumptions described above.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Pojoaque Valley Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS

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

Athletics (22000) – This fund is used to account for fees generated at athletic activities throughout the School District. The gate receipts are obtained from the general public and are expended in this fund. The authority for creation of this fund is 6.20.2 NMAC.

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

Entitlement IDEA-B (24106) – P.L. 94-142, Individuals with Disabilities Education Act—to account for a federal grant restricted to the operation and maintenance of meeting the special education need of children with disabilities. Authority for the creation of this fund is Individuals with Disabilities Act, Part B, Sec. 611, as amended; Public Laws 91-230,93-380,94-142,98-199,99-457,100-630 and 101-476; 20 U.S.C. 1401-1419, Public Law 105-17

Preschool IDEA-B (24109) – The objective of the Assistance to States for the Education of Handicapped Children Program is to assist in providing free, appropriate public education to all disabled children from ages three to five. Federal revenues accounted for in this fund are allocated to the Schools through the New Mexico Department of Children, Youth and Families. Authority for creation of this fund is the Individuals with Disabilities Education Act (IDEA), Part B, Section 619, as amended, 20 U.S.C. 1419.

IDEA-B “Risk Pool” (24120) – Reallocation by PED based upon available amounts from Fund 24106 Entitlement IDEA-B. This fund accounts for a program funded by a Federal grant to assist the District in providing free appropriate public education to all handicapped children. Funding authorized by Individuals with Disabilities Act, Part B, Section 611-620, as amended, Public Laws 91-230, 93-380, 94-142, 98-199, 99-457, 100-639, and 101-476, 20 U.S.C. 1411-1420.

IDEA-B Results Plan (24132) – This account is to support the individual school site's Educational Plan for Student Success, or areas of need of improvement as identified through an instructional audit. This is a pilot program for the New Mexico Real Results program required by US Dept. of Education of Special Education Programs. Authority for creation of this fund is New Mexico Public Education Department.

English Language Acquisition (24153) – To provide funds to improve the educational performance of limited English proficient students by assisting the children to learn English and meet State academic content standards. Authority for creation of this fund is the Elementary and Secondary Education Act (ESEA), as amended, Title III, Part A, Sections 3101, 3129.

Teacher/Principal Training/Recruiting (24154) – To improve the skills of teachers and the quality of instruction in mathematics and science and also to increase the accessibility of such instruction to all students. Authority for creation of this fund is the Rehabilitation Act of 1973, as amended, Title III, Section 303(b)-(d). 20 U.S.C. 777a and 797a.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (CONTINUED)

Rural & Low Income Schools (24160) – To account for funds used to provide financial assistance to rural districts to carry out activities to help improve the quality of teaching and learning in their schools. Authorized by Elementary and Secondary Education Act of 1965 (ESEA), Title VI, Part B, as amended.

Impact Aid Special Education (25145) – To account for funding of a Federal program to provide financial assistance to local educational agencies (LEA's) where enrollments or availability of revenue are adversely affected by Federal activities, i.e. where the tax base of a district is reduced through the Federal acquisition of real property (Section 2), or where there are a significant number of children who reside on Federal (including Indian) lands and/or children whose parents are employed on Federal property or in the Uniformed Services (Section 3(a) and 3(b): where there is a significant decrease (Section 3(c) or a sudden and substantial increase (Section 4) in school enrollment as the result of Federal activities; to provide disaster assistance for reduced or increased operating costs (Section 7(a), for replacing or repairing damaged or destroyed supplies, equipment, and books, and for repairing minor damage to facilities. Funding authorized by Public Law 81-874.

Impact Aid Indian Education (25147) – To account for federal funds providing assistance for Indian students' needs, support services and special projects. (Authority, P.L. 103-382)

Title XIX Medicaid (25153) – This fund is used to account for a program providing school-based screening, diagnostic services and other related health services and administrative activities in conformance with the approved Medicaid State Plan in order to improve health and developmental outcomes for children. Authority for the creation of this fund is the Social Security Act, Title XIX, as amended; Public Laws 89-97, 90-248, and 91-56; 42 U.S.C. 1396 et seq., as amended; Public Law 92-223; Public Law 92-603; Public Law 93-66; Public Law 93-233; Public Law 96-499; Public Law 97-35; Public Law 97-248; Public Law 98-369; Public Law 99-272; Public Law 99-509; Public Law 100-93; Public Law 100-202; Public Law 100-203; Public Law 100-360; Public Law 100-436; Public Law 100-485; Public Law 100-647; Public Law 101-166; Public Law 101-234; Public Law 101-239; Public Law 101-508; Public Law 101-517; Public Law 102-234; Public Law 102-170; Public Law 102-394; Public Law 103-66; Public Law 103-112; Public Law 103-333; Public Law 104-91; Public Law 104-191; Public Law 104-193; Public Law 104-208, 104-134; Balanced Budget Act of 1997, Public Law 105-33; Public Law 106-113; Public Law 106-554; Public Law 108-27; Public Law 108-173; Public Law 109-91; Public Law 109-171; Public Law 109-432; Public Law 110-28.

Indian Aid Formula Grant (25184) – To account for funds received to support projects to improve educational opportunities and achievements of Native American children. (Authority, Title IX, Part A, Subpart 1, as amended, of the Elementary and Secondary Education Act of 1965, P.L. 103-382, 20 U.S.C. 7811-7818, 25 U.S.C. 2001)

LANL Foundation (26113) – To account for an educational grant for purchases of computers and related hardware for two schools. Fund was created by LANL grant provisions.

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

2012 G.O. Bond Student Library Fund (27107) – This award allows schools to acquire library books, equipment and library resources for public school libraries statewide. The funding was made available through Senate Bill 66, Laws of 2012, 2nd Session, 2012 Senate and House Bill.

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

SPECIAL REVENUE FUNDS (CONTINUED)

PreK Initiative (27149) – To account for funds received to prepare children for success in school, begin to close the achievement gap between students, and help meet the vision of a seamless education system – Pre-Kindergarten through higher education. Authority for the creation of this fund is the New Mexico Public Education Department.

Indian Education Act (27150) – To account for state funds used to increase academic achievement and provide culturally relevant learning experiences for American Indian students. Funding and authority provided through the NM PED.

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

After School Enrichment Program (27168) – To account for the revenues and expenditures to provide additional services to students after regular school hours. The funding and authority for this fund are provided by the NM PED and grant provision.

2013 Pre-K Classrooms (27177) – To account for program developed to provide funding to develop and implement voluntary pre-kindergarten programs to advance childhood development and readiness throughout New Mexico. Funding and authority provided under Children’s Code, Article 23, Sections 32A.23.1.8 NMSA 1978.

Teacher and School Leader Incentive Pay Group (27190) – To account for the Public Education Department grant that was applied for by any school district that moved up a grade or made a certain grade on the school report cards. The grant is awarded to the school as a whole. Funding authority for this fund is the New Mexico Public Education Department.

Teacher “Hard to Staff” Stipend (27195) – To account for the grant awarded to a school district as additional compensation for hard to staff positions of teachers. Funding authority for this fund is the New Mexico Public Education Department.

NM Highway Dept (Road) (28120) – To account for road funds, provided by the New Mexico Department of Transportation for parking lot and bus area improvements. Authority for creation of this fund is the Board of Education pursuant to grant agreement requirements.

Private Direct Grants (29102) – To account for funds provided through Optum Health New Mexico to provide services to the students with behavioral health issues. This fund was created through the provisions of the grant.

Santa Fe County Grant- Recreation Program (29107) – To account for the city grant which provides funding for the program to reduce youth violence and crime. The District has created a truancy prevention program to aid in the reduction of juvenile crime. This fund was created under the grant provisions.

CAPITAL PROJECTS FUNDS

Bond Building (31100) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects.

Special Capital Outlay –Local (31300) – To account for special appropriations monies received from the State of New Mexico under Chapter 4, Laws of 1996 for the purpose of specific capital outlay projects. To account for special appropriations made by the Public Schools Capital Outlay Council (PSCOC) based on school facility needs. The allocations are made through a standards-based process that ranks the condition of every school building in the State and provides funding to allow public school facilities to meet an adequate level statewide.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Nonmajor Governmental Fund Descriptions
June 30, 2017

CAPITAL PROJECTS FUNDS (CONTINUED)

Capital Improvements SB-9 (31700) – To account for erecting, remodeling, making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof as identified by the local school board. Financing is provided by the State of New Mexico’s State Equalization Matching and a special tax levy as authorized by the Public School District Capital Improvements Act (22-25-1 to 22-25-10 NMSA 1978).

Capital Improvements SB-9 - Local (31701) – To account for resources received through Senate Bill 9 and local tax levies obtained for the purpose of building, remodeling, and equipping classroom facilities. Funding authority is the New Mexico Public Education Department.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue			
	Athletics 22000	Title I - IASA 24101	Entitlement IDEA-B 24106	IDEA-B Preschool 24109
<i>Assets</i>				
Cash and cash equivalents	\$ 900	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	74,379	65,300	-
Other	-	-	-	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
	<u>\$ 900</u>	<u>\$ 74,379</u>	<u>\$ 65,300</u>	<u>\$ -</u>
<i>Total assets</i>	<u>\$ 900</u>	<u>\$ 74,379</u>	<u>\$ 65,300</u>	<u>\$ -</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 44	\$ -	\$ 1,214	\$ -
Accrued payroll	19	14,650	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	34,404	59,729	64,086	-
	<u>34,467</u>	<u>74,379</u>	<u>65,300</u>	<u>-</u>
<i>Total liabilities</i>	<u>34,467</u>	<u>74,379</u>	<u>65,300</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned (deficit)	(33,567)	-	-	-
	<u>(33,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>(33,567)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 900</u>	<u>\$ 74,379</u>	<u>\$ 65,300</u>	<u>\$ -</u>

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

Special Revenue

IDEA-B Results Plan 24132	English Language Acquisition 24153	Teacher/ Principal Training /Recruiting 24154	Impact Aid Special Education 25145	Impact Aid Indian Education 25147	Title XIX Medicaid 25153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	191,960
-	-	-	-	-	-
-	-	-	-	-	-
10,060	7,316	41,041	76,536	90,902	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 10,060</u>	<u>\$ 7,316</u>	<u>\$ 41,041</u>	<u>\$ 76,536</u>	<u>\$ 90,902</u>	<u>\$ 191,960</u>
\$ -	\$ -	\$ 500	\$ -	\$ -	\$ 121
-	-	27,259	-	-	88
-	-	-	-	-	-
10,060	7,316	13,282	76,536	90,888	-
<u>10,060</u>	<u>7,316</u>	<u>41,041</u>	<u>76,536</u>	<u>90,888</u>	<u>209</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14	191,751
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14	191,751
<u>\$ 10,060</u>	<u>\$ 7,316</u>	<u>\$ 41,041</u>	<u>\$ 76,536</u>	<u>\$ 90,902</u>	<u>\$ 191,960</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue			
	Indian Education Formula Grant 25184	LANL Foundation 26113	Dual Credit Instructional Materials 27103	PreK Initiative 27149
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	6,560	1,829	-	-
Investments	-	-	-	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	4,723	-	819	39,197
Other	-	-	-	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 11,283</u>	<u>\$ 1,829</u>	<u>\$ 819</u>	<u>\$ 39,197</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 4,729	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	-	-	819	39,197
<i>Total liabilities</i>	<u>4,729</u>	<u>-</u>	<u>819</u>	<u>39,197</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	6,554	1,829	-	-
Capital acquisitions and improvements	-	-	-	-
Debt service	-	-	-	-
Unassigned (deficit)	-	-	-	-
<i>Total fund balances</i>	<u>6,554</u>	<u>1,829</u>	<u>-</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 11,283</u>	<u>\$ 1,829</u>	<u>\$ 819</u>	<u>\$ 39,197</u>

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

Special Revenue

Indian Education Act 27150	Breakfast for Elementary Students 27155	Teacher and School Leader Incentive Pay - Group 27190	Teachers "hard to staff" Stipend 27195	NM Highway Department 28120	Optum Health Grant 29102
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	4,935
-	-	-	-	-	-
-	-	-	-	-	-
-	-	92,202	6,075	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,202</u>	<u>\$ 6,075</u>	<u>\$ -</u>	<u>\$ 4,935</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	92,202	6,075	-	-
-	-	92,202	6,075	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,935
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,935
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,202</u>	<u>\$ 6,075</u>	<u>\$ -</u>	<u>\$ 4,935</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	Santa Fe County Grant - Recreation Program 29107	Bond Building 31100	Special Capital Outlay - Local 31300	SB-9 Capital Improvements - State 31700
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	1,477	671,161	-	-
Investments	-	-	334,467	-
Receivables:				
Property taxes	-	-	-	-
Due from other governments	-	-	-	-
Other	-	-	-	31,778
Inventory	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 1,477</u>	<u>\$ 671,161</u>	<u>\$ 334,467</u>	<u>\$ 31,778</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 40,358	\$ -	\$ -
Accrued payroll	9,613	-	-	-
Accrued compensated absences	-	-	-	-
Due to other funds	-	-	-	31,778
<i>Total liabilities</i>	<u>9,613</u>	<u>40,358</u>	<u>-</u>	<u>31,778</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Inventory	-	-	-	-
<i>Spendable:</i>				
<i>Restricted for:</i>				
Food services	-	-	-	-
Extracurricular activities	-	-	-	-
Education	-	-	-	-
Capital acquisitions and improvements	-	-	334,467	-
Debt service	-	630,803	-	-
Unassigned (deficit)	(8,136)	-	-	-
<i>Total fund balances</i>	<u>(8,136)</u>	<u>630,803</u>	<u>334,467</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,477</u>	<u>\$ 671,161</u>	<u>\$ 334,467</u>	<u>\$ 31,778</u>

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

Capital Projects

SB-9 Capital Improvements - Local 31701	Total Nonmajor Governmental Funds
\$ -	\$ 900
135,884	1,013,806
-	334,467
55,603	55,603
-	508,550
-	31,778
-	-
-	-
<u>\$ 191,487</u>	<u>\$ 1,945,104</u>
\$ -	\$ 46,966
-	51,629
-	-
-	526,372
<u>-</u>	<u>624,967</u>
<u>42,712</u>	<u>42,712</u>
<u>42,712</u>	<u>42,712</u>
-	-
-	-
-	200,148
-	339,402
148,775	779,578
-	(41,703)
<u>148,775</u>	<u>1,277,425</u>
<u>\$ 191,487</u>	<u>\$ 1,945,104</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue			
	Athletics 22000	Title I - IASA 24101	Entitlement IDEA-B 24106	IDEA-B Preschool 24109
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	284,247	342,937	2,798
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Charges for services	102,879	-	-	-
Miscellaneous income	631	-	-	-
Total revenues	103,510	284,247	342,937	2,798
<i>Expenditures</i>				
Current:				
Instruction	145,595	210,410	238,976	2,698
Support services - students	-	60,139	91,549	-
Support services - instruction	-	-	-	-
Support services - general administration	-	9,618	12,222	100
Support services - school administration	-	4,080	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	190	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	145,595	284,247	342,937	2,798
<i>Excess (deficiency) of revenues over expenditures</i>	(42,085)	-	-	-
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(42,085)	-	-	-
Fund balances - beginning	8,518	-	-	-
Fund balances - end of year	\$ (33,567)	\$ -	\$ -	\$ -

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

Special Revenue

IDEA-B Results Plans 24132	English Language Acquisition 24153	Teacher/ Principal Training /Recruiting 24154	Impact Aid Special Education 25145	Impact Aid Indian Education 25147	Title XIX Medicaid 25153
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
29,417	22,317	98,575	-	-	-
-	-	-	54,466	292,442	293,228
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>29,417</u>	<u>22,317</u>	<u>98,575</u>	<u>54,466</u>	<u>292,442</u>	<u>293,228</u>
29,417	21,807	95,626	42,781	185,929	8,838
-	-	-	11,685	106,513	123,253
-	71	-	-	-	-
-	439	-	-	-	-
-	-	2,949	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>29,417</u>	<u>22,317</u>	<u>98,575</u>	<u>54,466</u>	<u>292,442</u>	<u>132,091</u>
-	-	-	-	-	161,137
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	161,137
-	-	-	-	14	30,614
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 191,751</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue			
	Indian Education Formula Grant 25184	LANL Foundation 26113	Dual Credit Instructional Materials 27103	PreK Initiative 27149
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	60,370	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	5,458	288,557
State direct	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	60,370	-	5,458	288,557
<i>Expenditures</i>				
Current:				
Instruction	9,561	-	5,458	285,671
Support services - students	49,215	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	1,594	-	-	2,886
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service operations	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	60,370	-	5,458	288,557
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Bond proceeds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning</i>	6,554	1,829	-	-
<i>Fund balances - end of year</i>	\$ 6,554	\$ 1,829	\$ -	\$ -

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

Special Revenue

Indian Education Act 27150	Breakfast for Elementary Students 27155	Teacher and School Leader Incentive Pay - Group 27190	Teachers "hard to staff" Stipend 27195	NM Highway Department 28120	Optum Health Grant 29102
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,935
-	49,690	92,202	6,075	-	-
-	-	-	-	25,087	-
-	-	-	-	-	-
-	-	-	-	-	-
-	49,690	92,202	6,075	25,087	4,935
-	-	66,691	6,075	-	-
-	-	11,142	-	-	-
-	-	2,476	-	-	-
-	-	-	-	-	-
-	-	8,881	-	-	-
-	-	-	-	-	-
-	-	3,012	-	-	-
-	-	-	-	-	-
-	49,690	-	-	-	-
-	-	-	-	-	-
-	-	-	-	25,087	-
-	-	-	-	-	-
-	49,690	92,202	6,075	25,087	-
-	-	-	-	-	4,935
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	4,935
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,935

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>		
	Santa Fe County Grant - Recreation Program 29107	Bond Building 31100	Special Capital Outlay - Local 31300	Capital Improvements SB-9 - State 31700
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
Local sources	-	-	-	-
State flowthrough	-	-	-	223,718
State direct	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous income	15,144	-	-	-
Total revenues	15,144	-	-	223,718
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	1,256	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Food services operations	-	-	-	-
Community service operations	23,280	-	-	-
Capital outlay	-	865,798	-	31,778
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	23,280	865,798	1,256	31,778
<i>Excess (deficiency) of revenues over expenditures</i>	(8,136)	(865,798)	(1,256)	191,940
<i>Other financing sources (uses)</i>				
Bond proceeds	-	516,327	-	-
Total other financing sources (uses)	-	516,327	-	-
Net change in fund balances	(8,136)	(349,471)	(1,256)	191,940
Fund balances - beginning	-	980,274	335,723	(191,940)
Fund balances - end of year	\$ (8,136)	\$ 630,803	\$ 334,467	\$ -

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

Capital Projects

Capital Improvements SB-9 - Local 31701	Total Nonmajor Governmental Funds
\$ 349,969	\$ 349,969
-	780,291
-	700,506
-	4,935
-	665,700
-	25,087
-	102,879
-	15,775
<u>349,969</u>	<u>2,645,142</u>
-	1,355,533
-	453,496
-	2,547
3,435	30,294
-	15,910
-	-
-	4,268
-	190
-	-
-	49,690
-	23,280
481,891	1,404,554
-	-
-	-
<u>485,326</u>	<u>3,339,762</u>
<u>(135,357)</u>	<u>(694,620)</u>
-	516,327
-	516,327
(135,357)	(178,293)
<u>284,132</u>	<u>1,455,718</u>
<u>\$ 148,775</u>	<u>\$ 1,277,425</u>

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

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GENERAL FUND

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Balance Sheet
 General Fund
 For the Year Ended June 30, 2017

Statement B-1

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 10	\$ 78,937	\$ 78,947
Investments	271,810	-	-	271,810
Receivables:				
Property taxes	8,001	-	-	8,001
Other	-	-	-	-
Due from other funds	751,253	-	-	751,253
<i>Total assets</i>	<u>\$ 1,031,064</u>	<u>\$ 10</u>	<u>\$ 78,937</u>	<u>\$ 1,110,011</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Cash overdraft	\$ 1,885,095	\$ -	\$ -	\$ 1,885,095
Accounts payable	66,150	-	21,479	87,629
Accrued payroll	602,549	-	-	602,549
<i>Total liabilities</i>	<u>2,553,794</u>	<u>-</u>	<u>21,479</u>	<u>2,575,273</u>
 <i>Deferred inflows of resources</i>				
Unavailable revenue - property taxes	6,138	-	-	6,138
<i>Total deferred inflows of resources</i>	<u>6,138</u>	<u>-</u>	<u>-</u>	<u>6,138</u>
 <i>Fund Balances</i>				
<i>Spendable:</i>				
<i>Restricted for:</i>				
Transportation	-	822,921	-	822,921
Instructional materials	-	-	49,475	49,475
<i>Committed for:</i>				
Unassigned (deficit)	(2,462,801)	-	119,005	(2,343,796)
<i>Total fund balances</i>	<u>(2,462,801)</u>	<u>822,921</u>	<u>168,480</u>	<u>(1,471,400)</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 97,131</u>	 <u>\$ 822,921</u>	 <u>\$ 189,959</u>	 <u>\$ 1,110,011</u>

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

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 General Fund
 For the Year Ended June 30, 2017

Statement B-2

	Operating 11000	Pupil Transportation 13000	Instructional Materials 14000	Total
<i>Revenues</i>				
Property taxes	\$ 48,632	\$ -	\$ -	\$ 48,632
Intergovernmental revenue:				
Federal flowthrough	26,739	-	-	26,739
Federal direct	1,027,523	-	-	1,027,523
State flowthrough	-	-	119,005	119,005
State direct	12,658,734	-	-	12,658,734
Transportation distribution	-	818,078	-	818,078
Charges for services	100,185	-	-	100,185
Investment income	8,017	-	-	8,017
Miscellaneous	118,385	-	-	118,385
Total revenues	13,988,215	818,078	119,005	14,925,298
<i>Expenditures</i>				
Current:				
Instruction	8,722,747	-	-	8,722,747
Support services - students	1,833,492	-	-	1,833,492
Support services - instruction	616,286	-	-	616,286
Support services - general administration	383,238	-	-	383,238
Support services - school administration	1,332,809	-	-	1,332,809
Central services	511,883	-	-	511,883
Operation and maintenance plant	2,369,066	-	-	2,369,066
Student transportation	915,361	2,768	-	918,129
Other support services	-	-	-	-
Total expenditures	16,741,008	2,768	-	16,743,776
<i>Excess (deficiency) of revenues over expenditures</i>	(2,752,793)	815,310	119,005	(1,818,478)
<i>Net change in fund balances</i>	(2,752,793)	815,310	119,005	(1,818,478)
<i>Fund balances - beginning of year</i>	289,992	7,611	49,475	347,078
<i>Fund balances - end of year</i>	\$ (2,462,801)	\$ 822,921	\$ 168,480	\$ (1,471,400)

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

STATE OF NEW MEXICO

Statement B-3

Pojoaque Valley Schools

Operating Fund (11000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ 49,041	\$ 49,041	\$ 46,769	\$ (2,272)
Intergovernmental revenue:				
Federal flowthrough	12,880	12,880	26,739	13,859
Federal direct	745,001	1,770,742	1,027,523	(743,219)
State flowthrough	-	-	-	-
State direct	12,937,952	12,655,429	12,658,734	3,305
Charges for services	95,000	95,000	103,992	8,992
Investment income	10	10	8,017	8,007
Miscellaneous	50,450	50,450	118,385	67,935
<i>Total revenues</i>	<u>13,890,334</u>	<u>14,633,552</u>	<u>13,990,159</u>	<u>(643,393)</u>
<i>Expenditures</i>				
Current:				
Instruction	7,606,403	8,099,599	8,018,705	80,894
Support services - students	1,599,532	1,832,781	1,806,494	26,287
Support services - instruction	511,590	616,565	616,286	279
Support services - general administration	362,117	381,041	377,431	3,610
Support services - school administration	1,310,407	1,333,791	1,332,809	982
Central services	504,930	513,053	511,883	1,170
Operation and maintenance of plant	2,243,870	2,370,604	2,362,340	8,264
Other support services	15,520	6,120	-	6,120
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>15,176,997</u>	<u>16,224,004</u>	<u>16,072,160</u>	<u>151,844</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,286,663)</u>	<u>(1,590,452)</u>	<u>(2,082,001)</u>	<u>(491,549)</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	1,286,663	1,590,452	-	(1,590,452)
<i>Total other financing sources (uses)</i>	<u>1,286,663</u>	<u>1,590,452</u>	<u>-</u>	<u>(1,590,452)</u>
<i>Net change in fund balance</i>	-	-	(2,082,001)	(2,082,001)
<i>Fund balance - beginning of year</i>	-	-	289,992	289,992
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,792,009)</u>	<u>\$ (1,792,009)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ (2,082,001)
Adjustments to revenues for taxes and intergovernmental revenue				(1,944)
Adjustments to expenditures for supplies and payroll expenditures				(668,848)
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ (2,752,793)</u>

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

STATE OF NEW MEXICO

Statement B-4

Pojoaque Valley Schools

Pupil Transportation Fund (13000)

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	-	-	-	-
State direct	-	-	-	-
Transportation distribution	992,503	898,272	821,883	(76,389)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>992,503</u>	<u>898,272</u>	<u>821,883</u>	<u>(76,389)</u>
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	74,818	2,768	2,768	-
Other support services	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>74,818</u>	<u>2,768</u>	<u>2,768</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>917,685</u>	<u>895,504</u>	<u>819,115</u>	<u>(76,389)</u>
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	(917,685)	(895,504)	-	895,504
<i>Total other financing sources (uses)</i>	<u>(917,685)</u>	<u>(895,504)</u>	<u>-</u>	<u>895,504</u>
<i>Net change in fund balance</i>	-	-	819,115	819,115
<i>Fund balance - beginning of year</i>	-	-	7,611	7,611
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 826,726</u>	<u>\$ 826,726</u>
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 819,115
Adjustments to revenues for state grants				(3,805)
No adjustments to expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				<u>\$ 815,310</u>

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

STATE OF NEW MEXICO
Pojoaque Valley Schools
Instructional Materials Fund (14000)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

Statement B-5

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue:				
Federal flowthrough	-	-	-	-
Federal direct	-	-	-	-
State flowthrough	104,084	89,542	119,005	29,463
State direct	-	-	-	-
Transportation distribution	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	104,084	89,542	119,005	29,463
<i>Expenditures</i>				
Current:				
Instruction	-	-	-	-
Support services - students	-	-	-	-
Support services - instruction	-	-	-	-
Support services - general administration	-	-	-	-
Support services - school administration	-	-	-	-
Central services	-	-	-	-
Operation and maintenance of plant	-	-	-	-
Student transportation	-	-	-	-
Other support services	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	104,084	89,542	119,005	29,463
<i>Other financing sources (uses)</i>				
Designated cash balance (budgeted increase in cash)	(104,084)	(89,542)	-	89,542
Total other financing sources (uses)	(104,084)	(89,542)	-	89,542
<i>Net change in fund balance</i>	-	-	119,005	119,005
<i>Fund balance - beginning of year</i>	-	-	49,475	49,475
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 168,480	\$ 168,480
Net change in fund balance (Non-GAAP Budgetary Basis)				\$ 119,005
No adjustments for state grants				-
No adjustments for expenditures				-
<i>Net change in fund balance (GAAP Basis)</i>				\$ 119,005

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

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Deposits and Investments
 June 30, 2017

Schedule III

<u>Bank Account Type/ Name</u>	<u>Wells Fargo</u>	<u>LGIP</u>	<u>Morgan Stanley</u>	<u>Total</u>
Operational - Checking	\$ 2,245,626	\$ -	\$ -	\$ 2,245,626
Hot Lunch Program - Checking	293,478	-	-	293,478
Athletics Activity - Checking *	59,752	-	-	59,752
Elementary School Activity - Checking	35,385	-	-	35,385
Intermediate School Activity - Checking	22,463	-	-	22,463
Sixth Grade Academy - Checking	15,995	-	-	15,995
Middle School Activity - Checking	21,625	-	-	21,625
High School Activity - Checking	109,991	-	-	109,991
Chris Peterson Scholarship Fund - Checking	7,417	-	-	7,417
Dan Lee Memorial Trust - Checking	6,967	-	-	6,967
New MexiGROW LGIP	-	171	-	171
Morgan Stanley -CD	-	-	199,967	199,967
Morgan Stanley -CD	-	-	199,828	199,828
Morgan Stanley -CD	-	-	204,840	204,840
Morgan Stanley -CD	-	-	100,001	100,001
Total	2,818,699	171	704,636	3,523,506
Reconciling items	<u>(1,409,022)</u>	<u>-</u>	<u>1,774</u>	<u>(1,407,248)</u>
<i>Reconciled balance June 30, 2017</i>	<u><u>\$ 1,409,677</u></u>	<u><u>\$ 171</u></u>	<u><u>\$ 706,410</u></u>	<u>2,116,258</u>
Plus: Petty cash				900
Less: investments per Exhibit A-1				(706,581)
Less: agency cash per Exhibit D-1				(268,266)
<i>Cash and cash equivalents per Exhibit A-1</i>				<u><u>\$ 1,142,311</u></u>

* Not interest bearing accounts

See independent auditors' report.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Cash Reconciliation
 For the Year Ended June 30, 2017

	Operational 11000	Transportation 13000	Instructional Materials 14000	Food Services 21000
PED cash June 30, 2016	\$ 292,991	\$ 80,195	\$ 49,475	\$ 268,743
Add:				
2016-2017 receipts	13,983,386	898,272	133,547	1,118,859
Repayment of loans	-	-	-	-
Loans from other funds	-	-	-	-
Reimbursement from NMFA	-	-	-	-
Total cash available	<u>14,276,377</u>	<u>978,467</u>	<u>183,022</u>	<u>1,387,602</u>
Less:				
2016-2017 expenditures	(15,139,060)	(902,068)	(89,542)	(1,021,045)
Repayment of prior year loans	-	-	-	-
Repayment of SEG over payment	-	-	-	-
Loans to other funds	-	-	-	-
Transfers	-	-	-	-
Cash per PED	<u>(862,683)</u>	<u>76,399</u>	<u>93,480</u>	<u>366,557</u>
Add / Less:				
Loans for negative cash	(751,253)			-
Investments	(271,810)	-	-	(100,304)
Petty cash	-	-	-	18,136
Held checks	-	(76,389)	(14,543)	-
Other unidentified reconciling item	651	-	-	-
<i>Cash per financial statement</i>	<u>\$ (1,885,095)</u>	<u>\$ 10</u>	<u>\$ 78,937</u>	<u>\$ 284,389</u>

See independent auditors' report.

Athletics 22000	Non-Instructional Support 23000	Federal Flowthrough 24000	Federal Direct 25000	Local Grants 26000
\$ 8,518	\$ -	\$ (307,308)	\$ (66,445)	\$ 1,829
103,573	-	893,768	631,961	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>112,091</u>	<u>-</u>	<u>586,460</u>	<u>565,516</u>	<u>1,829</u>
(145,595)	-	(736,637)	(539,095)	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>(33,504)</u>	<u>-</u>	<u>(150,177)</u>	<u>26,421</u>	<u>1,829</u>
34,404	-	141,191	180,706	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	8,986	(8,607)	-
<u>\$ 900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,520</u>	<u>\$ 1,829</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Cash Reconciliation
 For the Year Ended June 30, 2017

	State Flowthrough 27000	State Direct 28000	Local and State 29000	Bond Building 31100
PED cash June 30, 2016	\$ (103,380)	\$ -	\$ 10,735	\$ 980,274
Add:				
2016-2017 receipts	406,979	25,087	9,344	516,327
Repayment of loans	-	-	-	-
Loans from other funds	-	-	-	-
Reimbursement from NMFA	-	-	-	-
Total cash available	<u>303,599</u>	<u>25,087</u>	<u>20,079</u>	<u>1,496,601</u>
Less:				
2016-2017 expenditures	(666,863)	(25,087)	(13,667)	(825,440)
Repayment of prior year loans	-	-	-	-
Repayment of SEG over payment	-	-	-	-
Loans to other funds	-	-	-	-
Transfers	-	-	-	-
Cash per PED	<u>(363,264)</u>	<u>-</u>	<u>6,412</u>	<u>671,161</u>
Add / Less:				
Loans for negative cash	363,174	-	-	-
Investments	-	-	-	-
Petty cash	-	-	-	-
Held checks	-	-	-	-
Other unidentified reconciling item	<u>90</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Cash per financial statement</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,412</u>	<u>\$ 671,161</u>

See independent auditors' report.

Special Capital Outlay - Local 31300	Capital Improvements SB-9 31700	Special Capital Outlay - State 31701	Debt Service 41000	Total
\$ 334,467	\$ 85,730	\$ -	\$ 2,593,035	\$ 4,228,859
-	191,940	343,540	1,091,447	20,348,030
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>334,467</u>	<u>277,670</u>	<u>343,540</u>	<u>3,684,482</u>	<u>24,576,889</u>
-	(31,778)	(485,326)	(2,035,118)	(22,656,321)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	(277,670)	277,670	-	-
<u>334,467</u>	<u>(31,778)</u>	<u>135,884</u>	<u>1,649,364</u>	<u>1,920,568</u>
-	31,778	-	-	-
(334,467)	-	-	-	(706,581)
-	-	-	-	18,136
-	-	-	-	(90,932)
-	-	-	-	1,120
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,884</u>	<u>\$ 1,649,364</u>	<u>\$ 1,142,311</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Collateral Pledged by Depository for Public Funds
 June 30, 2017

Schedule V

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market June 30, 2017</u>
Wells Fargo				
	BNY MELLON	11/1/2026	3138AXSL6	\$ 678,797
	BNY MELLON	4/1/2043	3138WRQJ2	113,499
	BNY MELLON	9/1/2032	31418AJK5	<u>583,972</u>
	Total Wells Fargo			<u>1,376,268</u>
Name and location of safekeeper for above pledged collateral: Wells Fargo Bank, N.A.				
	<i>Total pledged collateral</i>			<u><u>\$ 1,376,268</u></u>

See independent auditors' report.

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Changes in Assets and Liabilities - Agency Funds
 For the Year Ended June 30, 2017

Schedule VI

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Athletic Activity	\$ 95,744	\$ 142,455	\$ 138,392	\$ 99,807
Elementary School Activity	65,082	144,568	150,877	58,773
Intermediate School Activity	37,321	59,295	61,006	35,610
Sixth Grade Academy Activity	21,916	57,691	57,434	22,173
Middle School Activity	17,899	45,833	42,147	21,585
High School Activity	6,860	20,118	11,044	15,934
Chris Peterson Scholarship Fund	-	7,417	-	7,417
Dan Lee Memorial Trust	-	6,967	-	6,967
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Totals</i>	<u>\$ 244,822</u>	<u>\$ 484,344</u>	<u>\$ 460,900</u>	268,266
				 <u>\$ 268,266</u>
				 <u>\$ 268,266</u>
				 <u>\$ 268,266</u>

See independent auditors' report.

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COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Pojoaque Valley Schools
Pojoaque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the General Fund and major special revenue funds that have legally adopted annual budgets of the Pojoaque Valley School District (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2017. Our report presents a qualified opinion over the capital assets presented in the governmental activities for the year ended June 30, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the

deficiencies described in the accompanying schedule of findings and questioned costs as FS 2015-003 and FS 2017-001 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as FS 2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters identified as FS 2017-003 that is required to be reported under *Government Auditing Standards*.

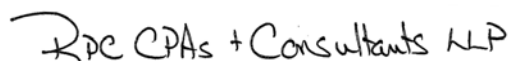
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items NM 2017-001, NM 2017-002, NM 2017-003 and NM 2017-004.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 15, 2017

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FEDERAL FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
Board of Education
Office of Management and Budget
Pojoaque Valley School District's
Pojoaque, New Mexico

Report on Compliance for the Major Federal Program

We have audited Pojoaque Valley School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2017. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2017.

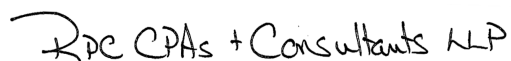
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 15, 2017

STATE OF NEW MEXICO
 Pojoaque Valley Schools
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

<u>Federal Grantor or Pass-Through Grantor / Program Title</u>	<u>Pass Thru Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
U.S. Department of Education					
<i>Passed through New Mexico Public Education Department</i>					
Title I Grants to Local Educational Agencies	24101	84.010	\$ 284,247	\$ -	\$ -
Special Education Grants to States	24106	84.027 (1)	342,937	-	-
Special Education Preschool Grants	24109	84.173 (1)	2,798	-	-
IDEA-B "Risk Pool"	24132	84.027A (1)	29,417	-	-
English Language Acquisition	24153	84.365A	22,317	-	-
Supporting Effective Instruction State Grant	24154	84.367A	98,575	-	-
Carl D. Perkins Secondary Current	24184	84.0480	-	-	-
<i>Subtotal - Pass through New Mexico Public Education Department</i>			<u>780,291</u>	<u>-</u>	<u>-</u>
Direct U.S. Department of Education					
Impact Aid - General Fund	* 11000	84.041	1,025,741	-	-
Impact Aid Special Education	* 25145	84.041	54,466	-	-
Impact Aid - Indian Education	* 25147	84.041	292,442	-	-
<i>Subtotal - Direct U.S. Department of Education</i>			<u>1,372,649</u>	<u>-</u>	<u>-</u>
Total U.S. Department of Education			<u>2,152,940</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture					
<i>Passed through State of New Mexico</i>					
National School Lunch Program	21000	10.555 (2)	1,055,648	-	-
Schools and Roads	11000	10.665	26,739	-	-
Total U.S. Department of Agriculture			<u>1,084,059</u>	<u>-</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 3,236,999</u>	<u>\$ -</u>	<u>\$ -</u>

* Denotes Major Federal Financial Assistance Program

() Denotes Cluster

See independent auditors' report.
 See accompanying notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Pojoaque Valley School District and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans

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

3. 10% de minimus Indirect Cost Rate

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

4. Federally Funded Insurance

The District has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,236,999
Total expenditures funded by other sources	<u>20,162,186</u>
<i>Total expenditures</i>	<u><u>\$ 23,399,185</u></u>

STATE OF NEW MEXICO
Pojoaque Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors’ report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements? | Yes |

Federal Awards:

- | | | | | | | | |
|--|------------------------|------------------------|--------|--|--------|------------|--|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | | | |
| 2. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a) | None noted | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>CFDA</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">Number</td> <td></td> </tr> <tr> <td style="text-align: center;">84.041</td> <td style="text-align: center;">Impact Aid</td> </tr> </table> | <u>CFDA</u> | <u>Federal Program</u> | Number | | 84.041 | Impact Aid | |
| <u>CFDA</u> | <u>Federal Program</u> | | | | | | |
| Number | | | | | | | |
| 84.041 | Impact Aid | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | |

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FS 2015-003 — Insufficient Capital Assets Records (Material Weakness)

Condition: The District does not have an accurate and complete listing of cumulative capital assets by asset category with enough detail to know what the asset is or where it is located.

Progress from prior year: See agency response below.

Criteria: Per the 2013 COSO Framework, management is responsible for establishing and maintaining internal controls that included controls for the District’s capital assets. Management is responsible for establishing and maintaining internal controls that included controls for the District’s capital assets. Controls should include reconciliation of all a capital expenditures to capital asset additions, as well as an annual physical inventory.

Effect: The District’s control over capital assets were not adequate to ensure that a material misstatement to financial reporting for capital assets would be prevented and/or detected. A qualification of opinion is issued on the District’s financial statements.

Cause: Limited staff resources contributed to difficulties in establishing adequate controls over capital assets.

Auditors’ Recommendations: We recommend the District identify the resources necessary to compile an adequate financial records for capital assets. In addition, we recommend the District put in place a process so capital assets and associated depreciation are calculated appropriately.

Agency Response: Management has identified resources necessary to engage our Auditor to completely redo and engage in a district-wide Capital Asset Inventory in the late fall or early spring. Once the inventory has been done and listed, management will expect for it to be monitored and maintained. This will be the responsibility of the District finance department and it will be completed by June 30, 2018.

FS 2017-001 — Unallowable Use of Restricted Cash (Material Weakness)

Condition: The District has a negative cash and investment balance of \$1,534,338 in its General Fund and used cash restricted in other funds cash deficits in the General Fund.

Criteria: Cash and investments in the special revenue, capital projects, and debt service funds are all internally or externally restricted and should not be used to support General Fund expenditures.

Effect: If the expenditures are not allowed, the District could be required to pay back the restricted monies and be at risk of not receiving these funds in the future.

Cause: The District had \$1,818,478 in expenditures in excess of revenue and did not have the unrestricted cash and investments to fund operations. In addition, the District pools all of its cash and did not restrict the use of funds to the purpose required by the fund. Finally, the District lent other funds \$660,455 as of June 30, 2017 related to RFR's pending PED reimbursement.

Auditors' Recommendations: We recommend that the District stop using restricted funds to supplement the cash shortage in the General Fund and take appropriate budgetary measures to replenish the fund. We also recommend that the District use restricted funds only for the purposes for which the funds are restricted. Finally, the District should continue to work with PED to get RFR's processed in a more timely manner and to free up any restricted money that can be used to fund operations.

Agency Response: Once discovered and pointed out that cash sweeps are occurring nightly for all funds through our bank, Management ordered the bank to stop doing this at once. No longer will funds be swept from the restricted special revenue, capital projects, and debt service funds. Management has kept separate records to verify the funds available for the projects and programs identified. Once identified Management determined that this practice has occurred for the last 10 to 15 years.

Management worked with NMPED specifically from May 2017 until October 2017, at other times throughout the last two years to make appropriate determination and allocation of CD proceeds to balance the budget; however, agreement was not reached until October 2017. Management also maintains that Management continues to work with NMPED to provide necessary RFR reimbursements to small school districts in a timely manner. Management usually has between \$250,000 and \$500,000 sitting in RFR reimbursements which ties up cash at year end. Management continues to work with NMPED on getting those reimbursements back quickly. The RFRs in question, were deposited to the District's bank account in the first week of July 2017. This is one week past the fiscal year end. To date, in agreement with NMPED, management has moved CDs and Management has determined the yield from Impact Aid and from growth units - all of which will balance the budget. The business official attended a week long training with NMPED and Management will continue this. Furthermore, our Auditor offers training of which Management will take advantage. Additionally, Management (Business Manager) has agreed to do monthly reporting with NMPED and closely monitor all budget and actuals. All budget managers have been trained and are carefully guided at each weekly meeting and in each administrators meeting, as well as other times, in monitoring and supporting budget. The District expected to have this resolved no later than June 30, 2018.

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS (CONTINUED)

FS 2017-002 — Improper Accrual of Accounts Receivable (Significant Deficiency)

Condition: The District did not include two receivable transactions totaling \$53,066 in its accounts receivable listing.

Criteria: Generally Accepted Accounting Principles (GAAP) state that revenue, and the related accounts receivable, is recognized in the period in which the revenue is earned and available to finance expenditures of the current period.

Effect: The District’s assets and revenues were understated by the missing accruals.

Cause: The District prepared the accounts receivable listing at year end and incorrectly excluded items from the accrual.

Auditors’ Recommendation: We recommend the District put in place a process to ensure the recording all accounts receivable as part of their closing process. In addition, we recommend the District refresh itself on the GAAP accounting for accounts receivable.

Agency Response: In conducting research, Management found that in fact those deposits were for RFRs for 16/17 and also for the summer food program for June 2017. These deposits were made and correctly entered into the Visions system. When completing the auditor’s excel spreadsheet that was provided to us, a clerical entry error was made and these deposits were not entered into that spreadsheet. Far more detail and attention will be provided to ensure proper data entry and information is provided. The Business Manager is responsible for the corrections of this; additionally this has already been corrected for the current fiscal year.

FS 2017-003 — Audit Report Submission to Federal Audit Clearinghouse (Other Noncompliance Matter)

Condition: The District did not submit the Data Collection Form to the Federal Audit Clearinghouse by the required due date.

Criteria: Per 2 CFR 512(a), the audit report was due to the Federal Audit Clearinghouse within 30 days of release date of the financial statement or 9 months after the end of the fiscal year. This date was February 9, 2017 for the June 30, 2016 report.

Effect: The District is not in compliance with Uniform Guidance. Late submissions could impact funding from federal and state sources.

Cause: The Data Collection Form has not been submitted by the District or the predecessor auditor.

Auditors’ Recommendation: We recommend that the District and the predecessor auditor work together to submit the data collection form as soon as possible and submit the current year data collection form in a timely manner for the current fiscal year.

Agency Response: Management agrees that the previous auditor, in spite of constant reminders, did not submit the documentation to the Federal Audit Clearinghouse, and still has not done it for the 2016 audit because the district is still getting notices. These notices, along with information about this situation have been given to the current auditor and they will submit both 2016 and 2017 data collection forms as part of their submission. This is the responsibility of the Business Manager to ensure it has been completed. This will be completed within 30 days of the release of the FY17 report from the Office of the State Auditor.

SECTION III – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2017-001 — Improper Travel and Per Diem Reimbursements (Finding that did not rise to the level of significant deficiency)

Condition: The District did not follow the New Mexico Travel and Per Diem Act in two of the ten transactions tested, totaling \$135.10.

- In one of the ten transactions the District reimbursed an employee for meals in the amount of \$135 over a four-day period using the actuals calculation without any itemized receipt or an affidavit for lost receipts on file.
- In one of ten transactions, the District over-reimbursed an employee by \$0.10 due to a clerical error.

Criteria: NMAC 2.42.2.9B(3) states “Receipts required: The public officer or employee must submit receipts for the actual meal and lodging expenses incurred. Under circumstances where the loss of receipts would create a hardship, an affidavit from the officer or employee attesting to the expenses may be substituted for actual receipts...”

Effect: The District is not in compliance with the Travel and Per Diem Act.

Cause: A clerical error was made due to an update to one of the amounts being used for reimbursement of the expenses incurred and the total was never recalculated after this change. Additionally, the District’s interpretation of NMAC 2.42.2.9B(3) was that if receipts were not kept for actuals, they gave the employee the maximum amount allowable for meals.

Auditors’ Recommendation: We recommend that the District reviews and follows the NMAC Travel and Per Diem Act with all travel expenditures and we recommend all travel reimbursements are recalculated after any changes or adjustments are made.

Agency Response: Management agrees that in the sampling process that one item reimbursed \$135.00 to an individual without receipts, and one individual was overpaid by .10 cents due to a clerical error. Management has already put into place a clear and precise travel and reimbursement process in policy and procedure. A new set of policies were adopted by the school board during school year 2016-2017 – numbers 102, 451, 453 and 454. This information and direction is also included in the Employee Handbook. All persons are expected to follow directives and if deviations occur, the superintendent is to be notified for appropriate response. All staff have been trained and will be expected to maintain the system of controls.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION III – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)

NM 2017-002 — Exceeded Budget Authority - (Finding that did not rise to the level of significant deficiency)

Condition: The District over expended its budget in the following funds and functions:

Nonmajor Funds	
Athletics - Instructional Support	<u>\$ 15,279</u>
Total Governmental Funds	<u><u>\$ 15,279</u></u>

Criteria: NMAC 6.20.2.10 states that all District funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Public Education Department for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Effect: The internal controls established by adherence to budgets has been compromised and excess spending could result and has resulted in noncompliance with state requirements.

Cause: The District did not properly submit a budget adjustment for the function in which actual expenses were greater than final budget at the end of the fiscal year.

Auditors' Recommendations: We recommend that the District monitor its budgets closely and prepare budget adjustments as necessary and that the district submits all budget adjustments timely in the future.

Agency's Response: The Business Manager, along with all Management of the District will continue to monitor budgets closely and prepare budget adjustments as necessary and the district will submit all budget adjustments in a timely manner. This will be corrected by June 30, 2018.

STATE OF NEW MEXICO
Pojoaque Valley Schools
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

SECTION III – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)

NM 2017-003 — Cash Appropriations in Excess of Available Cash Balances (Finding that did not rise to the level of significant deficiency)

Condition: The District maintained a deficit budget in excess of available cash balances in the following funds and functions:

	Designated Cash	Beginning of Year Cash and Interfund Receivable Available	Cash Appropriation in excess of Available
General Fund - Operational	\$ (1,590,452)	\$ 515,802	\$ 1,074,650
Athletics Fund	(8,616)	8,518	98
Impact Aid Special Education Fund	(30,156)	-	30,156
Impact Aid Indian Education Fund	(170,661)	14	170,647
Bond Building Capital Improvement Fund	(1,629,751)	980,274	649,477
SB-9 Capital Improvement Local Fund	(277,670)	-	277,670

Criteria: Section 2.2.2.10(R)(1)(b), NMAC, states “If budgeted expenditures exceed budgeted revenue (after prior-year cash and any applicable federal receivables used to balance the budget), that fact shall be reported in a finding.

Effect: The District had to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: The District did not monitor the budget versus available cash.

Auditors’ Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process, including end-of-the-year cash balance estimates.

Agency’s Response: Management agrees that budget deficits, if any, will be closely monitored so that any budget deficits will be addressed by insuring that all funds have adequate budgetary authority and sufficient cash balances.

With regard to Impact Aid Special Education, Impact Aid Indian Education, PreK Initiative, PreK Classroom, Bond and SB9 specifically, revenues were budgeted but were not budgeted in correct object codes. Also, budget adjustments were not processed to align the cash that was budgeted with the cash that was on the previous audit report.

The school district continues to devote a great deal of time and attention to the budget monitoring process and year-end cash balance estimates. All budget managers have been trained and are carefully guided at each weekly meeting and in each administrators meeting, as well as other times, in monitoring and supporting budget.

Management worked with NMPED specifically from May 2017 until October 2017, and at other times throughout the last two years to make appropriate determination and allocation of CD proceeds to balance the Operational budget; however, agreement was not reached until October 2017. Additionally, through cash sweeps and reductions in budging, Management had to wait to determine next steps. Management also maintains that NMPED needs to provide necessary RFR reimbursements to small school districts in a timely manner. Management usually has between \$250,000 and \$500,000 sitting in RFR reimbursements which ties up cash at year end. Management continues to work with NMPED on getting those reimbursements back quickly.

SECTION III – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)

NM 2017-003 — Cash Appropriations in Excess of Available Cash Balances (Finding that did not rise to the level of significant deficiency)

Agency's Response (continued): The RFRs in question, were deposited to the District's bank account in the first week of July 2017. To date, in agreement with NMPED, management has moved CDs and Management has determined the yield from Impact Aid and from growth units – all of which will balance the budget. The business official attended a week long training with NMPED and Management will continue this. Furthermore, our Auditor offers training of which Management will take advantage. Additionally, Management has agreed to do monthly reporting with NMPED and closely monitor all budget and actuals.

In the future, Management will make sure all revenues are budgeted in the correct object codes, and immediately process budget adjustments if they are not in the correct object codes. Also, when the audit report is completed, if there are any funds that the cash amount is not aligned with the audit report, Management will process budget adjustments to either increase or decrease the cash amount.

SECTION III – NEW MEXICO STATE AUDIT RULE SECTION 12-6-5 NMSA 1978 FINDINGS (CONTINUED)

NM 2017-004 — Late and Incorrect Cash Schedule filed with New Mexico Public Education Department – Other Noncompliance

Condition: The District had multiple submissions of incorrect Final Cash Reports to the New Mexico Public Education Department, which resulted in rejections of the cash reports and late resubmittal to New Mexico Public Education Department. The final submission, while agreeing in total, did not agree by fund to the District’s financial statements.

Criteria: The official memo from New Mexico Public Education Department to Superintendents, Business Managers and Charter Representatives dated June 28, 2017 stated that the due date for Final Cash Report-PED 920F, is August 1, 2017.

Effect: The District is not providing accurate and timely cash information to the Public Education Department.

Cause: The District had miscommunications with PED on how to compile the PED Cash Report. Also, the District did not verify that the final PED cash report agreed to the District’s financial statement by fund.

Auditors’ Recommendations: We recommend that the District prepare and reconcile the cash report earlier to review and ensure the report submitted is final and correct. We also recommend that the District works with New Mexico Public Education Department to resolve any discrepancies in time to submit the PED cash report by the deadline.

Agency’s Response: Management had multiple submissions of Final Cash Reports to NMPED, which resulted in rejections of the cash reports and late resubmittal to New Mexico Public Education Department, specifically from May 2017 until October 2017. The final submission, while agreeing in total, did not agree by fund to the District’s financial statements. Management has worked with NMPED and has reached agreement with them about the proper way they wish things done and created. We also agree with NMPED to work with NMPED to resolve any discrepancies in time to submit the PED cash report by the deadline. The District had miscommunications with PED on how to compile the PED Cash Report. Management has created a clear working relationship with NMPED based on clear and precise communication going forward. Additionally, Management has agreed to do monthly reporting with NMPED and closely monitor all budget and actuals. The business official attended a week long training with NMPED and Management will continue this. Furthermore, our Auditor offers training of which Management will take advantage. Additionally, Management has agreed to do monthly reporting with NMPED and closely monitor all budget and actuals. All budget managers have been trained and are carefully guided at each weekly meeting and in each administrators meeting, as well as other times, in monitoring and supporting budget.

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SECTION IV – FEDERAL AWARD FINDINGS

No federal award findings noted

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SECTION V – PRIOR YEAR AUDIT FINDINGS

FS 2015-001 (2015-001) – Activity fund deposits and the 24 hour deposit rule – Significant deficiency- Resolved

2015-002 – Invoice date preceding purchase order date – Significant deficiency- Resolved

2015-003 – Capital Asset Inventory – Significant deficiency- Repeated and Modified

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Other Disclosures
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OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 13, 2017. In attendance were the following:

Representing Pojoaque Valley School District:

Dr. Melville Morgan – Superintendent
Sondra Adams – Assistant Superintendent
Michelle Ortiz – Business Manager
Jeffrey D. Atencio – Board Vice President
Sharon Dogrueel – Board Member

Representing RPC CPAs + Consultants, LLP:

Danny Martinez, CPA, CGFM – Partner

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of Pojoaque Valley Schools from the original books and records provided to them by the management of the District. The responsibility for the financial statements remains with the District.